

TRS Plan 3 Handbook

Teachers' Retirement System

making it easy to see your future

January 2018

WASHINGTON STATE
Department of Retirement Systems





Teachers' Retirement System (TRS) — Plan 3

Welcome to TRS

- 2 Plan summary
- 3 How to contact the Department of Retirement Systems
- 3 Privacy of your information
- 4 How your plan works
- 8 Planning for retirement

Milestones/ life changes

- 8 Becoming vested
- 9 Leaving public service
- 9 Returning to public service
- 9 Marriage or divorce
- 10 If the unexpected happens

Approaching retirement

- 11 Retirement planning checkup
- 11 Service retirement
- 12 Early retirement
- 13 Retiring as a dual member
- 13 Estimating your benefit
- 13 Purchasing an annuity
- 14 Purchasing additional service credit
- 14 Updating your plan for retirement

Ready to retire

- 14 Applying for retirement
- 15 Your defined benefit options
- 15 Health insurance coverage
- 15 Federal benefit limit
- 16 Federal tax on your monthly benefit
- 16 Legal actions
- 16 When and how your benefit will be paid

Once you retire

- 16 Cost-of-Living Adjustment (COLA)
- 16 Working after retirement
- 17 Benefit overpayments or underpayments
- 17 Changing a benefit option or survivor after you retire

- 18 Glossary of terms
- 19 Index

Welcome to the Teachers' Retirement System



Plan summary

TRS Plan 3 has two parts — a defined benefit part and a defined contribution part.

Your employer contributes to your **defined benefit** part. You contribute to the **defined contribution** part.

When you meet plan requirements and retire, you are guaranteed a monthly benefit for the rest of your life from the defined benefit part.

Your monthly benefit will be based on your earned service credit and compensation while a member of TRS Plan 3.

This formula will be used to calculate your monthly benefit:

$$1\% \times \text{service credit years} \times \text{Average Final Compensation} = \text{monthly benefit}$$

The value of your defined contribution part will consist of your contributions and their investment returns.

Your employer contributes a percentage based on your salary or wages to help fund the defined benefit part of TRS Plan 3.

The Pension Funding Council adopts contribution rates and periodically adjusts them to reflect the overall cost of the plan. The Legislature has the final decision on contribution rates.

You are vested in the plan when you meet one of the following service requirements:

- 10 service credit years
- Five years of service credit with at least 12 of those months being earned after age 44
- Five service credit years earned in TRS Plan 2 before June 1, 2003

Once vested, you are eligible to retire with a full benefit at age 65.

Retirement before 65 is considered an



DRS web tools

These tools can help you become retirement ready during your working years:

- *Live webinars*
- *Retirement Seminars*
- Benefit estimator within *online account access*
- *Deferred Compensation Program (DCP)*

To learn more, turn to page 8.

early retirement. If you have at least 10 years of **service credit** and are 55 or older, you can choose to retire early, but your benefit might be reduced. There is less of a reduction if you have 30 or more years of service credit.

If the unexpected happens — disability or death before retirement — a benefit might be available.

If you become totally incapacitated and leave your job as a result, you might be eligible for a disability retirement benefit.

If you die before you retire, your spouse, registered **domestic partner** or minor child, if applicable, could be eligible to receive a benefit based on your years of service credit.

Log in to or sign up for online access to your retirement account.







Track your contributions and service credit. Read the latest newsletter. Update your **beneficiary** information or email address. Use your individual data to estimate your monthly benefit. And when you're ready, apply for retirement. You can get started at www.drs.wa.gov/oaa.



How to contact the Department of Retirement Systems

The Washington State Department of Retirement Systems (DRS) administers the Teachers' Retirement System and the Deferred Compensation Program (DCP). DRS maintains your defined benefit component (the part your employer contributes to). Empower Retirement, the Plan 3 record keeper, maintains your defined contribution account (the part you contribute to).

To contact DRS

<p>Call </p> <p>360.664.7000 800.547.6657 TTY 711</p>	<p>Write </p> <p>Department of Retirement Systems PO Box 48380 Olympia, WA 98504</p>	<p>Email </p> <p>General inquiries: <i>recep@drs.wa.gov</i></p> <p>Send a secure message through your online account: <i>drs.wa.gov/oa</i></p>
<p>Visit </p> <p>6835 Capitol Blvd. Tumwater, WA 98501</p> <p>See the DRS website for directions.</p>	<p>Hours </p> <p>Monday - Friday 8 am to 5 pm Pacific Time</p>	<p>Website </p> <p><i>drs.wa.gov</i></p> <p>You can also send email through the Contact Us page on the DRS website.</p>

To contact DCP

<p>Call </p> <p>888.327.5596 TTY 711 Fax 866.745.5766</p>	<p>Email </p> <p><i>savewithwa@empower-retirement.com</i></p>	<p>Website </p> <p><i>drs.wa.gov/savewithwa</i></p>
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Privacy of your information

We are committed to protecting the privacy of your personal account information, including your Social Security number, which we use to track your account and submit required reports to the IRS. We will not disclose your information to anyone unless we are required to do so by law. If you have insurance coverage through the *Washington State Public Employees Benefits Board (PEBB)*, we could share your information with PEBB to better serve you.

Handbook summary

This handbook is not a complete description of your retirement benefit. State retirement laws govern your benefit. If any conflicts exist between the information shown in this handbook and what is contained in current law, the law governs.

Glossary

Terms highlighted in **bold** print appear in the glossary of terms on page 18.



