Retirement Guide

A GUIDE FOR CITY OF REDMOND EMPLOYEES

City of Redmond
WASHINGTON

Solving the Retirement Puzzle

This Retirement Planning Guide is provided to assist City of Redmond employees through the retirement process, from the early steps in planning retirement, through the actual retirement day and beyond. It is intended to serve as a checklist of important steps to take throughout the process, as well as, provide you with important contact numbers and answers to some frequently asked retirement questions.

This guide is not intended to be the only source you refer to as you begin planning for your future. As with any major financial decision you are faced with, it is recommended that you contact a financial planner or tax attorney to assist you in making decisions regarding the payout of your retirement accounts.

It is important to note that there are many pieces to the retirement puzzle and not all employees will have the same questions or concerns. One important question that everyone approaching retirement wants to know is “How much money will I need at retirement?” The amount of retirement income City of Redmond employees will need is undoubtedly going to vary, but the income will most likely come from similar sources. These sources can include, but are not limited to, the Municipal Employees’ Benefit Trust (MEBT), Social Security, PERS, PSERS, LEOFF, 457 Deferred Compensation and personal savings.

This retirement guide will cover the provisions surrounding your City of Redmond benefits (MEBT, PERS/PSERS/LEOFF, 457), as well as other retirement concerns, such as medical coverage (including Medicare), Social Security, legal, and financial issues.

This guide was created for all regular full-time and part-time City of Redmond employees who are eligible to participate in MEBT, PERS/PSERS/LEOFF and 457 plans. It excludes temporary and supplemental employees who participate in MEBT II.

This retirement summary highlights some of the benefits of MEBT, PERS/PSERS/LEOFF, and 457 Deferred Compensation Plans. If there is a conflict between a statement in this summary and any of the individual benefit plans, the terms of the individual plan shall control.

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Retirement Planning Checklist

Things To Do. . .

Now:

- ☐ Contact Human Resources to verify that your beneficiary information is correct for MEBT, PERS/PSERS/LEOFF and/or 457 Deferred Compensation accounts.

- ☐ Have a will drafted, if you don't already have one. A will stipulates how your property will be distributed in the event of your death.

- ☐ Hire a professional financial planner to help make decisions regarding investments, taxes, insurance, and other financial issues affecting your retirement.

- ☐ Contact Social Security to get a summary of your benefits earned to date (if you have worked in Social Security covered employment). You need at least 40 credits (10 years of work) of Social Security employment, or your spouse needs to be covered in order for you to be eligible.

- ☐ If you have ever withdrawn your PERS, PSERS, or LEOFF contributions, contact the Washington State Department of Retirement Systems (DRS) for information on recovering withdrawn or optional service credit. You may be eligible to buy back all or part of your previously withdrawn service credit.

- ☐ Contact the Benefits Administrator in Human Resources for information on making "catch-up" contributions to your MEBT or 457 Deferred Compensation accounts, if you are age 50 or older.

3 - 5 Years Before Retirement:

- ☐ Contact the Benefits Administrator in Human Resources up to three to five years before your retirement for information on:

    - The option to move your MEBT balance into a money market account.

    - Increasing your 457 Deferred Compensation contributions. For the last three years before retirement, the 457 Deferred Compensation contribution limit is increased to twice the regular dollar limit if you have not been contributing the maximum amount in previous years. Contact Human Resources for the paperwork to make that change.

- ☐ Begin exploring options for payout of your MEBT and/or 457 account(s). You do not have to make a payout decision until 30 to 90 days before your actual retirement date.

- ☐ Attend pre-retirement seminars or workshops through the Washington State Department of Retirement Services (DRS) to determine your retirement eligibility, benefit calculations, and payment options for PERS/PSERS/LEOFF. In addition, the seminars include presentations by experts in financial planning, estate planning, health insurance, and Social Security. To sign up online use https://fortress.wa.gov/drs/retirementplanning/main.asp.

- ☐ Determine your eligibility and potential cost for retiree health care benefits including:
    - Medicare
    - COBRA
    - Individual Insurance Coverage

- ☐ Visit your local Social Security office or www.socialsecurity.gov to receive applicable information to help determine your eligibility for benefits.

The Year Before Your Retirement:

- ☐ Notify the Benefits Administrator in Human Resources of your intent to retire at least three months in advance of your actual retirement date. At this time, Human Resources will provide you with the paperwork to make decisions regarding your beginning payment date and payout options for your MEBT and/or 457 account(s). These forms are not due until 30 to 90 days prior to your actual retirement date.

- ☐ Notify department management of your intent to retire.

- ☐ Verify accruals of sick leave and vacation with Human Resources or Payroll to determine if you are required to use any accrued leave prior to your retirement.

- ☐ If you haven't already, attend a pre-retirement seminar or workshop through the Washington State Department of Retirement Services (DRS) to determine your retirement eligibility, benefit calculations, and payment options for PERS/PSERS/LEOFF. In addition, the DRS seminars include presentations by experts in financial planning, estate planning, health insurance, and Social Security. To sign up online go to https://fortress.wa.gov/drs/retirementplanning/main.asp.

- ☐ Call a Retirement Services Analyst at DRS to notify them of your intent to retire and obtain an estimate of your PERS, PSERS, or LEOFF benefits. DRS will return a retirement application with your benefits estimate.

- ☐ Contact Social Security to determine what forms you need to complete and find out when you will start receiving Social Security benefits, if eligible. (www.socialsecurity.gov)

- ☐ Investigate the tax consequences for pension payments you will receive, including:
  - MEBT
  - 457 Deferred Compensation
  - PERS/PSERS/LEOFF
  - Social Security

- ☐ If you are considering part-time employment, make sure you consider:
  - The need for additional credits to qualify for Social Security or Medicare benefits;
  - The effect of earned income on Social Security benefits;
  - The effect of earned income on PERS, PSERS, or LEOFF benefits (see "Working After Retirement").

- ☐ If you have an outstanding MEBT loan, contact Human Resources for information on paying off your loan before you retire. There may be tax consequences if you have an outstanding loan balance when you retire.

30 - 60 Days Before Retirement:

- ☐ Contact the Benefits Administrator in Human Resources to verify that your beneficiary information is correct for MEBT, PERS/PSERS/LEOFF and 457 Deferred Compensation accounts.

- ☐ Select a beginning payment date and payout method for your MEBT Retirement Savings Plan account and turn in the appropriate forms to Human Resources. This paperwork will be processed in the month following your last payroll contribution to your MEBT account.

- ☐ Select a beginning payment date and payout method for your 457 Deferred Compensation account and turn in the appropriate forms to Human Resources.

- ☐ Contact DRS to select a payment method for your PERS/PSERS/LEOFF account.

- ☐ Make arrangements with Human Resources to pay off your MEBT loan, if applicable.

- ☐ Make arrangements to obtain health care benefits:
  - Medicare (if age 65 or older);
  - COBRA
  - Independent Insurance Coverage

When You Reach Age 65:

- ☐ Sign up for Medicare (if you are not already receiving Social Security benefits) through your local Social Security office.

Municipal Employees' Benefit Trust (MEBT)

Transferring MEBT Funds to the Money Market Account

If you are within three years of retirement, you may transfer your MEBT retirement savings funds into the Plan's Money Market Fund. To do this, contact Human Resources and complete the *3-year Pre-Retirement Transfer Election* form. You may do this at any time within that three-year window or following your retirement until your account is paid out.

Although the rate of return tends to be more secure, it may also be lower compared to the regular investment funds in which the MEBT invests.

Catch-up Contributions

Beginning in 2002, qualifying employees who are age 50 or older are permitted to make additional contributions, above the normal limits, to the MEBT plan.

Please contact Human Resources for more information on making catch-up contributions to your MEBT account.

Age 59 ½ Withdrawal Provision

If you have attained age 59 ½, you have the right to withdraw all or part of any of your MEBT accounts (including your employer accounts if you are fully vested) while still employed by the City of Redmond. You may choose to receive the in-service distribution in any of the MEBT payout options available under the plan.

Applying for Benefit Payment

To apply for payout of your MEBT account, you (or your beneficiary) will need to complete a few forms, which you can get from Human Resources. You must make your benefit election no more than 90 days before you start receiving benefits. Your application will be processed in the month following your last payroll contribution to your MEBT account.

At the time you apply, you will also receive the *Special Tax Notice Regarding Plan Benefits*. This notice contains important information about the various payment options available to you and the affect your payment choice will have on your income taxes. This only summarizes the federal (not state or local) tax rules that might apply to your payment. The rules described are complex and contain many conditions and exceptions that are not included in the notice. Therefore, you may want to consult with the Plan Administrator or a professional tax advisor before you take a payment of your benefits from your Plan.

The payment options that are available to you upon retirement are listed below.

MEBT Payout Options

1. **Single Lump-Sum Payment**
   The tax-deferred portion of your account (tax-deferred contributions, matching employer contributions, your rollover contributions, and your investment earnings on all the account contributions) will be taxable as ordinary income. If you are under age 59½, you may owe an additional 10 percent tax penalty to the IRS on any tax-deferred savings. Federal law requires that the taxable portion of your account be reduced by 20 percent for federal tax withholding.

2. **Rollover of Tax-Deferred Amounts**
   You may directly roll your tax-deferred money over to certain Individual Retirement Accounts (IRAs) or to the eligible employer retirement plan of a new employer. By rolling over your account, you will continue to defer taxes

on your money and avoid the 10 percent tax penalty owed to the IRS.

3. Monthly, Quarterly, or Annual Installments

You may choose to receive monthly, quarterly, or annual installments as nearly equal as possible. Additionally, you may make one change of election per calendar year.

4. Annuity Contract

You may purchase an annuity of your choice from a specific list of insurance companies that have been selected by the Plan Trustee (check with your Benefits Administrator). With this option, the insurance company takes on the contractual obligation to provide you income for a fixed period. You will be taxed in the year you receive the annuity payments, not in the year you purchase the annuity. Your account balance will be used to purchase the annuity.

5. Payment Deferral

If you leave City of Redmond, because of retirement or disability and you do not want to take your money out of the Plan right away, you may make a one-time election to defer payment of your account balance until a later date. If you wish to defer payment, you are required to:

- ☐ Complete the *Participant Distribution Election* form (available in Human Resources);

- ☐ File a written election with the MEBT Plan Committee (you can give your election form to the Benefits Administrator who will forward your election to the Plan Committee); and

- ☐ File it at least 30 days, but no more than 90 days, before your actual retirement date, or the date you become eligible for an account payment.

If, at a later time, you wish to receive your benefits earlier than the date you deferred your payments, you are required to:

- ☐ Complete a new *Participation Distribution Election* form; or

- ☐ Take your money from the Plan, or start receiving the minimum benefit payment by the earliest of the following dates:

  - ☐ April 1, immediately following the calendar year after you attain age 70½; or

  - ☐ If still employed at age 70½, the April 1 immediately following the calendar year in which your City of Redmond employment ends.

Tax Consequences of Withdrawing Funds from MEBT

Tax-deferred money is subject to federal income taxes when you withdraw it from your MEBT account. Tax-deferred money includes: your tax-deferred contributions, matching employer contributions, rollovers, and investment earnings on all of your contributions (including after-tax contributions).

The IRS requires that the City withhold 20 percent of your tax-deferred money for federal income tax purposes. Keep in mind, this withholding is just a prepayment of potential taxes and your actual tax liability for the year could result in a tax rate that is actually higher or lower than 20 percent.

In addition to ordinary income taxes, when you receive tax-deferred money from your MEBT account before age 59½, you may be required to pay the IRS a 10 percent tax penalty on the untaxed money. However, listed below are special circumstances where the 10 percent penalty can be avoided.

Ways to Avoid the 10% Tax Penalty on Withdrawals and Distributions

Payments (including withdrawals) of the tax-deferred portion of your MEBT account prior to age 59½ may be subject to a 10% early distribution tax penalty. However, you may qualify for an exception from this penalty under the following circumstances:

- If your account is used to pay deductible medical expenses;
- If you roll over the distribution in a timely manner;
- If you are age 55 or more at the time your City of Redmond employment ends and you take a distribution after you leave employment;
- If the account is paid out because of death or disability;
- If the money is distributed to an alternate payee under a Qualified Domestic Relations Order (QDRO);
- If your account is paid in substantially equal installments that last over your (or your and your joint annuitant's) expected lifetime.

The City of Redmond and its employees cannot give you tax advice. You should contact your personal tax advisor to help you determine the payment option that is best for you and to find the proper method for reporting any payment you receive from the plan.

Beneficiary Information

Designating a Beneficiary

As you approach retirement, you will want to review your MEBT beneficiary information for accuracy. This designation will tell the Plan Committee to whom you want your account paid in the event of your death. If you fail to designate a beneficiary(ies), your account balance may not be paid to the person you want to receive it. To designate a beneficiary(ies), or to make changes, please contact the Human Resources for the appropriate form.