How your plan works

Overview

TRS Plan 3 is a 401(a) **defined benefit** plan with a **defined contribution** component. When you retire, you will receive a monthly benefit for the rest of your life that is based on your earned service credit and your **Average Final Compensation** (AFC). Even though the contributions your employer makes help to fund the plan overall, they don't factor into the monthly defined benefit you will receive.

For your defined contribution portion, you choose how your contributions will be invested. The Washington State Investment Board provides a range of options. The amount of your defined contribution account depends on how much you contribute and the performance of your investments.

Eligibility for TRS Plan 3

You are eligible for TRS Plan 3 membership if the teaching position you were hired into on or after July 1, 1996, is eligible. TRS members hired on or after July 1, 2007, have 90 days from the first day of employment to choose between TRS Plans 2 and 3.

It's possible you defaulted into Plan 3 if you didn't specifically choose it. It's also possible that you were in TRS Plan 2 and chose to transfer to Plan 3.

An eligible teaching position is one that is normally compensated for at least 70 hours of work per month for at least five months between September and August.

A teacher is anyone who is certified to teach and is employed by a public school as an instructor, administrator or supervisor. This includes:

- State, educational service district and school district superintendents and their assistants
- School district and educational service district employees who the Washington Superintendent of Public Instruction certificated
- Any full-time school doctor a public

school employs to provide instructional or educational services

If you are a substitute teacher, your membership in TRS is optional. To learn more, read the *TRS Plans 2 & 3 Substitute's Guide*.

Previous membership in another Washington state public service retirement system

Membership in another of Washington's public service retirement **systems** (including the city retirement systems of Seattle, Tacoma or Spokane) can affect your:

- Eligibility for TRS Plan 3 membership
- Eligibility to retire
- Benefit calculation

If you have ever been a member in another of Washington's public service plans, it is important that you contact us to confirm your eligibility and discuss your retirement options.

Your employer's contributions to the plan

Contributions your employer makes fund your future **defined benefit**. They are based on a percentage of your salary or wages. They aren't matching funds, and you cannot withdraw them if you leave public service.

Your contributions to the plan

Your contributions and their investment earnings fund your **defined contribution** benefit. You are required to contribute a percentage of your salary or wages to your retirement plan.

Federal law limits the amount of compensation you can pay retirement system contributions on and that can be used in your benefit calculation. In 2018, that limit is \$275,000; the amount can be adjusted each year.

If you reach the limit in any calendar year, you don't pay contributions for the remainder of the year and any salary earned over that amount isn't used in your defined benefit pension calculation.

You choose how much you contribute from six rate options.

Member contribution rate options

Option A	5% all ages
Option B	5% up to age 35 6% ages 35 through 44 7.5% ages 45 and older
Option C	6% up to age 35 7.5% ages 35 through 44 8.5% ages 45 and older
Option D	7% all ages
Option E	10% all ages
Option F	15% all ages

If you don't choose a contribution rate, your withholding will default to Option A.

Once your rate is set, you can change it only when you change TRS-covered employers. Changing means working for a different employer, not another division or department within your current workplace.

Your investment options

You have two investment program options: the Self-Directed Investment Program and the Washington State Investment Program.

If you choose the Self-Directed Investment Program, you can pick from two approaches: One-Step Investing and Build and Monitor.

The One-Step Investing approach is made up of 12 Retirement Strategy Funds. Each one is diversified and automatically rebalances, adjusting your asset mix as you move toward a target date that meets your needs and lifestyle.

Example

Choosing a Retirement Strategy Fund

Take the year you were born and add it to the age you expect to retire or withdraw your funds. The sum is your target date.
 $birth\ year + retirement\ age = target\ date$
 Ex: $1968 + 65 = 2033$

Pick the fund with the date closest to your target date.

Retirement Strategy Funds

Your birth year	Your default fund
1937 or earlier	Retirement Maturity Strategy*
1938-1942	2005
1943-1947	2010
1948-1952	2015
1953-1957	2020
1958-1962	2025
1963-1967	2030
1968-1972	2035
1973-1977	2040
1978-1982	2045
1983-1987	2050
1988-1992	2055
1993 or later	2060

* The Retirement Maturity Strategy Fund is allocated for investors who have been retired for 15 years or more.

With Build and Monitor, you choose your own mix of individual funds and decide how much to invest in each one. You choose from a menu of professionally managed funds and are responsible for monitoring your investments and making changes.

Build and Monitor funds

Emerging Market Equity Index
U.S. Small Cap Value Equity Index
Global Equity Index
U.S. Large Cap Equity Index
Socially Responsible Balanced
Washington State Bond Fund
Short-Term Investment Fund

If you choose the Washington State Investment Program, the Washington State Investment Board (WSIB) will invest your contributions in its Total Allocation Portfolio (TAP). A monthly valued fund, TAP is a diversified portfolio of U.S. and international stocks, bonds, private equity and real estate investments.

If you don't choose an investment program, your contributions will default into the Self-Directed Investment Program. They will be invested in the Retirement Strategy Fund that assumes you'll retire at age 65.

To learn more about your investment options, visit the [Plan 3 Investments](#) webpage.

Earning service credit

Service credit is based on the number of hours you work, which your employer reports to DRS. When you retire, your service credit is a part of your monthly benefit calculation.

No more than one month of service credit can be earned each calendar month, even if more than one employer is reporting hours you work.

Review the chart at the bottom of the page to determine how much service credit you earn. A school year spans Sept. 1 through Aug. 31.