If you are married or have a State Registered Domestic Partner, you must designate your spouse or your domestic partner as your beneficiary. If you want to designate someone other than your spouse or registered domestic partner, your spouse or domestic partner must sign the *Beneficiary Designation* form and his/her signature must be notarized. If you marry or register after you have completed the form, you must fill out a new form.

If you have a family change or want to change your beneficiary designation, you may submit a new form at any time.

Payment to Your Beneficiary

If you die while employed by the City of Redmond, your matching employer contributions will become 100 percent vested (if not already) and all of your accounts will become payable to the beneficiary(ies) named on your *Beneficiary Designation* form. Your beneficiary should contact the Human Resources Department for help applying for benefits.

Payments to a beneficiary can be made in the following ways:

- Lump sum;
- Over a period not to exceed five years following the employee's death; or
- Over the designated beneficiary's lifetime, as long as payments begin no later than December 31 of the year following the year of the participant's death. However, if the beneficiary is the employee's spouse or State Registered Domestic Partner, the spouse or domestic partner may defer receiving benefits until

a later date, but no later than the April 1 following the year the employee would have become 70½.

If you fail to designate a beneficiary, your benefit will be paid, in the following order, to:

- Your spouse or State Registered Domestic Partner; lump sum;

- If no spouse or registered domestic partner, your children equally;

- If no spouse, registered domestic partner, or children, your parents equally;

- If no spouse, registered domestic partner, children or parents, your brothers and sisters equally.

- If none of the above, your estate.

Disability Retirement

Should you become disabled while you are working for the City and are eligible for Long-Term Disability Plan benefits, your account will become 100% vested (if not already). In addition, you can take a lump-sum payment of your MEBT account or you may elect to keep your money in the Plan and receive a pension continuation benefit. The Pension Continuation Benefit option is described in detail in the *MEBT Summary Plan Description*.

If you are a member of LEOFF 1 or 2, you may also qualify for retirement benefits under the state retirement program.

For more information on either of these provisions, contact the benefits administrator in Human Resources.

457 Deferred Compensation Plans

Beginning Payment Date

You have the flexibility to choose a beginning payment date for payout of your 457 account at any time after you leave employment. Your beginning payment date must be no later than April 1 of the calendar year following the year (1) in which you reach age 70½ or (2) you leave employment, whichever is later.

It is recommended that you select your payment schedule at least two weeks prior to your beginning payment date. You may change your payment schedule at any time. The payment schedule you choose should take into account all other income you will have during retirement, such as MEBT, PERS/PSERS/LEOFF, Social Security, and investment income.

What is my normal retirement age?

Normal retirement age is age 70½ unless you declare a different normal retirement age. The normal retirement age you choose:

- May not be earlier than a year in which you are eligible to receive benefits **without** an age reduction penalty from your regular pension plan (PERS, PSERS, or LEOFF). A pension plan may reduce your benefits if you retire earlier than the plan's normal retirement age(s). Please contact the Benefits Administrator in Human Resources for more information;

- Determines the time period of your three-year catch-up provision; and

- Is irrevocable once you begin to use the catch-up provision to any extent.

Do I have to begin receiving a distribution at my declared normal retirement age?

No. You can defer payment if you separate from service at or beyond your normal retirement age. However, if you are no longer working, you must begin distributions effective the April following the year you turned age 70½.

Catch-up Contributions

Beginning three years prior to your "normal retirement age", you will be eligible to make additional contributions to your 457 Deferred Compensation account. Often, the closer you are to retirement, the more you wish you had saved in earlier years. If you have not been contributing the maximum contribution each year, you may be able to take advantage of the catch-up provision. This provision allows you to catch-up on the past contributions you may have missed.

What is the catch-up provision?

The catch–up provision allows you to contribute more than the regular maximum annual contribution allowed during the three years prior to, but not including, the year you will reach normal retirement age (according to PERS, PSERS, or LEOFF). *You may only catch-up on amounts you were eligible to contribute, but did not.*

Who is eligible to use the catch-up provision?

You are eligible to use the catch-up provision if you:

- Are currently contributing to a 457 Plan with Redmond,

- Are three years from your declared "normal retirement age", and

- Did not defer the maximum amount allowed for one or more years since you were eligible to participate in this plan or a previous employer's eligible 457 plan.

How far back can I go in determining how much I can catch-up on?

You may go back to the later of the following dates:

- January 1, 1979; or
- The date you became eligible for Redmond's 457 Deferred Compensation Plan or a previous employer's eligible 457 plan.

How much may I contribute?

Employees who are three years from retirement will be permitted to make additional contributions to their 457 accounts annually, above the normal limits. Please contact Human Resources for current catch-up amounts.

What if I work beyond my declared normal retirement age?

If you work beyond your declared normal retirement age, you may NOT extend the use of the catch-up provision. You simply return to your regular contribution limits once the catch-up period is completed.

If I do not use the first two years of my catch-up provision, can I use the third year to make up for what I missed in the previous two years?

No. If you do not increase your contributions in the first or second year that you elected the catch-up provision; you have "lost" these years. You may designate only one period of time as your catch-up period. This period must precede your declared retirement age. You cannot use the catch-up provision during or following the year of your normal retirement age.

If I start using the catch-up provision must I continue to use it?

No. You are not required to contribute the maximum amount nor are you required to use it for all three years. Your contributions should be based on your budget and how much you can afford.

Additional Catch-up Contributions

An additional catch-up benefit[1] allows participants age 50 and over to increase their regular 457 contributions. Please contact Human Resources for current additional catch-up amounts.

How can I find out how much more I may contribute, if anything, under the catch-up provisions of my plan?

You may contact the Human Resources Department for more information on your 457 catch-up limits.

457 Payout Options

Option 1: Lump-Sum Payment

Under this option, you will receive one check for the full vested value of your investment account(s). Since your entire account balance is tax-deferred, you will be taxed on the entire amount in the year the funds are distributed. Federal law requires that the taxable portion of your account be reduced by 20% for federal tax withholding.

Option 2: Periodic Payments of a Specified Amount

Under this option, you designate the dollar amount that you wish to receive on a regular installment basis (monthly, quarterly, semi-annually, or annually). Payments will continue until your account is depleted. The number of payments you receive will vary depending on the rate of return of your investments. The payment plan must be structured so that it will approximately deplete your account over a time

[1] This additional catch-up benefit cannot be used at the same time the traditional three-year catch-up is being used.

period of not less than 36 months and no more than your life expectancy.

Option 3: Periodic Payments Over a Specified Number of Years

Under this option, instead of choosing a payment amount (as in option 2), you select the *time* over which you want to receive payments (monthly, quarterly, semi-annually, or annually). Payment amounts depend on the length of time you choose to receive payments, the periodic basis that you choose, and the rate of return of your investment option(s).

Your payment amount is calculated by dividing your current account balance by the number of remaining payments. Your payment will not be the same each time as it is recalculated each time a payment is distributed. The time used for this calculation must be no longer than the IRS life expectancy of you and your designated beneficiary. The payment plan must be structured so that it will approximately deplete your account over a time period of not less than 36 months and no more than your life expectancy.

Option 4: Annuity Contract

You may purchase an annuity of your choice from a specific list of insurance companies that have been pre-selected. With this option, the insurance company takes on the contractual obligation to provide you income for a fixed period. The purchase of an annuity doesn't result in an immediate income tax liability; payments from the annuity will be taxable when received.

You will need to contact the 457 provider directly to find out more about the annuity options available to you. Contact Human Resources to request a 457 participant withdrawal packet.

Option 5: Partial Payment

Under this option, you may take a distribution of any portion of your 457 account balance. Since your entire account balance is tax-deferred, you will be taxed on the distributed amount in the year the funds are distributed. Federal law requires that the taxable portion of your account be reduced by 20% for federal tax withholding.

Tax Consequences of Withdrawing Funds from 457 Plans

Tax deferred money is subject to federal income taxes when you withdraw it from your 457 Deferred Compensation account. The IRS requires that your 457 provider withhold 20% of your tax-deferred money for federal income tax purposes. Keep in mind, this withholding is just a prepayment of potential taxes and your actual tax liability for the year could result in a tax rate that is actually higher or lower than 20%.

Distributions from 457 Deferred Compensation plans are considered to be regular income by the Internal Revenue Code in the year you receive the distribution. Lump sum distributions are taxed as supplemental wages.

You will be mailed a W-2 form in January following the year in which you receive a distribution. Tax forms for annuity payments are issued by the annuity provider.

The City of Redmond and its employees cannot give you tax advice. You should contact your personal tax advisor to help you determine the payment option that is best for you and to find the proper method for reporting any payment you receive from the plan.

Transfers to Another 457 Plan

Upon separation of service from your employer, you may be eligible to transfer your balance to another eligible 457 Deferred Compensation plan. As a result of recent changes in the law, distributions from 457 plans are now eligible to be rolled over into an Individual Retirement Account (IRA), a 401(k) plan or a 403(b) annuity plan. However, distributions from such plans will then be subject to the 10% early withdrawal penalty for payments that begin before age 59½.

Contact Human Resources to request a participant withdrawal packet.

Planning for Your Beneficiary

Designating a Beneficiary

As you approach retirement, you will want to review your 457 Plan beneficiary information for accuracy. This designation will tell the 457 provider to whom you want your account paid in the event of your death. If you fail to designate a beneficiary(ies), your account balance may not be paid to the person you want to receive it. To designate a beneficiary(ies), or to make changes, please contact the Human Resources Department for the appropriate form.

Payment to Your Beneficiary

In the event of your death, your designated beneficiary is eligible to withdraw your deferred compensation account balance. Beneficiaries will have the option of selecting among the payment forms available through the 457 provider.

To initiate a payment request, a beneficiary should submit a *457 Beneficiary Withdrawal Form*, available from Human Resources, along with a certified or original copy of the death certificate.

DRS – Department of Retirement Services

Retirement Planning

Planning for retirement is one of the most important investments you can do for yourself and your family. For more information on DRS retirement planning go to: http://www.drs.wa.gov/Member/RetirementPlanning/

Seminars

The Washington State Department of Retirement Systems (DRS) offers free informational sessions, held throughout the state. These seminars focus on those retiring in the next five years. Everyone is welcome to attend.

Seminars run from 9 AM to 2 PM and include information on:

- State Retirement Plans
- Financial Planning
- Estate Planning
- Washington State Deferred Compensation Program (DCP)
- Social Security

To register for a seminar online, go to https://fortress.wa.gov/drs/retirementplanning/main.asp.

Benefit Estimator

To estimate your LEOFF or PERS retirement benefits use DRS's benefit estimator at: http://www.drs.wa.gov/BenefitEstimators/HTML/default.htm

DRS Publications

You may obtain retirement publications through Human Resources or DRS. Check out the list of publications on the DRS website at: http://www.drs.wa.gov/Administration/Publications/publications.htm

Contacting DRS

Mailing Address

Department of Retirement Systems
P.O. Box 48380
Olympia, WA 98504-8380

Street Address

6835 Capitol Boulevard
Tumwater, WA 98501

Reception Center Phone

(360) 664-7000
1-800-547-6657

TDD Line

(360) 586-5450

Email

recep@drs.wa.gov (Please note that electronic mail messages on the Web may not be secure. Your message may not be confidential. It may be possible for other people to read your email message.)

Website

www.drs.wa.gov

PERS 1

Eligibility

Early Retirement	Normal Retirement
Not Available	**You can retire from <u>Active</u> status at:** -Age 60 with 5 or more years of service; -Age 55 with 25 or more years of service; -Any age with 30 or more years of service. **You can retire from <u>Inactive</u> status at:** -Age 65 with 5 or more years of service; -Age 60 or older with 5 or more years of services, with reduced benefits; -Age 60 or older, if you separated from service on or after January 1, 2002, were at least age 50 at separation, and have at least 20 years of service at separation; -Any age with 30 or more years of service.

How Do I Retire?

As you get closer to retirement, consider the following:

- If you are within a year of your retirement date, request an estimate of your benefit from the Department of Retirement Services (DRS). DRS will return a retirement application with your estimate;
- Obtain a copy of IRS Publication 575, Pensions and Annuities, also available on the IRS website at www.irs.gov.

Contact DRS to request a retirement application packet at 1-800-547-6657 or www.drs.wa.gov.

Benefits

Benefit Formula

Your monthly service retirement benefit is calculated using the following formula:

2% x Service Credit Years x AFC

Your benefit can be no higher than 60 percent of your average final compensation.

Service Credit

Service credit is based on hours worked during a calendar month. Seventy hours equals one service credit month. Beginning September 1, 1991, members who work less than 70 hours in a month receive one-quarter of a service credit month.

Average Final Compensation (AFC)

AFC is the monthly average of your salary for the highest consecutive 24 service credit months prior to your retirement, termination, or death. If you cash out annual or sick leave upon separation from employment, you may be eligible to use all or part of the cash out value in your AFC calculation. However, if your 24 consecutive highest-paid service credit months do not include the date in which you cash out leave, that leave cannot be used in your AFC calculation.