If one or both of the following apply to you, you need to know additional service

credit information:

- You're an employee who has previous membership in another Washington state public retirement **system**:
 - » If you have earned **service credit** in another of the state's public retirement systems, you might be able to combine your TRS service credit with credit you earned in the other system(s) to become eligible for retirement. For more information, read the [Dual Membership](#) webpage.
- You're an employee of the Washington State School for the Blind, the Center for Childhood Deafness and Hearing Loss, or an institution of higher learning:
 - » If you begin working in September in an eligible position and earn compensation during at least nine months of the school year, you can receive 12 service credit months for the school year if you are compensated for at least 810 hours of employment. Six service credit months can be awarded if you start in September and are compensated for at least 630 hours but fewer than 810 hours during the school year.
 - » If you earn compensation in fewer than nine months of the school year, you will receive service credit based on the number of hours you

Earning service credit

You work					
810 hours or more, begin working in September and work during at least nine months of the school year	Between 630 and 809 hours, begin working in September, and work during at least nine months of the school year	At least 630 hours during at least five months within a six-month period during the school year	In all other instances		
			90 or more hours in a month	At least 70 hours but fewer than 90 hours	Between one and 70 hours
You earn					
12 service credit months per school year	Six service credit months (half a service credit for each month) per school year	Beginning in the 2008-09 school year, six service credit months per school year	One service credit month per month	Half a service credit month per month	One-quarter service credit month for each month

are compensated for each month.

Claiming credit for substitute teaching

If you work as a substitute teacher, your employer reports your hours and earnings to DRS. However, contributions aren't deducted from your paycheck. If you meet eligibility requirements and would like to receive credit for your service, you must enroll with DRS after Aug. 31 of each school year and pay the appropriate contributions.

To learn more, read the *TRS Plans 2 & 3 Substitute's Guide*.

Designating your beneficiary

The **beneficiary** information you give DRS tells us the person(s) you want to receive your remaining benefit, if any, after your death. You can submit or update your beneficiary information at any time before retirement in your *online retirement account*. Sign up for or log in to your account. Then select **My Account** > **View/Edit** (beside **Beneficiary**). You have the option of submitting a paper *Beneficiary Designation* form instead, if you prefer.

If you don't submit this information, any benefits due will be paid to your surviving spouse or minor child. If you don't have a surviving spouse or minor child, we will pay your estate.

Be sure to review your beneficiary designation periodically and update it in your online retirement account if you need to make a change. If you marry, divorce or have another significant change in your life, be sure to update your beneficiary designation because these life events might invalidate your previous choices.

State-registered **domestic partners**, according to RCW 26.60.010, have the same **survivor** and death benefits as married spouses. Contact the *Secretary of State's Office* if you have questions about domestic partnerships.

When you will be vested

You are vested in the plan when you have:

- 10 service credit years

- Five years of service credit with at least 12 of those months being earned after age 44
- Five service credit years earned before July 1, 1996

If you leave TRS employment before you're eligible to retire, you can leave your contributions in the plan. If you leave money in your defined contribution account, it will still be able to grow (subject to market conditions) while you retain control of your investment choices. If you decide to withdraw your contributions, you could reduce an important source of your retirement income.

When you will be eligible to retire

You are eligible to retire at age 65 if you are vested. Options to retire earlier are available (see "Early retirement" on page 12), but your benefit could be reduced to reflect that you will be receiving it over a longer period of time.

To retire early, you must be at least age 55 and have 10 or more years of service credit. Your early retirement benefit reduction will be smaller if you have 30 or more years of service credit.

Two parts to your benefit

Your benefit has two parts — a **defined benefit** part and a **defined contribution** part. Your employer contributes to your defined benefit part. You contribute to the defined contribution part.

How your defined benefit will be calculated

Your defined benefit is determined by your service credit years and compensation. No limit applies to the number of service credit years that can be included in your benefit calculation. When you retire, this formula will be used to calculate your benefit:

$$1\% \times \text{service credit years} \times \text{AFC} = \text{monthly benefit}$$

Average Final Compensation (AFC) is the average of your 60 consecutive highest paid service credit months. Any severance pay or lump sum payment for unused sick leave or vacation/annual leave isn't included.

Example

Using the formula

If you retire at age 65 with 32 years of service credit and a monthly Average Final Compensation of \$5,000, your monthly benefit is \$1,600, calculated as follows:

$$1\% \times 32 \times \$5,000 = \$1,600$$



Planning for retirement

Even though retirement might seem far away, planning for it now is one of the best things you can do for yourself and your family. Your monthly benefit will be an important part of your income in retirement, but it is just a portion of what you will need.

How do you begin developing your personal plan for retirement? First, estimate how much money you will need. That can vary based on factors that include:

- The lifestyle you'll want to lead when you retire
- Your health
- Whether you'll carry any debt into retirement
- Your life expectancy

Next, estimate how much money you will receive from all sources, such as your defined contribution, Social Security, personal savings and other employer pension plans. When you compare this number with what you think you will need, you can adjust your savings plan accordingly.

Many tools can help you plan. Here are some on the [DRS website](#):

- [Live webinars](#) are available to attend online. Topics include Plan 2, Plan 3, plan choice, the Deferred Compensation Program (DCP), distributions from Plan 3, investment basics and Social Security basics.
- Retirement seminars are available to attend in person. You can also watch seminars when it's convenient for you on the [DRS Retirement Seminars](#) webpage.