Actuarial Reduction

"Actuarially reduced" means the benefit is reduced based on factors provided by the Office of the State Actuary. These factors are derived from statistics about life expectancy and projections of the Plan's investment earnings. An actuarial reduction is typically necessary when benefits are going to be paid over a longer period of time or to more than one person.

Your benefit will be "actuarially reduced" if:

- Your service terminates prior to meeting eligibility requirements and you apply before age 65;
- You choose a survivor option; or
- You choose the cost-of-living option.

Payout Options

When you apply for a service or disability retirement, you must select a benefit option. This option generally cannot be changed after you retire. You are considered a retiree on the first of the month in which you retire.

If you are married, the law requires that you provide the written consent of your spouse to the benefit option you choose. This consent must be in writing and must be witnessed by a notary. If consent is not provided, the law requires that an Option 3 benefit be paid with your spouse as beneficiary. The Service Retirement or Disability Application contains the Spousal Consent Authorization.

Option 1: Standard Option

This option pays you a benefit for your lifetime. If you die before the total benefits you receive equal your contributions, plus interest at the date of retirement, the balance will be paid in a lump-sum to your named beneficiary.

Option 2: Joint & 100% Survivorship

This option provides a benefit that is actuarially reduced. If your designated beneficiary survives you, the benefit amount remains the same and your beneficiary continues to receive it for his or her lifetime.

Option 3: Joint & 50% Survivorship

This option provides a benefit that is actuarially reduced. If your designated beneficiary survives you, 50 percent of your benefit is paid to your beneficiary for his or her lifetime.

Option 4: Joint & 66.67% Survivorship

This option provides a benefit that is actuarially reduced. If your designated beneficiary survives you, 66.67 percent of your benefit is paid to your beneficiary for his or her lifetime.

Changing Your Benefit Option

Once you retire you may change your benefit option and beneficiary only by returning to active membership, or in the following circumstances:

- If you choose one of the survivor options (2, 3, or 4), and your designated beneficiary dies before you, your retirement benefit may be adjusted to the higher Option 1 benefit level. If your beneficiary dies before you, be sure to notify DRS to initiate this adjustment.
- If you choose someone other than a spouse to be the beneficiary of a survivor benefit, you can change to Option 1 at any time after retirement by contacting DRS. This option can be used only once and is irrevocable.
- If you retire under Option 1, then marry, and remain married for at least one year, you may change your benefit option and name your spouse as beneficiary. To qualify for this opportunity, you must request the benefit option between your first and second wedding anniversary. If you opt for a survivor option, your monthly benefit will be reduced accordingly. This option can be used only once and is irrevocable.
- If you complete two or more years of uninterrupted active PERS membership after going back to work, you may select a new benefit option and/or beneficiary when you retire again.

Additional information is available by contacting the Department of Retirement Systems at 1-800-547-6657 or www.drs.wa.gov.

Survivor Benefits

Death After Retirement

If you die after you begin receiving a service or disability retirement, your survivor(s) may be eligible to receive benefits according to the retirement option you choose.

Death Before Retirement

If you die before retirement, benefits paid to your survivors depend on your age and service credit at the time of death. Your designated beneficiary (as listed with PERS) may be eligible for benefits as follows:

- **Fewer than ten service credit years and ineligible to retire:**
  If you die before you have ten service credit years and before becoming eligible to retire, or if you have left active service and have not withdrawn your contributions, your beneficiary receives all of your contributions, plus interest.

- **Ten or more service credit years or eligible to retire:**
  If you die while on active service or on authorized leave of absence (not to exceed 120 days), and you have ten or more service credit years or are eligible to retire, your designated beneficiaries may choose between the following two benefits:

  - The sum of your contributions, plus interest; or

  - A monthly benefit calculated as if you had elected Option 2 (Joint & 100% Survivorship), and reduced to reflect your age at the time of death.

  If there is no one eligible to make this choice, your remaining contributions will be paid in a lump-sum to your legal representative (estate).

- **Death as a result of an injury sustained in the course of employment:**

  If an active member or disability retiree dies as a result of injuries sustained in the course of employment or if the death resulted from an occupational disease or infection that arose naturally and proximately out of their covered employment, and the Department of Labor and Industries has determined eligibility for the payment, DRS will pay a one-time duty-related death benefit to the member's beneficiary.

  If an active member or disability retiree dies as a result of injuries sustained in the line of duty as a public safety officer, ongoing benefits received by the retiree's survivors may qualify for non-taxable status under federal and state law. Eligibility to receive benefit tax exemption will be determined by DRS.

Designating a Beneficiary

As an Active Member

You should keep your beneficiary designation in your PERS record up-to-date. If you marry, divorce or remarry prior to retirement, you should file a new beneficiary designation form, even if your beneficiary remains the same. However, you should be aware that an ex-spouse may have a right to a portion of your benefits under certain circumstances. If you fail to file a new beneficiary designation form, the Department automatically pays your surviving spouse or, if none, your estate.

To change your beneficiary, you must submit a beneficiary designation form to DRS. Forms for this purpose are available from Human Resources, DRS or online at www.drs.wa.gov.

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At Retirement

If you choose Option 1 benefit payment, you may name a trust, your estate, an organization, or a person as your beneficiary. However, if you choose a survivor benefit option at retirement, you must select a person as your beneficiary.

Disability Retirement

If you are a member of PERS 1 and you become disabled, you may be entitled to disability benefits. You can learn more in the publication *PERS Disability Benefits,* which can be obtained online at www.drs.wa.gov. PERS recommends that you contact a PERS counselor if you intend to apply for disability benefits.

Working After Retirement

It is important to understand what technically classifies you as a "retiree", because you must first retire before you can be covered under the return to work laws. You become a retiree when you:

- Meet the age and service requirements for retirement;
- File an application for retirement with DRS;
- Terminate all employment with DRS-covered employer(s); and
- Sever all contractual agreements (written or verbal) for future employment with DRS-covered employer(s).

Taking these actions will establish your effective retirement date – which is referred to as your "accrual date" in retirement statute. Your effective date is the first day of the month following the month in which you meet the conditions for retirement.

What should I do when I return to work?

When you return to work, it is important to let your employer know that you are a retiree. If you are hired into a position that is eligible for PERS membership, your employer is required to report your hours of employment each month to DRS. If you are hired into a position that is ineligible for PERS membership, your employer is required to report that you have returned to work, but does not need to report your hours.

What happens if I return to work before my effective retirement date?

If you terminate employment and file a retirement application, but return to work before your effective retirement date, your application for retirement will be canceled. You are not considered to be retired, so you will return to active membership and be required to pay member contributions.

When is the earliest I can return to work?

You must wait at least 30 calendar days after your effective retirement date before returning to work. If you return to work for a DRS-covered employer less than 30 days after your effective retirement date, your benefit will be reduced by 5.5 percent for every eight (8) hours worked in a month up to a maximum of 160 hours. If the reduction is in excess of 100 percent of the benefit, the excess is taken from the next month's benefit payment. The reduction continues until you stop working for a full 30 days.

How many hours can I work each year and still receive a benefit?

- If you return to work in a PERS-eligible position, there are limits placed on your employment.
- If you return to work in a DRS-eligible position, you can work up to 867 hours in a calendar year and continue to receive your monthly benefit. If you work more than the maximum number of hours allowed, your retirement benefit will be suspended for the remainder of the calendar year or until you terminate employment.

If you return to work in a position that is ineligible for PERS membership, there is no limit placed on your employment. You can work in this position as long as you like and still receive your full retirement benefits.

Can I return to active membership?

If you are hired into a PERS-eligible position, you can return to active membership. However, when you do so your benefit will stop. When you retire again, a new benefit will be calculated to reflect the additional service credit earned. If you have completed two or more years of uninterrupted service after going back to work, you may select a new benefit option.

If you return to active membership in another DRS-covered plan, contact DRS to find out which plan's rules apply. Returning to work in another DRS-covered plan may cause your benefit to be suspended.

Recovering Withdrawn or Optional Service Credit

Many public employees leave public employment sometime during their careers and exercise the option to withdraw their contributions from the retirement fund. Members who withdraw their contributions lose all service credit associated with the withdrawn contributions. If you have withdrawn your contributions, and then go to work for another public employer in the state, you may be able to recover your previously withdrawn service credit.

PERS also provides members the option to purchase service credit for periods of other types of service or leave during which they are not required to pay contributions to PERS. This is called optional service credit.

Please contact DRS at 1-800-547-6657 or visit their website at www.drs.wa.gov for more information on recovering withdrawn or optional service credit.

City Retirement Bonus

Upon retirement, a PERS 1 employee receives a lump-sum payment for:

- All accrued (unused) vacation hours, up to a maximum of 240 hours; and
- 25% of all accrued (unused) sick leave. In calculating the 25% of an employee's sick leave, 48 hours are deducted from the result.

Any accrued (unused) vacation in excess of 240 hours, the first 48 hours of the 25% of accrued (unused) sick leave, and the employee's unused floating holiday is used by the employee as paid leave before the official retirement date.

Example:

Employee Jones is about to retire. He has 300 vacation hours, 800 unused sick leave hours, and an eight-hour floating holiday on the books. He receives:

	Lump Sum	Paid Leave
Vacation (300 hrs available)	240	60
Sick Leave (800 hrs x 25% = 200 hrs available)	152	48
Floating Holiday	0	8
Total Hours:	**392**	**116**

In the case of an employee's death, the retirement bonus is paid to the beneficiary designated under the pension or retirement system; or in the event no beneficiary has been named, to the employee's estate.

PERS 2

Eligibility

Early Retirement	Normal Retirement
-Age 55 with 20 or more years of service (reduced benefits); or -Age 55 with 30 or more years of service (benefit reduction is considerably less).	-Age 65 with 5 years of service.

How Do I Retire?

As you get closer to retirement, consider the following:

- If you are within a year of your retirement date, request an estimate of your benefit from the Department of Retirement Services (DRS). DRS will return a retirement application with your estimate;
- Obtain a copy of IRS Publication 575, Pensions and Annuities, also available on the IRS website at www.irs.gov.

Contact DRS to request a retirement application packet at 1-800-547-6657 or www.drs.wa.gov.

Benefits

Benefit Formula

Your monthly service retirement benefit is calculated using the following formula:

2% x Service Credit Years x AFC

Service Credit

Service credit is an important factor in determining your retirement benefit. "Service credit" is based on the number of hours of compensated employment reported by your employer.

You receive one service credit month for each calendar month in which you earn compensation for 90 or more hours. No more than one service credit month can be obtained in any calendar month, even if you work more than 90 hours for each of two or more employers in a month.

Beginning September 1, 1991, one half of a service credit month is granted for any calendar month in which you receive compensation for fewer than 90, but at least 70 hours. A one quarter of a service credit month is granted for fewer than 70 hours in a calendar month. Your service credit years at retirement are calculated by dividing service credit months by twelve.

Average Final Compensation (AFC)

Average Final Compensation (AFC) is the monthly average of your 60 consecutive highest-paid service credit months. Not included are payments for any type of severance pay, such as lump-sum payments for deferred sick leave, vacation, or annual leave.

Early Retirement

If you have at least 20 service credit years, you may retire at or after age 55. Your benefit will be reduced to reflect the fact that you are likely to be receiving your benefit over a longer period of time. Reductions are prorated according to how long before age 65 your benefits begin. If you have 30 or more years of service credit, the benefit reduction is set at three percent for each year you are under age 65. The following table shows the approximate effect of the reductions. These percentages in the middle column are updated periodically to reflect new statistics about average life expectancy, service and compensation. The figures for members with at least 30 years of service are set in statute.

Age at Retirement	Service Credit of 20-29 Years	Service Credit of 30+ Years
55	37%	70%
56	40%	73%
57	43%	76%
58	49%	79%
59	55%	82%
60	61%	85%
61	67%	88%
62	73%	91%
63	82%	94%
64	91%	97%
65	100%	100%

Delaying Receipt of Your Benefit

You may elect to retire early and delay receiving your benefits until a later date to avoid the actuarial reduction in benefits. If you choose to do this, your retirement benefit will be determined by the percentage in effect at the time your benefits begin.

Payout Options

When you apply for a service or disability retirement, you must select a benefit option. This option generally cannot be changed after you retire. You are considered a retiree on the first of the month in which you retire.

If you are married, the law requires that you provide the written consent of your spouse to the benefit option you choose. This consent must be in writing and must be witnessed by a notary. If consent is not provided, the law requires that an Option 3 benefit be paid with your spouse as beneficiary. The Service Retirement or Disability Application contains the Spousal Consent Authorization.

Option 1: Standard Option

This option pays you a benefit for your lifetime. If you die before the total benefits you receive equal your contributions, plus interest at the date of retirement, the balance will be paid in a lump-sum to your named beneficiary.

Option 2: Joint & 100% Survivorship

This option provides a benefit that is actuarially reduced. If your designated beneficiary survives you, the benefit amount remains the same and your beneficiary continues to receive it for his or her lifetime.