Topics include Plan 1, Plan 2, Plan 3, DCP, Social Security and health care options, and the Voluntary Employees' Beneficiary Association (VEBA).

- The benefit estimator within [online account access](#) can calculate your monthly benefit based on a variety of scenarios (for example, different retirement dates) using your actual account data. If you haven't already registered for this service, it takes just a few minutes to do so.
- The [Deferred Compensation Program](#) (DCP) is a special type of savings program that helps you invest for the retirement lifestyle you want to achieve. Unlike traditional savings accounts, DCP is tax-deferred. That means it lowers your taxable income while you are working and it delays payments of income on your investments until you withdraw your funds. Contributions are automatically deducted from your paycheck, so saving is easy. You can start with as little as \$30 per month. You can also let your contributions grow with percentage deductions.

Be sure to revisit your plan periodically and adjust for any changes in your professional and personal life.

Milestones/life changes



Becoming vested

You have earned a right to a **defined benefit** when you have:

- 10 **service credit** years
- Five years of service credit with at least 12 of those months being earned after age 44
- Five service credit years earned in TRS Plan 2 before July 1, 1996

This is called being **vested**. It's a significant milestone in your public service career.

Leaving public service

The **defined benefit** part of your plan is designed to provide you with a source of income throughout your retirement. You can't withdraw the contributions your employer makes to this part of your plan.

If you have at least 20 years of service credit when you leave employment, your defined benefit will increase by about 3% for each year you delay receiving it, up to age 65.

As a Plan 3 member, you can withdraw your contributions and investment earnings from your **defined contribution** account at any time after you leave TRS-covered employment. However, if you do, you could reduce an important source of your retirement income.

Withdrawing your contributions doesn't affect the amount of service credit you've earned. That means that if you are vested in TRS Plan 3, you will still receive a monthly defined benefit once you retire.

There are tax implications to withdrawing your contributions, so you might want to contact the IRS or a tax advisor before making a decision. The [Plan 3 Withdrawals](#) webpage offers more detailed information. The IRS requires that you begin taking payment of your monthly benefit no later than age 70½, unless you are still employed.

Be sure to keep us up to date on any changes to your name, address or **beneficiary**. It's important that you keep your beneficiary choice current, because a divorce, marriage or other circumstance might invalidate it.

Returning to public service

If you leave your position, withdraw your contributions and later return to TRS work, you can restore your Plan 3 contributions at any time unless you waived your **defined benefit**.

A **dual member**, or someone who belongs

to more than one retirement **system**, might be able to restore service credit earned in a retirement system other than TRS. Each time you become a **dual member**, you'll have 24 months to restore service credit earned in a previous retirement system. It might still be possible to purchase service credit after the deadline has passed. However, the cost in that case is considerably higher.

To explore financial projections and comparisons of your estimated retirement benefits, try using the [Plan Choice Calculator](#). You can learn more by reading [Plan 3 Recovery of Withdrawn or Optional Service Credit](#). You might find helpful information in the [Dual Membership](#) webpage as well.

Marriage or divorce

Marrying, divorcing or separating can affect your monthly benefit.

Court-ordered property division

A court-ordered property division could affect your benefit. As long as the order complies with applicable laws, we will pay a monthly benefit to your ex-spouse according to the division. The DRS publication [How Can a Property Division Affect My Retirement Account?](#) contains detailed information.

Updating your beneficiary

The **beneficiary** information you give DRS tells us the person(s) you want to receive your remaining benefit, if any, after your death. You can submit or update your beneficiary information at any time before retirement in your [online retirement account](#). Sign up for or log in to your account. Then select **My Account** > **View/Edit** (beside **Beneficiary**). You have the option of submitting a paper [Beneficiary Designation](#) form instead, if you prefer.

If you marry or divorce before you retire, you need to update your beneficiary information, even if your beneficiary remains the same. It's important that you keep your beneficiary designation up to date.



If the unexpected happens

Temporary leave from your job

You might need to take a temporary leave from your job because of:

- Military service
- An authorized leave of absence
- A temporary disability

If so, you might be able to obtain **service credit** for work time missed while you were on leave.

Service credit for military service

If you left your position for uniformed military service, you might be eligible to receive service credit for that period of military service.

To qualify, you must:

- Apply for a position with the same TRS employer within 90 days of receiving an honorable discharge
- Pay the contributions within five years of returning to employment or before you retire, whichever comes first; contributions might not be required if your military service occurred during certain periods of war

If you become totally incapacitated as a result of serving in the United States military, you (or your surviving spouse or children, in the case of your death) can apply for military service credit without your return to employment. Read *Plans 2 and 3 Military Service Credit* for more information.

Service credit for an unpaid, authorized leave of absence

You could be able to earn up to two years of service credit for an unpaid leave of absence that your employer authorized. To do so, you must:

- Return to work in a TRS-covered position
- Pay your contributions with interest as well as your employer's contributions with interest for the period of time you were on leave

You must complete payment within five years of returning to employment or before you retire, whichever comes first. You can learn

more by reading *Plan 3 Recovery of Withdrawn or Optional Service Credit*.

Disability before retirement

In some cases, you can obtain **service credit** for work time missed while you were on leave for a temporary disability.

If you become totally incapacitated and leave your job as a result, you might be eligible for a disability retirement benefit. To learn more, read *PERS/SERS/TRS Plans 2 and 3 Disability Benefits* or call us for information.

Death before retirement

If you are vested and die before you retire, your surviving spouse or registered **domestic partner** (or the guardian of your minor children), will receive a **defined benefit** payment calculated as if you had chosen a 100% survivor benefit (see Option 2 on page 15 in the "Ready to retire" section of this handbook) and retired the first of the month following the date of your death. The benefit will be reduced based on life expectancy factors for each year between the date of your death and the date you would have turned age 65.

If your surviving spouse or partner dies while receiving the benefit, your minor children will receive the benefit that was being paid to your survivor. The benefit will be divided equally among the children, and each will receive his or her portion until reaching age 18.

Regarding your **defined contribution** portion of your benefit, your beneficiary will have the right to choose one of the following options:

- Take payment in a lump sum cash distribution.
- Set up a scheduled payment plan.
- Roll over your defined contribution account into an eligible retirement account.

Death after retirement

If you die after you begin a service or disability retirement, your survivor could be eligible to receive a defined benefit, depending on the retirement option you chose.

If your defined contribution account has a balance in it, your beneficiary should contact DRS to learn more about his or her options. If you purchased an annuity, the payments continue or stop based on the terms of the annuity.

Death as a result of an injury or occupational disease sustained during employment

If the *Department of Labor & Industries* determines that your death was the result of injuries sustained during the course of employment or an occupational disease or infection that arose from your employment, your beneficiary will be entitled to a one-time, duty-related death benefit.

Approaching retirement



Retirement planning checkup

Consider taking time to check in on your retirement planning. Have you analyzed how much you will need and how much you will have in retirement? Has anything in your plan changed? Have you joined the state's *Deferred Compensation Program (DCP)* or another supplemental savings program?

Things to consider:

- Identify your retirement lifestyle goals. Will you want to travel the world or stay close to home? Different lifestyle choices can mean different financial goals.
- Take care of your health. The cost of medical care can be one of the largest expenses you incur in retirement. Getting regular checkups now and maintaining a healthy lifestyle can have an impact on what those costs will be when you retire.
- Pay down debt. Debt lessens the money you have available to save. Paying off debt while you're still generating a paycheck will affect how much you have to save and give you greater flexibility in retirement.
- Sign up for DCP or another similar savings vehicle. (It's never too late to

get started.) If you're already saving with DCP or another plan, consider increasing your contribution amount. Making even a small increase can make a big difference over the long run. Use the *calculator* on the DCP website to see the impact different contribution amounts could have. Here's an important tip: If you're age 50 or older, the IRS allows a higher contribution limit, which enables you to save even more in your DCP account if you choose.

These questions are key as you approach retirement.

- How much income will you need in retirement?
- What will your monthly benefit be?
- How will your benefit change if you work past age 65 or you decide to retire early?
- Will you want to increase your benefit by purchasing additional **service credit**?
- What other income will you have available to you in retirement?

This section can help you find the answers. If you haven't already signed up for *online account access*, consider doing so. With this access, you can calculate your benefit using different scenarios and your individual account information.



Service retirement

Plan 3 has two parts: a **defined benefit** and a **defined contribution**. During retirement, you could receive two checks — one from each part. The defined benefit (pension) guarantees payments for life. The defined contribution (investments) payments are made until the account balance is exhausted; unless the annuity option is chosen and in that case, payments can be guaranteed for life.

If you are vested, you are eligible to retire when you turn age 65. This formula will be used to calculate your monthly defined benefit:

$$1\% \times \text{service credit years} \times \text{AFC} = \text{monthly benefit}$$

AFC is the average of your 60 consecutive highest paid service credit months. Any severance pay or lump sum payment for unused sick leave or vacation/annual leave is not included.

Example

Defined benefit service retirement

If you retire at age 65 with 20 years of service credit and a monthly Average Final Compensation of \$3,700, your monthly defined benefit is \$740 each month, calculated as:

$$1\% \times 20 \times \$3,700 = \$740$$

If your monthly benefit is less than \$50, you can choose to take a lump sum retirement benefit. (It's likely that only a member who retires early on disability or as a **dual member** would receive this type of payment.) If you receive a lump sum payment, you are considered retired from TRS.

You will also receive your defined contribution. It consists of your contributions and their earnings. Your payment will be based on your account balance and the payment option you select. Those options include lump-sum, rollover, installments and/or annuity.

To learn more, visit the [Plan 3 Nearing Retirement](#) webpage.

Purchasing public education experience to meet retirement requirements

If you're an active member with at least two years of TRS **service credit**, you may buy up to seven years of public education experience earned as a teacher in another U.S. state or with the U.S. federal government to qualify for retirement. This service credit is used in the calculation of your benefit.

Using out-of-state service credit to qualify for early or normal retirement

If you're a vested member who earned service credit in an out-of-state retirement system that covers teachers, you may use that credit to qualify for early retirement. No cost and no

limit apply to how much out-of-state service credit you may use. Your retirement benefit will be based only on your Washington state service credit; out-of-state service credit isn't used in the calculation of your benefit.

For more information, read [Using Service Credit Earned Outside the Washington State Teachers' Retirement System](#) brochure.

Using sick leave to qualify for retirement

You may use up to 45 days of unused sick leave to help you qualify for retirement. Sick leave not cashed out by your employer may be converted into a maximum of two months of service credit. However, this service credit isn't used in the calculation of your benefit. It can only be used to qualify for retirement.



Early retirement

Any retirement before age 65 is an **early retirement**. If you retire early, your benefit will be reduced to reflect that you will be receiving it over a longer period of time. Your benefit depends on how much service credit you have earned, your age and the Early Retirement Factor (ERF) applied.