Option 3: Joint & 50% Survivorship

This option provides a benefit that is actuarially reduced. If your designated beneficiary survives you, 50 percent of your benefit is paid to your beneficiary for his or her lifetime.

Option 4: Joint & 66.67% Survivorship

This option provides a benefit that is actuarially reduced. If your designated beneficiary survives you, 66.67 percent of your benefit is paid to your beneficiary for his or her lifetime.

Actuarial Reduction

"Actuarially reduced" means the benefit is reduced based on factors provided by the Office of the State Actuary. These factors are derived from statistics about life expectancy and projections of the Plan's investment earnings. An actuarial reduction is typically necessary when benefits are going to be paid over a longer period of time or to more than one person.

Changing Your Benefit Option

Once you retire you may change your benefit option and beneficiary only by returning to active membership, or in the following circumstances:

- If you choose one of the survivor options (2, 3, or 4), and your designated beneficiary dies before you, your retirement benefit may be adjusted to the higher Option 1 benefit level. If your beneficiary dies before you, be sure to notify DRS to initiate this adjustment;
- If you choose someone other than a spouse to be the beneficiary of a survivor benefit, you can change to Option 1 at any time after retirement by contacting

DRS. This option can be used only once and is irrevocable;

- If you retire under Option 1, then marry and remain married for at least one year, you may change your benefit option and name your spouse as beneficiary. To qualify for this opportunity, you must request the benefit option change within one year of the anniversary of your first year of marriage. If you opt for a survivor option, your monthly benefit will be actuarially reduced. This option can be used only once and is irrevocable.

Survivor Benefits

Death After Retirement

If you die after you begin a service or disability retirement, your survivor(s) may be eligible to receive benefits depending upon the retirement option you chose.

Death Before Retirement

If you die prior to retirement, your designated beneficiary may be eligible for benefits as follows:

- **Fewer than ten service credit years and ineligible to retire:**
  If you die before you have ten service credit years and before becoming eligible to retire, your beneficiary(ies) receives all of your contributions, plus interest earnings.

- **Ten or more service credit years or eligible to retire:**
  If you die after becoming eligible to retire or after accumulating ten or more service credit years, your surviving spouse, or if none, the guardian of your minor children, may choose between the following two benefits:

  - The sum of your contributions, plus interest; or

  - A monthly benefit calculated as if you had elected Option 2 (Joint & 100% Survivorship), and reduced to reflect your age at the time of death.

If your spouse dies while receiving a survivor's retirement benefit and leaves a minor child or children, the children will continue to receive the benefit which was being paid to your surviving spouse. The benefit will be shared equally among the children and paid until they reach 18 years of age.

If there is no surviving spouse at the time of your death, and you have minor children, their guardian will choose between the two payment options. If there are no minor children or surviving spouse, your designated beneficiary will receive your accrued contributions, plus interest.

Death as a Result of an Injury Sustained in the Course of Employment

If an active member or disability retiree dies as a result of injuries sustained in the course of employment and the Department of Labor and Industries has determined eligibility for the payment, DRS will pay a one-time duty-related death benefit to the member's designated beneficiary.

If an active member or disability retiree dies as a result of injuries sustained in the line of duty as a public safety officer, ongoing benefits received by the retiree's survivors may qualify for non-taxable status under federal and state law. Eligibility to receive benefit tax exemption will be determined by DRS.

Designating a Beneficiary

As an Active Member

As an active member, you should keep your beneficiary designation in your PERS record up-to-date. If you marry or divorce, you should file a new beneficiary designation form, even if your beneficiary remains the same. However, you should be aware that an ex-spouse may have a right to a portion of your benefits under certain circumstances. If you fail to file a beneficiary designation form, the Department automatically pays your surviving spouse, or if none, your estate.

At Retirement

At retirement, if you choose an Option 1 benefit payment, you may name a trust, your estate, an organization, or a person as your beneficiary. However, if you choose a survivor benefit option at retirement, you must select a person as your beneficiary.

To change your beneficiary, you must submit a beneficiary designation form to DRS. Forms for this purpose are available from Human Resources or DRS at www.drs.wa.gov.

Disability Retirement

If you are a member of PERS 2 and you become disabled, you may be entitled to disability benefits. You can learn more in the publication *PERS Disability Benefits*, which can be obtained online at www.drs.wa.gov. DRS recommends that you contact a retirement service analyst if you intend to apply for disability benefits.

Working After Retirement

It is important to understand what technically classifies you as a "retiree", because you must first retire before you can be covered under the return to work laws. You become a retiree when you:

- Meet the age and service requirements for retirement;
- File an application for retirement with DRS;
- Terminate all employment with DRS-covered employer(s); and
- Sever all contractual agreements (written or verbal) for future employment with DRS-covered employer(s) for a minimum of 30 days.

Taking these actions will establish your effective retirement date – which is the first day of the month following the month in which you meet the conditions for retirement.

What should I do when I return to work?

When you return to work for a DRS-covered employer, it is important to let your employer know that you are a retiree. If you are hired into a position that is eligible for DRS membership, your employer is required to report your hours of employment each month to DRS. If you are hired into a position that is ineligible for PERS or SERS membership, your employer is required to report that you have returned to work, but does not need to report your hours.

What happens if I return to work before my effective retirement date?

If you terminate employment and file a retirement application, but return to work before your effective retirement date, your application for retirement will be canceled. You are not considered to be retired, so you will return to active membership and be required to pay member contributions.

When is the earliest I can return to work?

You must wait at least 30 calendar days after your effective retirement date before returning to work. If you return to work for a DRS-covered employer less than 30 days after your effective retirement date, your benefit will be reduced by 5.5 percent for every eight hours worked in a month up to a maximum of 160 hours. If the reduction is more than your benefit, the excess is taken from the next month's benefit payment. The reduction continues until you stop working for a full 30 days.

How many hours can I work each year and still receive a benefit?

If you return to work in a PERS-eligible or SERS-eligible position at least 30 calendar days after your effective retirement date, you can work up to 867 hours in a calendar year and continue to receive your full retirement benefits.

If you return to work in a position that is ineligible for DRS membership, there is no limit placed on your employment. You can work in this position as long as you like and still receive your full retirement benefit.

Can I return to active membership?

If you are hired into a PERS-eligible or SERS-eligible position, you can return to active membership. However, when you do so your benefit will stop. When you retire again, a new benefit will be calculated to reflect the additional service credit earned. If you have completed two or more years of uninterrupted service after going back to work, you may select a new benefit option.

If you return to active membership in another DRS-covered plan, contact DRS to find out which plan's rules apply. Returning to work in another DRS-covered plan may cause your benefit to be suspended.

Recovering Withdrawn or Optional Service Credit

Many public employees leave public employment sometime during their careers and exercise the option to withdraw their contributions from the retirement fund. Members who withdraw their contributions lose all service credit associated with the withdrawn contributions. If you have withdrawn your contributions and then go to work for another public employer in the state, you may be able to recover your previously withdrawn service credit.

To restore withdrawn service credit, you must repay the total amount withdrawn, plus interest, within five calendar years of returning to a PERS-eligible position, or before you retire, whichever is first.

It is still possible to purchase withdrawn or optional service credit after the statutory deadline. The cost for purchasing service credit after the deadline date is considerably more expensive.

PERS also provides members the option to purchase service credit for periods of other types of service or leave during which they are not required to pay contributions to PERS. This is called optional service credit.

You can learn more about purchase of service credit by obtaining the DRS brochure, *Can I Recover Withdrawn or Optional Service Credit?* or by visiting the DRS website at www.drs.wa.gov.

City Retirement Bonus

Upon retirement, a PERS 2 employee receives one lump sum payment for 25% of all accrued (unused) sick leave. The payment equals 25% times the number of accrued sick leave hours (not to exceed 960) times the employee's regular rate of pay.

In the case of an employee's death, the retirement bonus is paid to the beneficiary designated under the pension or retirement system; or in the event no beneficiary has been named, to the employee's estate.

PERS 3

Eligibility

Early Retirement	Normal Retirement
Age 55 with 10 years of service. (Prior to age 65, the benefit will be reduced.)	Age 65 with: • At least 10 service credit years; • Five service credit years, including 12 service credit months that were earned after age 44; or • Five service credit years that were earned under plan 2 and transferred to PERS Plan 3 before June 1, 2003.

Benefit Components

PERS Plan 3 has a dual benefit structure. Member contributions finance a defined contribution component and employer contributions finance a defined benefit component.

Defined Benefit Component

The employer-financed, defined benefit component provides for a lifetime monthly benefit at age 65 or a reduced lifetime monthly benefit as early as age 55. Reduction factors vary based on the number of service credit years and your age. The benefit amount is based on your years of service credit and your average final compensation (AFC). Your benefit amount could be affected if you choose a benefit option.

Defined Contribution Component

The member-financed, defined contribution component provides an investment program you may access any time you separate from covered employment. The amount of retirement income generated by the defined contribution component depends on how much you contribute and the performance of your investments. You must choose how much you contribute, where your contributions are invested, and how and when you take payment.

Benefit Formula

Your monthly defined benefit payment is calculated using the following formula:

1% x AFC x Service Credit Years

Service Credit

Service credit is an important factor in determining your defined benefit. "Service credit" is based on the number of hours of compensated employment reported by your employer.

You receive one service credit month for each calendar month in which you earn compensation for 90 or more hours. No more than one service credit month can be obtained in any calendar month, even if you work more than 90 hours for each of two or more employers in a month.

Beginning September 1, 1991, one half of a service credit month is granted for any calendar month in which you receive compensation for fewer than 90, but at least 70 hours. A one quarter of a service credit month is granted for fewer than 70 hours in a calendar month. Your service credit years at retirement are calculated by dividing service credit months by twelve.

Average Final Compensation (AFC)

Average Final Compensation (AFC) is the monthly average of your 60 consecutive highest-paid service credit months. Not included are payments for any type of severance pay, such as lump-sum payments for deferred sick leave, vacation, or annual leave.

Defined Contribution Account

There is no benefit formula used to calculate the value of your defined contributions. The value of your account will be based entirely on the amount you contribute and the performance of the investments. As in any investment, there is an element of risk.

Early Retirement

Defined Benefit Account

If you have at least ten service credit years, you may retire at or after age 55. Your benefit is actuarially reduced to reflect the fact that you are likely to be receiving your benefit over a longer period of time. Reductions are prorated according to how long before age 65 your benefits begin. Once you have 30 years of service credit, the benefit reduction is set at three percent per year that you are under age 65.

Actuarial Reduction

Actuarially reduced means benefit payments are reduced based on factors provided by the Office of the State Actuary. These factors are derived from statistics about life expectancy and projections about the Plan's investment earnings. An actuarial reduction is necessary when benefits are scheduled or guaranteed to be paid over a longer period of time.

Following are the approximate percentages of your age 65 benefit you would receive if you retired at the age indicated. Your benefit is determined by the percentage in effect at the time your benefits begin. Actuarial figures in the middle column are updated periodically. The figures for members with at least 30 years of service are set in statute.

Age at Retirement	Service Credit of 10-29 Years	Service Credit of 30+ Years
55	37%	70%
56	40%	73%
57	43%	76%
58	49%	79%
59	55%	82%
60	61%	85%
61	67%	88%
62	73%	91%
63	82%	94%
64	91%	97%
65	100%	100%

Defined Contribution Account

Your defined contribution investments are part of your retirement income. However, if you choose, you can elect to withdraw the funds in your PERS Plan 3 defined contribution account any time you separate from all PERS-covered employment. You may take payment under a variety of payment plans, including installments, lump-sum or rollover, which you design to fit your specific retirement goals. In addition, the Self-Directed Investment Program offers a lifetime annuity payment option.

Delaying Receipt of Your Benefit

Defined Benefit Account

If you have at least 20 or more years of service credit and separate from service, your pension benefit will increase 0.25 percent per month, or approximately three percent per year for each year you delay receiving benefits until you reach age 65.

Example

Suppose you separate from service at age 60, with 25 service credit years and an average final salary of $30,000.

If you begin withdrawing your money at age 60, your monthly benefit would be:

1% x $30,000 x 25 years
÷ 12 months = $625.00
x 61% actuarial reduction
= $381.25

However, if you delay receiving your benefits until you reach age 65, your monthly benefit would be:

$625.00 + 0.25% increase per month between age 60 and age 65 = $726.01

Defined Contribution Account

If you leave covered employment, you can leave your defined contribution money in the Plan. As long as you have a balance in your defined contribution account, its value will continue to rise or fall depending on investment performance.

Federal law requires that you begin receiving a minimum amount from your retirement account by April 1 of the year after you reach age 70½, or when you retire, whichever comes later. The portion of your account that you must receive cannot be rolled over. The options you have for receipt of the money are outlined in the section "Payout Options, Defined Contribution Account".

If you leave covered employment and leave your defined contributions in the plan, be sure to inform the record keeper of any name, address, and beneficiary changes. You will continue to receive quarterly statements and be able to move your money between investments.