Early Retirement Factors

Retirement age	At least 10 years of service credit*	30 years or more of service credit (prorated monthly)		
		3% ERFs	2008 ERFs	5% ERFs
55	0.386	0.70	0.80	0.50
56	0.423	0.73	0.83	0.55
57	0.463	0.76	0.86	0.60
58	0.507	0.79	0.89	0.65
59	0.556	0.82	0.92	0.70
60	0.611	0.85	0.95	0.75
61	0.672	0.88	0.98	0.80
62	0.741	0.91	1.00	0.85
63	0.817	0.94	1.00	0.90
64	0.903	0.97	1.00	0.95

* The 10-year ERFs are subject to change based on State Actuary figures. To review the factors in detail, visit the [complete table](#) online.

If you have at least 10 service credit years, you can retire at or after age 55 with a reduced benefit.

If you have 30 or more years of service credit, there's still a reduction to your benefit, but it will be less. You can retire at or after age 55 under one of two provisions:

- You can choose to have your benefit reduced by 3% for each year (prorated monthly) before age 65.
- Using the 2008 ERFs, you can choose a smaller (or no) reduction to your benefit, but you accept stricter rules on returning to work in Washington state public service. If you accept this ERF option, your pension will be stopped if you return to public service. It won't restart again until you leave employment or reach age 65.

The early retirement rules are different for members who are first hired into eligible positions on or after May 1, 2013. At age 55 with 30 years of service credit, your benefit will be reduced by 5% for each year (prorated monthly) before age 65. The *Thinking About Retiring Early?* publication offers in-depth information on what you'll need to know if you are thinking about retiring early.



Retiring as a dual member

If you are a member of more than one Washington state retirement **system**, you are a **dual member**. You can combine **service credit** earned in all dual member systems to become eligible for retirement. However, your retirement benefit will be calculated using only the service credit earned in each system.

In most cases, your monthly benefit will be based on the highest base salary you earned, regardless of which system you earned it in. Base salary includes your wages and overtime and can include other cash payments if those payments are included as base salary in all the retirement systems you are retiring from.

Example

Dual member

If you retire at age 65 with three years of service credit from TRS Plan 3 and four from the Public Employees' Retirement System (PERS) Plan 3, you are a dual member. Without dual membership, your service wouldn't be eligible for a monthly benefit from either system. With dual membership, your service credit is combined, giving you enough to retire. Your benefit from each system is calculated with service from that system alone. This is how your benefit is calculated:

$$1\% \times 3 \text{ (TRS service credit years)} \times \text{Average Final Compensation (AFC)} = \text{TRS benefit}$$

$$1\% \times 4 \text{ (PERS service credit years)} \times \text{AFC} = \text{PERS benefit}$$

$$\text{TRS benefit} + \text{PERS benefit} = \text{total monthly benefit}$$

For more information, read the *Dual Membership* webpage.



Estimating your benefit

If you expect to retire within the next year, we encourage you to contact us to request a written estimate of your benefit. Remember, you can also use *online account access* to estimate your benefit at different retirement dates.



Purchasing an annuity

When you apply for retirement, you can supplement your monthly benefit by making a onetime, lump sum payment to purchase an annuity.

Why would I want to purchase an annuity?

Purchasing an annuity increases your monthly

benefit for the rest of your life, and your **survivor's** life if you choose a survivor option when you retire. You will continue to receive the annuity portion of your monthly benefit if you return to work or membership.

If you are eligible for an annual **Cost-of-Living Adjustment** (COLA) on your monthly benefit, you will receive the same COLA on this annuity.

How is the annuity paid?

The annuity you purchase is a guaranteed lifetime payment that will be paid to you monthly. You will receive a single payment each month from DRS that will include the combined value of your monthly benefit and the purchased annuity.

How do I purchase the annuity?

You can request an annuity purchase through the online retirement application within [online account access](#). Or you can contact DRS and ask for the *Request to Purchase an Annuity* form. Once DRS receives your annuity purchase request, a bill will be sent to you for the annuity amount you requested. For more information, read [Purchasing an Annuity — TRS Plans 1, 2 and 3](#) or [contact DRS](#).

This annuity purchase is separate from the TAP annuity you may purchase with your defined contribution funds. See the [Plan 3 Annuity Guide](#) for more information.



Purchasing additional service credit

At the time you retire, you may purchase additional **service credit** to increase your monthly benefit. You cannot use the additional service credit to qualify for retirement. This also applies to the 3% and 2008 ERFs.

We can provide you with estimates for the cost of purchasing the service credit and the increase to your benefit. If you choose to purchase, a *Request to Purchase Additional Retirement Service Credit* form must be submitted to us at the same time you submit

your retirement application. For more information, read the [Purchasing Additional Service Credit](#) publication.



Updating your plan for retirement

Has anything changed with your retirement planning? Perhaps you want to work longer or retire earlier than you previously thought. Be sure to adjust your planning to meet your needs.

If you are within five years of retirement, we encourage you to attend a DRS retirement planning seminar. Seminars offer valuable tips on preparing for retirement. Check the [schedule](#), and sign up online. You also have the option of watching a [retirement planning seminar](#) online.

Ready to retire



Applying for retirement online

To apply online, go to [online account access](#) and either sign up for or log in to your account.

The online retirement application will be available for you once your formal estimate has been completed. It will display only what you need based on your retirement **system, plan** and retirement eligibility rules. Follow the step-by-step instructions and electronically submit the application to us when you're ready, including any forms or documents the Retirement Tracker requires.



Applying for retirement on paper

Request a formal estimate. Once the estimate is finished, DRS will send you a retirement application. Submit the completed

application with all required signatures and documentation, including proof of age for your **survivor** if you choose a Survivor Option (see Options 2, 3 and 4).

If you're purchasing **service credit**, complete and turn in your *Request to Purchase Retirement Service Credit* form with your application. If you're purchasing an annuity, complete and turn in a *Request to Purchase an Annuity* form.

Your defined benefit options

When you apply for retirement, you will choose one of four benefit options. Once you retire, you can change your option in only limited, specific circumstances, so choose carefully.

Option 1 **Single Life**

This option pays the highest monthly amount of the four choices, but it is for your lifetime only. No one will receive an ongoing benefit after you die.

Option 2 **Joint and 100% survivor**

Your monthly benefit under this option is less than the Single Life Option. But after your death, your **survivor** will receive the same benefit you were receiving for his or her lifetime.

Option 3 **Joint and 50% survivor**

This option applies a smaller reduction to your monthly benefit than Option 2. After your death, your survivor will receive half the benefit you were receiving for his or her lifetime.

Option 4 **Joint and 66.67% survivor**

This option applies a smaller reduction to your benefit than Option 2 and a larger reduction than Option 3. After your death, your survivor will receive 66.67% (or roughly two-thirds) of the benefit you were receiving for his or her lifetime.

Your spouse must agree to the option you pick

If you are married and choose a Survivor Option other than Option 3, the law requires that your spouse consent to your choice by cosigning your retirement application. If your spouse's consent isn't provided, an Option 3 benefit will be paid to you and your spouse will be designated to receive the **survivor** benefit.

Health insurance coverage

Ask your employer if you will be eligible for health insurance coverage through the *Public Employees Benefits Board (PEBB)* once you retire. You can also contact the Health Care Authority at 800-200-1004 or www.hca.wa.gov.

If you receive PEBB coverage, you can delay receiving your retirement benefit and still be eligible for coverage.

If you qualify for continuing coverage, you must meet strict timelines to apply or request a deferral. If you are not entitled to PEBB coverage, you might be eligible for health insurance your employer provides. For more information, contact your employer or HCA.

Federal benefit limit

When you retire, your benefit could be limited if it exceeds the federally allowed amount. For 2018, the limit is \$220,000, but it can be adjusted annually for inflation. Members hired before Jan. 1, 1990, have different limits. When we process your benefit estimate, we will notify you if your benefit exceeds the limit.

Few retirement **system** members should be impacted by this limit. If you think it could impact you, please call us for more information.



Federal tax on your monthly benefit

Most, if not all, of your benefit will be subject to federal income tax. The only exception will be any portion that was taxed before it was contributed. When you retire, we will let you know if any portion of your contributions has already been taxed.

Since most public employers deduct contributions before taxes, it's likely your entire retirement benefit will be taxable.

At retirement, you must complete and submit a federal *W-4P form* to let us know how much of your benefit should be withheld for taxes. If you don't, IRS rules require withholding as if you are married and claiming three exemptions. You can adjust your withholding amount at any time during retirement by completing a new *W-4P form* or by logging in to your *online retirement account*.

For each tax year you receive a retirement benefit, we will provide you with a *1099-R form* to use in preparing your tax return (see the *1099-R sample*). These forms are usually mailed at the end of January for the previous year. The information is also available through *online account access*.

It is your responsibility to declare the proper amount of taxable income on your income tax return.



Legal actions

In general, your monthly benefit isn't subject to assignment or attachment. However, it could be subject to court and administrative orders issued under federal law or for spousal maintenance and child support.

You can find more information in the publication *Can Legal Action Affect My Retirement Account?*



When and how your benefit will be paid

After you retire, your retirement benefit will be paid at the end of each month and directly deposited in your financial institution account. You must enter your banking information in your *online retirement account* or complete the *Direct Deposit Authorization* form as part of your paper retirement application.

If you need to change your financial institution once you've started your retirement, just update your information in your online account or send us a new authorization form.

In rare cases, if you are unable to receive payment by direct deposit, payment will be mailed at the end of each month.

Once you retire



Cost-of-Living Adjustment (COLA)

On July 1 of every year following your first full year of retirement, your monthly benefit will be adjusted to a maximum of 3% per year, as determined by the *Consumer Price Index*.



Working after retirement

If you return to public service in Washington state after you retire, your benefit could be affected, depending on the position and number of hours you work.

In certain circumstances, you might be required to become a member of, and pay contributions to, another retirement **system**. You might be able to work limited hours with no impact to your benefit. If you retire early under provisions put in place in 2008 (see "Early retirement" on page 12), your benefit could be stopped if you return to public service.

If you think you might be returning to work after retirement, call us to see if your benefit will be affected. Consider reviewing the *Thinking About Working After Retirement?* publication.

- If you re-enter TRS membership and earn 24 months of uninterrupted **service credit**, you can choose a different Survivor Option when you retire again.



Benefit overpayments or underpayments

If you ever receive an overpayment of your monthly benefit, you are required to repay it. If we discover your benefit has been underpaid, we will correct the error and award you a retroactive payment, if applicable.