Payout Options

Defined Benefit Account

When you apply for a service or disability retirement, you must select a benefit option. This option generally cannot be changed after you retire. You are considered a retiree on the first of the month in which you retire.

If you are married, the law requires that you provide the written consent of your spouse to the benefit option you choose. This consent must be in writing and must be witnessed by a notary. If consent is not provided, the law requires that an Option 3 benefit be paid with your spouse as beneficiary. The Service Retirement or Disability Application contains the Spousal Consent Authorization.

Option 1: Standard Option
This option pays you a benefit for your lifetime. When you die, the prorated benefit for the month of death will be paid to your designated beneficiary.

Option 2: Joint & 100% Survivorship
This option provides a benefit that is actuarially reduced. If your designated beneficiary survives you, the benefit amount remains the same and your beneficiary receives it for his or her lifetime.

Option 3: Joint & 50% Survivorship
This option provides a benefit that is actuarially reduced. If your designated beneficiary survives you, 50 percent of your benefit is paid to your beneficiary for his or her lifetime.

Option 4: Joint & 66.67% Survivorship
This option provides a benefit that is actuarially reduced. If your designated beneficiary survives you, 66.67 percent of your benefit is paid to your beneficiary for his or her lifetime.

Defined Contribution Account

Your defined contribution investments are part of your retirement income. However, if you choose, you can elect to withdraw the funds in your PERS Plan 3 defined contribution account any time you separate from all PERS-covered employment. You may take payment under a variety of payment plans, including installments, lump sum, or rollover, which you design to fit your specific retirement goals. In addition, the Self-Directed Investment Program offers a lifetime annuity payment option.

To learn more about your withdrawal options, obtain the *Plan 3 Request for Withdrawal of Defined Contribution Funds* packet from Human Resources.

Changing Your Benefit Option

Once you retire you may change your benefit option and beneficiary only by returning to active membership, or in the following circumstances:

- If you choose one of the survivor options (2, 3, or 4) and your designated beneficiary dies before you, your retirement benefit will be adjusted to the higher Option 1 payment level. If your beneficiary dies before you, be sure to notify DRS to initiate this adjustment;

- If you designate someone other than a spouse to be the beneficiary of a survivor benefit, you can change to Option 1 at any time after retirement. This option can be used only once and is irrevocable;

- If you retire under Option 1 then marry and remain married for at least one year, you may change your benefit option and name your spouse as beneficiary. To qualify for this opportunity, you must request the benefit option change within one year of the anniversary of your first year of marriage. If you opt for a survivor option, your monthly benefit will be actuarially reduced. This option can be used only once and is irrevocable.

Additional information is available by contacting the Department of Retirement Systems at 1-800-547-6657 or www.drs.wa.gov.

Survivor Benefits

Death After Retirement

If you die after you begin a service or disability retirement, your survivors may be eligible to receive benefits depending upon the retirement option you chose.

Death Before Retirement

If you die prior to retirement, your surviving spouse, or if none, the guardian of your minor children will receive a benefit calculated as if you had:

- Elected Option 2: Joint & 100% Survivorship; and

- Separated from service on the date of death. The benefit is actuarially reduced if you are under age 65 at death.

If your spouse dies while receiving a survivor's retirement benefit and leaves a minor child or children, the children will continue to receive the benefit that was being paid to your surviving spouse. The benefit will be shared equally among the children and paid until they reach the age of 18.

Death as a Result of an Injury Sustained in the Course of Employment

If an active member or disability retiree dies as a result of injuries sustained in the course of employment or if the death resulted from an occupational disease or infection that arose naturally and proximately out of their covered employment, and the Department of Labor and Industries has determined eligibility for the payment, DRS will pay a one-time duty-related death benefit to the member's beneficiary.

If an active member or disability retiree dies as a result of injuries sustained in the line of duty as a public safety officer, ongoing benefits received by the retiree's survivors may qualify for non-taxable status under federal and state law. Eligibility to receive benefit tax exemption will be determined by DRS.

Death Before Initiating Payment

If you die before initiating any payment plan from your defined contribution account, your beneficiary has the right to:

- Take payment in a lump-sum cash distribution;

- Set up a scheduled payment plan; or

- Roll over your defined contribution account into an eligible retirement account.

For more information about taking payment of Plan 3 defined contribution funds, see the publication *Plan 3 Request for Payment of Defined Contribution Funds* available from DRS or Human Resources.

Death After Initiating Payment

If you die after initiating payment of your defined contribution account and you still have money in the account, your beneficiary should contact DRS to facilitate payment of the remainder of the funds. If retirement payments are derived from an annuity, the payments continue or stop based on the terms of the annuity.

Designating a Beneficiary

If you choose an Option 1 at retirement, you may name a trust, your estate, an organization, or a person as your beneficiary. However, if you choose Option 2, 3, or 4, you must select a person as your beneficiary.

Keep your beneficiary designation records up-to-date with DRS. The *Beneficiary Designation Form* is available online at www.drs.wa.gov or through your employer. Members may have a different beneficiary for the defined contribution plan than the defined benefit plan.

If you marry, divorce or re-marry, you must file a new *Beneficiary Designation Form*, even if your beneficiary remains the same. If you fail to file a new *Beneficiary Designation Form*, or if you've never filed one, DRS automatically pays your surviving spouse, or if none, your estate. However, you should be aware that a former spouse may have a right to a portion of your benefits under certain circumstances.

Disability Retirement

If you are a member of PERS 3 and you become disabled, you may be entitled to disability benefits. PERS recommends that you contact a PERS counselor if you intend to apply for disability benefits.

Working After Retirement

It is important to understand what technically classifies you as a "retiree", because you must first retire before you can be covered under the return to work laws. You become a retiree when you:

- Meet the age and service requirements for retirement;
- File an application for retirement with DRS;
- Terminate all employment with DRS-covered employer(s); and
- Sever all contractual agreements (written or verbal) for future employment with DRS-covered employer(s) for a minimum of 30 days.

Taking these actions will establish your effective retirement date – which is the first day of the month following the month in which you meet the conditions for retirement.

What should I do when I return to work?

When you return to work for a DRS-covered employer, it is important to let your employer know that you are a retiree. If you are hired into a position that is eligible for DRS membership, your employer is required to report your hours of employment each month to DRS. If you are hired into a position that is ineligible for PERS or SERS membership, your employer is required to report that you have returned to work, but does not need to report your hours.

What happens if I return to work before my effective retirement date?

If you terminate employment and file a retirement application, but return to work before your effective retirement date, your application for retirement will be canceled. You are not considered to be retired, so you will return to active membership and be required to pay member contributions.

When is the earliest I can return to work?

You must wait at least 30 calendar days after your effective retirement date before returning to work. If you return to work for a DRS-covered employer less than 30 days after your effective retirement date, your benefit will be reduced by 5.5 percent for every eight hours worked in a month up to a maximum of 160 hours. If the reduction is more than your benefit, the excess is taken from the next month's benefit payment.

The reduction continues until you stop working for a full 30 days.

How many hours can I work each year and still receive a benefit?

If you return to work in a PERS-eligible or SERS-eligible position at least 30 calendar days after your effective retirement date, you can work up to 867 hours in a calendar year and continue to receive your full retirement benefits.

If you return to work in a position that is ineligible for DRS membership, there is no limit placed on your employment. You can work in this position as long as you like and still receive your full retirement benefit.

Can I return to active membership?

If you are hired into a PERS-eligible or SERS-eligible position, you can return to active membership. However, when you do so your benefit will stop. When you retire again, a new benefit will be calculated to reflect the additional service credit earned. If you have completed two or more years of uninterrupted service after going back to work, you may select a new benefit option.

If you return to active membership in another DRS-covered plan, contact DRS to find out which plan's rules apply. Returning to work in another DRS-covered plan may cause your benefit to be suspended.

Recovering Withdrawn or Optional Service Credit

You may restore withdrawn service credit from PERS Plan 2 or PERS Plan 3. To restore withdrawn service credit you must repay the total amount withdrawn, plus interest, within five calendar years of returning to a PERS-eligible position, or before you retire, whichever is first.

It is still possible to purchase withdrawn or optional service credit after the statutory deadline. The cost for purchasing service credit after the deadline date is considerably more expensive.

If you restore service within the deadline, all contributions will be placed in your Plan 3 defined contribution account. If you purchase service credit after the deadline, the money will be split equally between the defined benefit and your defined contribution account.

You can learn more about purchase of service credit by obtaining the DRS brochure, *Can I Recover Withdrawn or Optional Service Credit?* or by visiting the DRS website at www.drs.wa.gov.

City Retirement Bonus

Upon retirement, a PERS 3 employee receives one lump sum payment for 25% of all accrued (unused) sick leave. The payment equals 25% times the number of accrued sick leave hours (not to exceed 960) times the employee's regular rate of pay.

In the case of an employee's death, the retirement bonus is paid to the beneficiary designated under the pension or retirement system; or in the event no beneficiary has been named, to the employee's estate.

PSERS 2

Eligibility

Early Retirement	Normal Retirement
-Age 53 with 20 or more years of service. (Prior to age 60, the benefits will be reduced.)	-Age 60 with 10 years of service; -Age 65 with 5 or more years of service.

How Do I Retire?

As you get closer to retirement, consider the following:

- If you are within a year of your retirement date, request an estimate of your benefit from the Department of Retirement Services (DRS). DRS will return a retirement application with your estimate;

- Obtain a copy of IRS Publication 575, *Pension and Annuity Income*, also available on the IRS website at www.irs.gov;

- Visit the DRS website at www.drs.wa.gov and use the Defined Benefit Account Access service, which allows you to create an estimate of your future retirement benefit based on your own account information.

Contact DRS at 1-800-547-6657 to request a retirement application packet. If you request a benefit estimate, you will receive an application packet when your estimate is mailed to you.

Benefits

Benefit Formula:

Your monthly retirement benefit is calculated using the following formula:

2% x Service Credit Years x AFC

Average Final Compensation (AFC):

Average Final Compensation (AFC) is the monthly average of your 60 consecutive highest-paid service credit months. Not included are payments for any type of severance pay, such as lump-sum payments for deferred sick leave, vacation, or annual leave.

Service Credit

Service credit is an important factor in determining your retirement benefit. “Service credit” is based on the number of hours of compensated employment reported by your employer.

You receive one service credit month for each calendar month in which you earn compensation for 90 or more hours. No more than one service credit month can be obtained in any calendar month, even if you work more than 90 hours for each of two or more employers in a month.

One half service credit month is granted for any calendar month in which you receive compensation for fewer than 90, but at least 70 hours. One quarter service credit month is granted for fewer than 70 hours in a calendar month. Your service credit years at retirement are calculated by dividing service credit months by twelve.

Early Retirement

If you have at least 20 service credit years, you may retire at or after age 53. Your benefit will be reduced to reflect the fact that you are likely to be receiving your benefit over a longer period of time. The benefit reduction is set at three percent for each year you are under age 60. The following table shows the approximate effect of the reductions.

Age at Retirement	3% Reduction Factor
53	79%
54	82%
55	85%
56	88%
57	91%
58	94%
59	97%
60	100%

Payout Options

When you retire, you must select one of the following benefit options. The option you choose generally cannot be changed after you retire. You are considered a retiree on the first of the month in which you retire.

If you are married, the law requires that you provide the written consent of your spouse to the benefit option you choose. This consent must be in writing and must be witnessed by a notary. If consent is not provided, the law requires that an Option 3 benefit be paid with your spouse as beneficiary.

Option 1: Standard Option

This option pays you a benefit for your lifetime. If you die before the total benefits you receive equal your contributions, plus interest at the date of retirement, the balance will be paid in a lump-sum to your named beneficiary.

Option 2: Joint & 100% Survivorship

This option provides a benefit that is actuarially reduced. If your designated beneficiary survives you, the benefit amount remains the same and your beneficiary receives it for his or her lifetime.

Option 3: Joint & 50% Survivorship

This option provides a benefit that is actuarially reduced. If your designated beneficiary survives you, 50 percent of your benefit is paid to your beneficiary for his or her lifetime.

Option 4: Joint & 66.67% Survivorship

This provides a benefit that is actuarially reduced. If your designated beneficiary survives you, 66.67 percent of your benefit is paid to your beneficiary for his or her lifetime.

Actuarial Reduction

Actuarially reduced means benefit payments are reduced based on factors provided by the Office of the State Actuary. These factors are derived from statistics about life expectancy and projections about the Plan's investment earnings. An actuarial reduction is necessary when benefits are scheduled or guaranteed to be paid over a longer period of time.