Changing a benefit option or survivor after you retire

Once you retire, you may change your benefit option or **survivor** in the following circumstances only:

- If you name someone other than your spouse to receive your survivor benefit, you can change to an Option 1 (no survivor) benefit at any time after retirement.
- If you choose a Survivor Option (Option 2, 3 or 4) and your named survivor dies before you do, your monthly benefit can be adjusted to the higher Option 1 payment level. Be sure to notify us to begin this change.
- If you marry or remarry after retirement and remain married for at least one year, you might be able to change your benefit option and provide a survivor benefit for your new spouse. To qualify for this opportunity, you must request the change during your second year of marriage. Contact us for estimates on how this will affect your monthly benefit. Also, be aware that this opportunity might not be available if a court-ordered property division has impacted your benefit.

Glossary of terms

Average Final Compensation (AFC): The monthly average of your 60 consecutive highest paid service credit months. Your Average Final Compensation is used in determining your monthly benefit.

Beneficiary: The person(s), estate, organization or trust you have designated to receive any benefit payable upon your death. Your beneficiary must have a federal tax identification number or a Social Security number.

Cost-of-Living Adjustment (COLA): On July 1 of every year following your first full year of retirement, your monthly benefit will be adjusted to reflect the percentage change in the Consumer Price Index — to a maximum of 3% per year.

Defined benefit: A retirement plan in which your benefit is based on a formula rather than an account balance. The formula provides a monthly benefit based on your years of service and your Average Final Compensation.

Defined contribution: A benefit that consists solely of the money you contribute and any investment gains, losses or expenses applied to your account.

Domestic partner: In a registered domestic partnership, both individuals have met the state's legal requirements and registered their partnership with the Secretary of State's Office or another jurisdiction. Contact the Secretary of State's Office if you have questions about the requirements. Registered domestic partners have the same survivor and death benefits as married spouses. However, differences could occur in how taxes are handled at the federal level.

Dual member: You are a dual member if you have established membership in more than one Washington state retirement system, including First Class City retirement systems for Seattle, Spokane and Tacoma, but excluding

Plan 1 of the Law Enforcement Officers' and Fire Fighters' Retirement System.

Early retirement: Retiring before age 65.

Membership status: The status of your retirement membership. This can be:

- Active, which means you are currently employed in a position covered by one of the state retirement systems
- Inactive, which means you no longer are actively contributing to the state retirement system and have not withdrawn your contributions after leaving employment (which might leave you eligible to receive a benefit once you reach retirement age)
- Withdrawn, which means you were employed in a position covered by one of the state retirement systems and you withdrew your contributions after leaving employment

Reduced benefit: A benefit that has been decreased by a factor provided by the Office of the State Actuary. A benefit is reduced in two situations: when you retire early or you retire and select a Survivor Option (which pays a benefit to your survivor after your death).

Service credit: The credit you receive each month for working in a position covered by one of the state retirement systems. Service credit is used to determine your eligibility for retirement and your benefit amount.

Survivor: The individual you choose — when picking Option 2, 3 or 4 at retirement — to receive benefit payments after your death.

System/plan: The retirement system and plan in which you are a member.

Vested: You have earned the right to receive a retirement benefit once you reach an eligible age.

Index

A

Applying for retirement, 14
Approaching retirement, 11
Authorized leave of absence, 10
Average Final Compensation, 2, 4, 7, 11, 13

B

Becoming vested, 8
Beneficiary, 2, 7, 9, 10, 15, 18
Benefit calculation, 2, 4, 7
Benefit options, 15, 17

C

Changing a benefit option or survivor after you retire, 17
Compensation, 2, 4, 7, 12, 13
Contribution rate, 2, 5
Contributions, 2, 4, 7, 8, 10, 15, 16, 18
Cost-of-Living Adjustment (COLA), 16, 18

D

Death, 2, 10, 15, 18
Deferred Compensation Program (DCP), 3, 8, 11
Defined benefit, 2, 4, 7, 8, 9, 10, 11, 15, 18
Defined contribution, 2, 4, 7, 10, 11, 12, 18
Designating your beneficiary, 7
Disability, 2, 10, 12
Divorce, 7, 9
Domestic partner, 2, 7, 10, 18
Dual member, 9, 12, 13, 18

E

Early retirement, 2, 7, 12, 16, 18
Earning service credit, 6
Eligible to retire, 2, 7, 11
Estimating your benefit, 13

F

Federal benefit limit, 15
Federal tax, 16, 18
Formula, 2, 7, 11, 18

G

Glossary of terms, 18

H

Health insurance coverage, 15
How to contact DRS, 3
How your plan works, 4

I

If the unexpected happens, 10

L

Leaving public service, 9
Legal actions, 16
Life changes, 8

M

Marriage, 9, 17
Milestone, 8
Military service, 10

O

Once you retire, 9, 15
Online account access, 8, 11, 13, 16
Overpayment, 17

P

Plan summary, 2
Planning for retirement, 8
Privacy of your information, 3
Property division, 9, 17
Public Employees Benefits Board (PEBB), 3, 15
Purchasing additional service credit, 11, 14
Purchasing an annuity, 13

R

Ready to retire, 14
Retirement planning
 checkup, 11
Retiring as a dual member, 13
Returning to public service, 9

S

Seminar, 8, 14
Service credit, 2, 6, 7, 8, 9, 10, 11, 12, 15, 17, 18
Service retirement, 4, 11
Survivor, 7, 10, 15, 17, 18

T

Temporary disability, 10

U

Underpayment, 17
Updating your plan for retirement, 14

V

Vested, 2, 7, 8, 10, 11, 18

W

When and how your benefit will be paid, 16
Withdraw, 4, 7, 8
Working after retirement, 16