Changing Your Benefit Option

Once you retire you may change your benefit option and beneficiary only by returning to active membership for two years, or in the following circumstances:

- If you choose one of the survivor options (2, 3, or 4), and your designated beneficiary dies before you, your retirement benefit may be adjusted to the higher Option 1 benefit level. If your beneficiary dies before you, be sure to notify DRS to initiate this adjustment;

- If you choose someone other than a spouse to be the beneficiary of a survivor benefit, you can change to Option 1 at any time after retirement by contacting DRS. This option can be used only once and is irrevocable;

- If you retire under Option 1, then marry and remain married for at least one year, you may change your benefit option and name your spouse as beneficiary. To qualify for this opportunity, you must request the change within one year of the anniversary of your first year of marriage. If you opt for a survivor option, your monthly benefit will be actuarially reduced. This option can be used only once and is irrevocable.

Survivor Benefits

Death After Retirement

If you die after you begin a service or disability retirement, your survivor(s) may be eligible to receive benefits depending upon the retirement option you chose.

Death Before Retirement

If you die prior to retirement, your designated beneficiary may be eligible for benefits as follows:

- **Fewer than ten service credit years and ineligible to retire:**
  If you die before you have ten service credit years in PSERS and before becoming eligible to retire, your beneficiary(ies) receives all of your contributions, plus interest earnings.

- **Ten or more service credit years or eligible to retire:**
  If you die after becoming eligible to retire or after accumulating ten or more service credit years, your surviving spouse, or if none, the guardian of your minor children, may choose between the following two benefits:

  - The sum of your contributions, plus interest; or

  - A monthly benefit calculated as if you had elected Option 2 (Joint & 100% Survivorship), and retired on the date of your death. The benefit is reduced if you are under age 60 at death.

If your spouse dies while receiving a survivor's retirement benefit and leaves a minor child or children, the children will continue to receive the benefit which was being paid to your surviving spouse. The benefit will be shared equally among the children and paid until they reach the age of majority (18).

If there are no minor children or surviving spouse, your designated beneficiary will receive your accrued contributions, plus interest.

Death as a Result of an Injury Sustained in the Course of Employment

If an active member or disability retiree dies as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of their covered employment, and the Department of Labor and Industries has determined eligibility for the payment, DRS will pay a one-time duty-related death benefit to the member's beneficiary.

If an active member or disability retiree dies as a result of injuries sustained in the line of duty as a public safety officer, ongoing benefits received by the retiree's survivors may qualify for non-taxable status under federal and state law. Eligibility to receive benefit tax exemption will be determined by DRS.

Designating a Beneficiary

As an Active Member

As an active member, you should keep your beneficiary designation record up-to-date with DRS. If you marry or divorce, you should file a new *Beneficiary Designation* form, even if your beneficiary remains the same. However, you should be aware that an ex-spouse may have a right to a portion of your benefits under certain circumstances. If you fail to file a beneficiary designation form, the Department automatically pays your surviving spouse, or if none, your estate.

At Retirement

At retirement, if you choose an Option 1 benefit payment, you may name a trust, your estate, an organization, or a person as your beneficiary. However, if you choose Option 2, 3, or 4, you must select a person as your beneficiary.

To change your beneficiary, you must submit a beneficiary designation form to DRS. Forms for this purpose are available from Human

Resources or online through DRS at www.drs.wa.gov.

Disability Retirement

If you are a member of PSERS 2 and you become disabled, you may be entitled to disability benefits. You can learn more in the publication *PSERS Disability Benefits*, which can be obtained online at www.drs.wa.gov.

Working After Retirement

When do I become a retiree?

You must first retire before you can be covered under the return to work laws. You become a retiree when you do all of the following:

- Meet the age and service requirements for retirement;
- File an application for retirement with DRS;
- Terminate all employment with DRS-covered employer(s); and
- Sever all contractual agreements (written or verbal) for future employment with DRS-covered employer(s) for a minimum of 30 days.

Taking these actions will establish your effective retirement date as the first day of the month following the month in which you left employment.

What should I do when I return to work?

When you return to work for a DRS-covered employer, it is important to let your employer know that you are a retiree. If your employer does not know you are retired, you may be reported as an active member – which may stop your benefit. Contact your employer to determine the eligibility of your position.

What happens if I return to work before my effective retirement date?

If you terminate employment and file a retirement application, but return to work before your effective retirement date, your application for retirement will be canceled. You are not considered retired; you will return to active membership and be required to pay member contributions.

When is the earliest I can return to work?

You must wait at least 30 calendar days after your effective retirement date before returning to work. If you return to work for a DRS-covered employer less than 30 days after your effective retirement date, your benefit will be reduced by 5.5 percent for every eight hours worked in a month up to a maximum of 160 hours. If the reduction is more than your benefit, the excess is taken from the next month's benefit payment. The reduction continues until you stop working for a full 30 days.

How many hours can I work each year and still receive a benefit?

If you wait at least 30 calendar days after your effective retirement date and return to work in a PSERS-eligible position your benefit will be suspended beginning the day you return to work.

If you wait at least 30 calendar days after your effective retirement date and return to work in a PERS, SERS, or TRS-eligible position you can work up to the annual limit of 867 hours in a calendar year before your benefit will be suspended.

If you return to work in LEOFF or WSP Retirement System-eligible position, please contact DRS.

If you return to work in a position that is ineligible for DRS membership, there is no limit placed on your employment. You can work in this position as long as it is classified as ineligible and still receive your full retirement benefit. However, disability retirement benefits may be affected by employment in a position that is ineligible for DRS membership.

Can I return to active membership?

If you are hired into a PSERS-eligible position, you can return to active membership. However, when you do so your benefit will stop. When you retire again, a new benefit will be calculated to reflect the additional service credit earned. If you have completed two or more years of uninterrupted service after going back to work, you may select a new benefit option.

If you are hired into a position that is eligible for other DRS membership, your retirement allowance may be impacted depending on the system and plan covered by the new position.

Recovering Withdrawn or Optional Service Credit

To restore withdrawn service credit, you must repay the total amount withdrawn, plus interest, within five calendar years of returning to a PSERS-eligible position, or before you retire, whichever is first.

It is still possible to purchase withdrawn or optional service credit after the deadline of five calendar years. The cost of purchasing service credit after the deadline date is considerably more expensive.

To learn more about purchase of service credit see the DRS publication, *Recovery of Withdrawn or Optional Service Credit*, which can be obtained online at www.drs.wa.gov.

City Retirement Bonus

Upon retirement, a PSERS 2 employee receives one lump sum payment for 25% of all accrued (unused) sick leave. The payment equals 25% times the number of accrued sick leave hours (not to exceed 960) times the employee's regular rate of pay.

In the case of an employee's death, the retirement bonus is paid to the beneficiary designated under the pension or retirement system; or in the event no beneficiary has been named, to the employee's estate.

LEOFF 1

Eligibility

Early Retirement	Normal Retirement
Not Available	-Age 50 with 5 years of service

Benefit Formula

The formula for calculating your monthly service retirement benefit varies according to your length of service. Service credit years are calculated based on months of service credit. You receive a month of service credit for each calendar month in which you receive basic salary for seventy (70) or more hours.

Fewer than ten years of service:

Service Credit Months ÷ 12 x 1% x FAS

At least ten, but fewer than 20 years of service:

Service Credit Months ÷ 12 x 1.5% x FAS

Twenty or more years of service:

Service Credit Months ÷ 12 x 2% x FAS

Final Average Salary (FAS)

Your Final Average Salary (FAS) is determined as follows:

- If you've held the same position or rank for at least 12 months preceding retirement, it is the basic salary for that position or rank at the time of retirement;

- If you've not held the same position or rank for at least 12 months, it is the monthly average of your highest-paid 24 consecutive months within your last ten years of credited service;

- If you are disabled, it is your basic salary at the time of disability retirement;

- If you are a vested member who separated from employment before becoming eligible to retire, it is your basic salary at the time you left service.

If you established membership in LEOFF on or after February 19, 1974, your service retirement benefit is limited to 60 percent of final average salary.

On April 1 of every year following your first full year of retirement for service or disability, your monthly benefit will be adjusted by the percentage change, if any, in the Consumer Price Index (CPI, Seattle).

Payout Options

When you apply for a service or disability retirement, you must select a benefit option. If you are married, the law requires that you provide the written consent of your spouse to the benefit option you choose. This consent must be in writing and must be witnessed by a notary. If consent is not provided, the law requires that an Option 3 benefit be paid with your spouse as beneficiary. The Service Retirement or Disability Application contains the Spousal Consent Authorization.

Option 1: Standard Option

This option pays you a benefit for your lifetime. If you die before the total benefits you receive equal your contributions, plus interest at the date of retirement, the balance will be paid in a lump sum to your named beneficiary.

Option 2: Joint & 100% Survivorship

Under this option, you receive a benefit that is actuarially reduced. If your designated beneficiary survives you, the benefit amount remains the same and your beneficiary continues to receive it for his or her lifetime.

Option 3: Joint & 50% Survivorship

This option also provides a benefit that is actuarially reduced, but the reduction is smaller than in Option 2. If your designated beneficiary survives you, 50 percent of your benefit is paid to your beneficiary for his or her lifetime.

Option 4: Joint & 66.67% Survivorship

This option provides a benefit that is actuarially reduced. The reduction is smaller than in Option 2, but larger than in Option 3. If your designated beneficiary survives you, 66.67 percent of your benefit is paid to your beneficiary for his or her lifetime.

Changing Your Benefit Option

Once you retire you may change your benefit option and beneficiary only by returning to active membership, except in the following circumstances:

- If you choose one of the survivor options (2, 3, or 4), and your designated beneficiary dies before you, your retirement benefit will be adjusted to the higher Option 1 benefit level. If your beneficiary dies before you, be sure to notify DRS;
- If you chose someone other than a spouse to be the beneficiary of a survivor benefit, you can change to Option 1 after retirement.

If you retire under Option 1 then marry and remain married for at least one year, you may change your benefit option and name your spouse as beneficiary. To qualify for this opportunity, you must request the benefit option change within one year of the anniversary of your first year of marriage. If you opt for a survivor option, your monthly benefit will be actuarially reduced.

Survivor Benefits

To be eligible for a survivor benefit, your spouse must have been married to you:

- At the time of your death in service;
- For one year prior to your service or disability retirement; or
- For one year before you separated from service, if you die as a vested member with 20 or more years of service credit, or after becoming eligible for the vested benefit.

There may be other circumstances in which a not eligible spouse may receive a survivor benefit.

Death After Retirement

Benefits to Eligible Spouse

If you die after you begin a service or disability retirement, your eligible surviving spouse will continue to receive the amount you were receiving at the time of death. The amount of your spouse's benefit may be increased by five percent of FAS for each eligible child, to a maximum of 60 percent of FAS.

If your children have a legal guardian, the increase for the children will be paid to the guardian. If you have created a trust for the children's benefit, the increase will be paid to the trust.

Benefits to Surviving Children

If there is no eligible surviving spouse, or the spouse receiving benefits dies, eligible children will receive benefits as follows:

- For one child, a benefit equal to 30 percent of FAS will be paid;
- For each additional child, the benefit will be increased by ten percent of FAS, up to a maximum of 60 percent. This benefit will be divided equally among the children.

Benefits will be paid to the children's guardian until the children are age 18. If at age 18 a child is still eligible as defined, benefits will be paid directly to the child. If you have created a trust for your children, benefits attributable to the children may be paid to the trust.

Death In Service

If you die while an active employee or while on authorized disability leave, your eligible spouse will receive a benefit equal to 50 percent of your FAS. The increase attributable to your eligible children, and the children's benefits if there is no spouse, are the same as the benefits for survivors of a retiree.

Death as a Result of an Injury Sustained in the Course of Employment

A one-time duty-related death benefit will be paid to your designated beneficiary if your death occurs as a result of injuries sustained in the course of employment or if the death resulted from an occupational disease or infection that arose naturally and proximately out of their covered employment and the Department of Labor and Industries has determined eligibility for the payment. A special Beneficiary Designation form for this benefit is available from your employer.

If an active member or disability retiree dies as a result of injuries sustained in the line of duty as a public safety officer, ongoing benefits received by the member's survivors may qualify for non-taxable status under federal and state law. Eligibility to receive benefit tax exemption will be determined by DRS.

Death while Vested, but Not in Service

Twenty or More Years of Service

If you die after ending your employment with a covered employer, but before age 50, and you have 20 or more years of service credit, your eligible surviving spouse is entitled to a monthly benefit equal to the retirement allowance you would have received at age 50. Benefits for surviving children are the same as those described for survivors of a retiree.

Fewer than 20 Years of Service

If you have five or more years of service credit, but fewer than 20 years, and you die after ending your employment with a covered employer, but before age 50, your eligible beneficiary will receive a refund of your accumulated contributions.

When Benefits Begin

Survivor benefits are payable from the day after your death.

Disability Retirement

If you become disabled, regardless of your age or years of service credit, while working in a LEOFF 1 job, you may be entitled to disability benefits. Your application must be filed within one year of discontinuing your service. It is your responsibility to prove that you are disabled. Please contact the DRS for more information on this provision at 1-800-547-6657 or www.drs.wa.gov.

Working After Retirement

If you are receiving a service or disability retirement benefit from LEOFF Plan 1, consider the following before returning to the work force.

If I return to work, will my retirement benefits stop?

Your benefits will be terminated if you work in a LEOFF-covered position as a full-time and fully compensated law enforcement officer or fire fighter. However, you will continue to receive retirement benefits if:

- You work for a private employer;
- You work as a fire fighter or law enforcement officer for a LEOFF-covered employer, but your position is not full-time or fully compensated;
- You work for any public employer in a position that is not covered by LEOFF;
- You perform work on a consulting basis for a LEOFF-covered employer, and your employment qualifies as a personal services contract. To be certain that your planned working arrangement with a

LEOFF-covered employer qualifies as a personal services contract, contact DRS.

If I return to work for a public employer, will I be required to contribute to a retirement system?

As a LEOFF Plan 1 service retiree, you will be required to become an active member and contribute to a Washington State retirement system, if:

- You work in a LEOFF-covered position as a full-time, fully compensated law enforcement officer or fire fighter;

- You work in an eligible PERS or TRS position, and have fewer than 15 years of service credit in LEOFF (if you have 15 or more years of service credit, contact LEOFF);

- You work in a Judicial Retirement System-covered position and have previously established membership in that system (JRS) and did not transfer that membership to PERS.

If you serve in an elective office or as an appointee of the Governor, and have fewer than 15 years of service credit, you may be eligible to become a member of PERS. (If you have 15 or more years of service credit, contact DRS.)

You will NOT be required to become an active member and contribute to a Washington State retirement system, if:

- You work as a fire fighter or law enforcement officer for a LEOFF-covered employer, but your position is not full-time or fully compensated;

- You work in an ineligible position for a PERS- or TRS-covered employer;

- You work as a judge pro tempore.

If I am retired due to a disability, will working affect my retirement benefits?

As a LEOFF Plan 1 disability retiree, your benefits will be terminated if:

- At any age, you work in a LEOFF-covered position as a full-time, fully compensated law enforcement officer or fire fighter;

- You are under age 50 and your local disability board cancels your benefit, because you are no longer disabled.

Before canceling your benefit, the disability board must show a change of circumstance(s), such as:

- A change in the duties of your former LEOFF position;

- A change in the status of the disabling condition for which you retired;

- A change in your ability to compensate for your disabling condition.

The disability board must further establish that the change of circumstance(s) proves you are no longer disabled for the performance of your LEOFF-covered duties with average efficiency. If you are working, the board can consider the duties of your current job in deciding whether there has been a change of circumstance(s) sufficient to cancel your benefits.

Recalculating Your Benefit

If you return to LEOFF membership, your benefit will be recalculated on the basis of your additional service credit and your final average salary when you retire.

Please note: DRS must recover any benefit payments made in error, whether due to your own or your employer's oversight.

DRS-Covered Employment After Retirement

You should let your new employer know that you are a retiree. If your new position requires that you become an active member of PERS, TRS, LEOFF, or JRS, you may be required to complete a new Enrollment Form. It is your employer's responsibility to deduct the appropriate contributions from your pay and to forward them to DRS.

Recovering Withdrawn or Optional Service Credit

Many public employees leave public employment sometime during their careers and exercise the option to withdraw their contributions from the retirement fund. Members who withdraw their contributions lose all service credit associated with the withdrawn contributions. If you have withdrawn your contributions, and then go to work for another public employer in the state, you may be able to recover your previously withdrawn service credit.

LEOFF also provides members the option to purchase service credit for periods of other types of service or leave during which they are not required to pay contributions to LEOFF. This is called optional service credit.

Please contact DRS at www.drs.wa.gov for more information on recovering withdrawn or optional service credit.

City Retirement Bonus

Upon regular, non-disability retirement, a LEOFF 1 non-union employee receives one lump sum payment for 240 hours. This payment is in lieu of the sick leave based retirement bonus received by other employees. The retirement bonus is not paid in cases of disability retirement. The payment equals 240 hours multiplied by the employee's regular rate of pay. (Regular rate = annual salary/2080 hours. This formula applies for the retirement bonus regardless of duty assignment.)

In the case of an employee's death, the retirement bonus is paid to the beneficiary designated under the pension or retirement system; or in the event no beneficiary has been named, to the employee's estate.

LEOFF 2

Eligibility

Early Retirement	Normal Retirement
-Age 50, with at least 20 years of service. Prior to age 60, the benefit will be reduced.	-Age 53, with at least 5 years of service

Benefit Formula

The amount of your retirement benefit depends upon your time in service and your final average salary (FAS). Your monthly service retirement benefit is calculated using the following formula:

Service Credit Months / 12 x 2% x FAS

Final Average Salary (FAS)

Final Average Salary (FAS) is the monthly average of your 60 consecutive highest-paid service credit months prior to your retirement, termination or death. Your FAS cannot include payments for any type of severance pay, such as lump sum payments for deferred sick leave, vacation, or annual leave. There is no limit on the number of service credit years that may be included in your benefit calculation.

Service Credit

Service that counts toward determining your benefit is called "service credit." Service credit is provided only for service you render as a "fire fighter" or "law enforcement officer" after establishing membership in the plan.

You receive one service credit month for each calendar month that you receive basic salary for 90 or more hours. No more than one service credit month may be obtained during any calendar month, even if you receive basic salary for more than 90 hours from each of two employers in a month.

Beginning September 1, 1991, you receive half a service credit month for any month that you receive basic salary for at least 70 hours, but less than 90 hours. You receive a quarter of a service credit month for any month that you receive basic salary for less than 70 hours. Service credit years are calculated by dividing your total service credit months by 12.

Early Retirement

If you have at least 20 service credit years, you may retire at or after age 50. Your benefit is reduced, because you are likely to be receiving your benefit over a longer period of time. Reductions are three percent (0.25 percent per month) for each year you retire prior to age 53.

Following are the approximate annual reductions in effect when this retirement guide was published. These percentages were passed by the Legislature in 2000. Your benefit is determined by the percentage in effect at the time your benefit begins.

Age at Retirement	Percentage of What You Would Receive
50	91%
51	94%
52	97%
53	100%

Payout Options

When you apply for a service or disability retirement, you must select a benefit option. If you are married, the law requires that your spouse consents – in writing – to the benefit option you choose. This consent must also be witnessed by a notary. If consent is not provided, the law requires an Option 3 benefit be paid with your spouse as beneficiary. The retirement application contains the *Spousal Consent Authorization*.

Option 1: Standard Option

This option pays you a benefit for your lifetime.

If you die before the benefits you receive equal your contributions, plus interest at the date of retirement, the balance will be paid in a lump-sum to your named beneficiary.

Option 2: Joint & 100% Survivorship

Under this option, you receive a benefit that is actuarially reduced. If your designated beneficiary survives you, the benefit amount remains the same and your beneficiary continues to receive it for his or her lifetime.

Option 3: Joint & 50% Survivorship

This option also provides a benefit that is actuarially reduced, but the reduction is smaller than in Option 2. If your designated beneficiary survives you, 50 percent of your benefit is paid to your beneficiary for his or her lifetime.

Option 4: Joint & 66.67% Survivorship

This option provides a benefit that is actuarially reduced. The reduction is smaller than in Option 2, but larger than in Option 3. If your designated beneficiary survives you, 66.67 percent of your benefit is paid to your beneficiary for his or her lifetime.

Changing Your Benefit Option

After you retire you can only change your benefit option and designated beneficiary by returning to active membership, or in the following circumstances:

- If you choose one of the survivor options (2, 3, or 4), and your designated beneficiary dies before you, your retirement benefit will be adjusted to the higher Option 1 benefit level. If your beneficiary dies before you, be sure to notify DRS;

- If you chose someone other than a spouse to be the beneficiary of a survivor benefit, you can change to Option 1 after retirement by contacting DRS;

- If you retire under Option 1, then marry and remain married for at least one year, you may change your benefit option and name your spouse as beneficiary. To qualify for this opportunity, you must request the option change within one year of the anniversary of your first year of marriage. If you opt for a survivor option, your monthly benefit will be actuarially reduced. The change is irrevocable.

Survivor Benefits

Death After Retirement

If you die after you begin a service or disability retirement, your survivors may be eligible to receive benefits according to the retirement option you choose.

Death Before Retirement

If you die prior to retirement, your designated beneficiary (as listed with LEOFF) may be eligible for benefits. These benefits also apply to survivors of members who leave LEOFF-covered employment, but do not withdraw their contributions.

Fewer than 10 Years of Service and Ineligible to Retire

If you die before you have ten service credit years and before becoming eligible for retirement, your beneficiary receives all of your accumulated contributions. If you have no living beneficiary, your contributions are paid to your surviving spouse, or if none, to your legal representatives (your estate).

Ten or More Years of Service or Eligible to Retire

If you die with ten or more service credit years or after becoming eligible to retire, your surviving spouse, or if none, the guardian of your minor children may choose one of the following benefits:

- Payment of 150% of your accumulated contributions; or

- A monthly benefit calculated as if you had elected a Joint & 100% Survivor

Option, and retired on the date of your death

If your spouse dies while receiving a survivor's retirement benefit and leaves a minor child or children, the children will continue to receive the benefit that was being paid to your surviving spouse. The benefit will be shared equally among the children and paid until they reach the age of majority.

If there is no surviving spouse at the time of your death, and you have minor children, the children will receive a benefit calculated the same as for a normal retirement, but with the assumption that the ages of you and your spouse were the same at the time of your death.

If you have no surviving spouse or minor children, your accumulated contributions will be paid to your designated beneficiary.

Death as a Result of an Injury or Occupational Disease Sustained in the Line of Duty

If an active member or disability retiree dies as a result of injuries sustained in the course of employment or if the death resulted from an occupational disease or infection that arose naturally and proximately out of their covered employment, and the Department of Labor and Industries has determined eligibility for the payment, DRS will pay a one-time duty-related death benefit to the member's beneficiary.

If you die as a result of injuries sustained in the line of duty as a public safety officer, your survivor's benefits may be exempt from taxes under federal and state law. DRS determines eligibility.

When Benefits Begin

Survivor benefits are payable from the first day of the calendar month following the month in which a member dies.

Designating a Beneficiary

As your life changes, whether you marry, divorce or remarry, make sure to keep your beneficiary designation up-to-date. The *Beneficiary Designation* form is available from Human Resources and DRS. (www.drs.wa.gov)

If you are an active LEOFF member or a retiree with an Option 1 benefit payment, you may name a trust, your estate, an organization, or a person as your beneficiary. If you choose a *survivor benefit option* at retirement, you must select a person (not a trust or organization) as your beneficiary.

Disability Retirement

If you become totally incapacitated for work with a LEOFF employer, and you leave that job as a result of the disability, you may be entitled to receive a disability retirement benefit. DRS determines whether a member is totally incapacitated and if the disability occurred in the line of duty.

Working After Retirement

As a LEOFF Plan 2 service retiree, you will continue to receive retirement benefits, if:

- You work for a private employer;
- You work for a public employer that is not covered by any of the Washington State retirement systems;
- You work for an employer covered by PERS, PSERS, SERS, or TRS, but your position is ineligible or if the position is eligible you do not choose membership in that system;
- You work as a fire fighter or law enforcement officer for a LEOFF-covered employer, but your position is not full-time or fully compensated; or
- You perform work on a consulting basis for a DRS-covered employer and your

employment qualifies as a personal services contract. To be certain that your planned working arrangement with a DRS-covered employer qualifies as a personal services contract, contact DRS.

Your benefits will be **suspended** if:

- You work in a full-time, fully compensated LEOFF position; or

- You work in an eligible PERS, PSERS, SERS, or TRS position and choose to become a member of that system.

If I retire due to a disability, will working affect my retirement benefits?

As a LEOFF Plan 2 disability retiree, your benefits will be suspended if:

- You work in a LEOFF-covered position as a full-time, fully compensated law enforcement officer or fire fighter, or
- You work in an eligible PERS, PSERS, SERS, or TRS position and choose to become a member of that retirement system.

Your benefits will be **cancelled** if:

- Medical examinations show that you are no longer totally disabled; and

- You are no longer entitled to workers' compensation benefits

If you are receiving a monthly disability benefit, you may be required to have periodic medical examinations whether or not you are working. If such examinations show that you are no longer totally disabled, your benefits will be cancelled and you will have the right to be restored to duty.

Recalculating Your Benefit

If your retirement benefits were suspended because you worked in DRS-covered employment, your benefits will be reinstated retroactively – back to the date your benefit was suspended.

If you are eligible for retroactive benefits, you can choose to receive a lump-sum, or increased monthly benefits.

DRS-Covered Employment after Retirement

You should let your new employer know that you are a retiree. If your new position is eligible, you must complete a LEOFF Plan 2 Retiree Re-employment Form indicating whether or not you want to become an active member is a DRS-covered retirement system. If you return to work in a full-time, fully compensated LEOFF position, you will complete an enrollment form and will be required to re-enter membership in LEOFF.

Recovering Withdrawn or Optional Service Credit

Many public employees leave public employment sometime during their careers and exercise the option to withdraw their contributions from the retirement fund. Members who withdraw their contributions lose all service credit associated with the withdrawn contributions. If you have withdrawn your contributions and then go to work for another public employer in the state, you may be able to recover your previously withdrawn service credit.

LEOFF also provides members the option to purchase service credit for periods of other types of service or leave during which they are not required to pay contributions to LEOFF. This is called optional service credit.

Please contact DRS at www.drs.wa.gov for more information on recovering withdrawn or optional service credit.

City Retirement Bonus

Upon retirement, a LEOFF 2 employee receives one lump-sum payment for 25 percent of all accrued (unused) sick leave. The payment equals 25 percent multiplied by the number of accrued sick leave hours (not to exceed 960) multiplied by the employee's regular rate of pay.

In the case of an employee's death, the retirement bonus is paid to the beneficiary designated under the pension or retirement system; or in the event no beneficiary has been named, to the employee's estate.

Social Security

Determining Your Eligibility

Since the City of Redmond does not participate in Social Security, you will either need at least 40 quarters (4 credits x 10 years) in a job that was covered by Social Security, or you may be eligible to receive Social Security benefits based on your spouse's employment. Additionally, your benefit may be reduced by one of two provisions: the "government pension offset" or "windfall elimination provision". These provisions will be discussed later in this section.

Calculation of Benefits

Social Security (SS) benefits are based on earnings averaged over most of a worker's lifetime. The actual earnings are first adjusted or "indexed" to account for changes in average wages since the year the earnings were received. Then SS calculates the average monthly indexed earnings during the 35 years in which the worker earned the most. SS applies a formula to the earnings and arrives at a basic benefit or primary insurance amount (PIA). This is the amount the worker will receive at their full retirement age.

Full Retirement Age

The full retirement age is 65 for a large amount of people. However, because of longer life expectancies, beginning with people born in 1938 or later, that age will gradually increase until it reaches 67 for people born after 1959.

Year of Birth	Full Retirement Age
1937 or earlier	65
1938	65 & 2 months
1939	65 & 4 months
1940	65 & 6 months
1941	65 & 8 months
1942	65 & 10 months
1943 – 1954	66
1955	66 & 2 months
1956	66 & 4 months
1957	66 & 6 months
1958	66 & 8 months
1959	66 & 10 months
1960 and later	67

Eligibility for Benefits

Everyone born in 1929 or later needs 40 Social Security credits to be eligible for retirement benefits. During your working years, earnings covered by Social Security are posted to Social Security record and you earn credits based on those earnings.

Each year the amount of earnings needed for a credit rises as average earnings level rise. In 2008, workers will receive one credit for each $1,050 of earnings, up to the maximum of four credits per year. For 2007, one credit was earned for each $1,000 of earnings.

If a worker becomes disabled or dies before age 62, the number of credits needed depends on their age at the time of death or disability. A minimum of six credits is required regardless of the age.

Early Retirement

Workers can start their Social Security benefits as early as age 62, but the benefit amount received will be less than the full retirement benefit. If a worker takes early retirement, their benefits will be permanently reduced based on the number of months they will receive checks before they reach full retirement age.

Here's how it works. If their full retirement age is 67, the **reduction** for starting their retirement benefits at age:

- 62 is about 30 percent;
- 63 is about 25 percent;
- 64 is about 20 percent;
- 65 is about 13.3 percent; and
- 66 is about 6.7 percent.

The **reduction** for starting benefits as a **spouse** at age:

- 62 is about 67.5 percent;
- 63 is about 65 percent;
- 64 is about 62.5 percent;
- 65 is about 58.3 percent;
- 66 is about 54.2 percent; and
- 67 is 50 percent.

As a general rule, early retirement will give workers about the same total Social Security benefits over their lifetime, but in smaller amounts to take into account the longer period they will receive them.

Applying for Benefits

Apply for Social Security benefits:

- Online using the Internet Social Security Benefit Application (https://secure.ssa.gov/apps6z/ISBA/main.html);

- By phone, mail, or in person at any Social Security Office. For an appointment, call toll-free at 1-800-772-1213 or TTY at 1-800-325-0778

  The toll-free number operates from 7 AM to 7 PM, Monday through Friday. Recorded information and services are available 24 hours a day, including weekends and holidays.

At the time of application, the following information is needed for approval:

- Social Security card;
- Birth certificate;
- Proof of U.S. Citizenship or lawful alien status if not born in the U.S.;
- Military discharge papers if had military service before 1968; and
- W-2 form from last year, or last year's tax return if self-employed.

If you have a copy of your Social Security statement, please be sure the earnings listed for each year are accurate, especially the years after 1977 and any years you served in the U.S. military.

If your earnings are not correct or you are not sure if your statement is correct, please continue with the application. Social Security will assist you in reviewing and correcting your record after they receive your signed application.

If you do not have a statement and would like to have one, you may request one by visiting the Social Security Statement Page at https://secure.ssa.gov/apps6z/isss/main.html or by calling. Social Security will mail a statement to you. Do not wait for the statement to file your claim since there may be a loss of benefits. Social Security will help you review your earnings history.

Reduction in Social Security Benefits

If you worked in a job that was not covered under Social Security, e.g. some federal, state, or local government employment, the pension you get based on that work may reduce your Social Security benefits. Your benefit can be reduced by one of two provisions: the "government pension offset" or "windfall elimination provision".

Government Pension Offset

This provision applies if you receive a government pension and are eligible for Social Security benefits as a spouse or widow(er). Under this provision, your Social Security benefits that you would receive as a spouse or widow(er) may be reduced by two-thirds of the amount of your government pension. There are several exceptions to this rule. For more information, please visit: http://www.socialsecurity.gov/retire2/gpo.htm or call Social Security.

Most retirees will receive Social Security benefits from either their own earnings record or a benefit of up to one-half of their spouse's benefit, whichever results in a higher payment. However, as a general rule, career public employees will typically not receive a Social Security benefit from their spouse's earnings record.

How much will my Social Security benefits be reduced?
The offset will reduce the amount of your Social Security spouse's or widow(er)'s benefits by two-thirds of the amount of your government pension. For example, if you get a monthly pension of $600, two-thirds of that, or $400, must be deducted from your Social Security benefits. If you're eligible for a $500 spouse's, widow's, or widower's benefit from Social Security, you'll receive $100 per month from Social Security ($500 – $400 = $100).

Why is there an offset?
Social Security spouse's benefits provide income to wives and husbands who have little or no Social Security benefits of their own. From the beginning of the Social Security program, spouse's benefits were intended for women and men who were financially dependent on their husbands or wives who worked at jobs covered by Social Security.

Before the offset provisions were enacted, many government employees qualified for a pension from their agency and for a spouse's benefit from Social Security, even though they were not dependent on their husbands or wives.

What about Medicare?
Even if you do not receive cash benefits based on your spouse's work, you can still get Medicare at age 65 on your spouse's record if you are not eligible for it on your own record.

Windfall Elimination Provision (WEP)

The Windfall Elimination Provision (WEP) affects how your Social Security retirement or disability benefits are figured if you also receive a pension from work not covered by Social Security. Their formula used to figure your benefit amount, is modified, giving you a lower Social Security benefit.

Why is a different formula used?
Social Security benefits are intended to replace only a percentage of a worker's pre-retirement earnings. The way Social Security benefit amounts are figured, lower-paid workers get a higher return than highly paid workers. For example, lower-paid workers could get a Social Security benefit that equals about 55 percent of their pre-retirement earnings. The average replacement rate for highly paid workers is about 25 percent.

Before 1983, people who worked mainly in a job not covered by Social Security had their Social Security benefits calculated as if they were long-term, low-wage workers. They had the advantage of receiving Social Security benefit representing a higher percentage of their earnings, plus a pension from a job where they did not pay Social Security taxes. Congress passed the Windfall Elimination Provision to remove that advantage.

Contacting Social Security

Local Offices

505 – 106th Avenue NE
Suite 301, Park Plaza
Bellevue, WA 98004

8625 Evergreen Way
Suite 250
Everett, WA 98208
1019 West James Street
Suite 200
Kent, WA 98032

18905 – 33rd Avenue West
Suite 207
Lynnwood, WA 98036

901 Lenora
Suite 100
Seattle, WA 98121

Phone Number
(800) 772-1213

TTY Number
(800) 325-0778

Office Hours
9:00 AM – 4:00 PM
Monday – Friday

Website
www.socialsecurity.gov

Post-Retirement Medical Coverage

As a retiring City of Redmond employee, you will no longer be eligible to receive the following city-funded benefits:

- City-funded Medical
- Long-term Disability Insurance
- Survivor Life Insurance
- Life Insurance Policy

However, the following medical coverage options are available to you upon retirement.

Medical Coverage Options

COBRA

As a result of a federal law known as COBRA (Consolidated Omnibus Budget Reconciliation Act), you are guaranteed the right to apply for and purchase medical coverage under the City of Redmond's health care plan at your own expense for up to 18 months following your retirement. Your spouse and any dependents can continue benefits for 18-36 months, depending on their circumstances. You are required to pay the entire amount of the premium to continue this coverage.

You will receive COBRA notification upon separation from employment. For more information on COBRA, contact Human Resources or the U.S. Department of Labor (DOL) Employee Benefits Security Administration at 1-866-444-3272.

Individual Insurance Coverage

If your COBRA coverage expires before you are eligible for Medicare at age 65, you may need to purchase individual insurance coverage. The following individual insurance options may be available to you, your spouse, and any dependents.

Private Insurance

Private insurance carriers began offering individual health insurances policies January 1, 2001. Legislation passed in March 2000 requires most individuals to pass a health screening questionnaire to qualify for individual coverage. Due to this legislation, individual plans may require a nine-month waiting period for any condition for which you were treated or you would have sought advice or treatment during the previous six months.

If you are switching plans, you may receive credit towards the waiting period for pre-existing condition. If your prior plan is equal to or better than the new plan, the insurance company must credit your enrollment in that plan toward the waiting period. For example, if you had nine months of coverage under your most recent plan, the insurance company would waive your waiting period. If you had four months coverage, you would have to wait five months for the new insurance to cover a pre-existing condition.

For more information contact Washington State Office of the Insurance Commissioner at 1-800-562-6900 or online at www.insurance.wa.gov.

Basic Health Plan

If you meet certain income qualifications, you may be eligible for the Basic Health Plan (BHP) reduced premium program. BHP is a state-sponsored program providing healthcare coverage through private health plans. It is a comprehensive health plan with prescription drug coverage. Premiums are based on income, age, family size, location, and choice of carrier. To find out if you are eligible for BHP, call 1-800-660-9840 or TTY Users 1-888-923-5622 or BHP's website at http://www.basichealth.hca.wa.gov/.

Washington State Health Insurance Pool
The Washington State Health Insurance Pool (WSHIP) provides health insurance for people who are unable to obtain coverage in the private marketplace. This plan provides comprehensive coverage including a prescription drug benefit. Premiums are based on age and type of plan selected.

Premiums for WSHIP coverage are higher than commercial health plans. However, WSHIP offers some high deductible plan options with lower premiums.

The following two options are available for people who are not on Medicare:

- The Standard Plan (Plan 1), which is a fee-for-service, allows you to go to the doctor of your choice; or

- The Network Plan (Plan 3) uses providers from the First Choice network.

WSHIP also has a separate plan that is only available for people on Medicare (the Basic Plan). This plan has different eligibility criteria.

WSHIP provides some discount rates to people ages 50 to 64 with low income, people continuously insured with their previous plan, and people who have been in WSHIP for more than three years. For more information about WSHIP, contact the administrator, Benefit Management, Inc., at 1-800-877-5187 or www.wship.org.

Medicare

Generally, you are eligible for Medicare if you or your spouse worked at least ten years in Medicare-covered employment and you are 65 years or older and a citizen or permanent resident of the United States. If you were hired on or after April 1, 1986, you have been paying into Medicare during your employment with the City of Redmond.

Medicare covers certain medical services and supplies in hospitals, doctors' offices, and other health care settings. Services are either covered under Medicare Part A (Hospital Insurance) or Medicare Part B (Medical Insurance). If you have both Part A and Part B, these services and supplies must be covered as long as they are reasonable and necessary for your health, no matter what type of Medicare plan you have.

You can get the most from your Medicare benefits by learning what Medicare covers and by taking advantage of all the Medicare has to offer. Medicare has the following parts:

Medicare Part A (Hospital Insurance)
Part A helps cover your inpatient care in hospitals. It also helps cover skilled nursing facility, hospice, and home health care if you meet certain conditions. Part A helps cover the following:

- Inpatient care in hospitals. This includes critical access hospitals and inpatient rehabilitation facilities;

- Inpatient stays in a skilled nursing facility (not custodial or long-term care);

- Hospice care services;

- Home health care services;

- Inpatient care in a Religious Nonmedical Health Care Institution (coverage is related to non-medical, non-religious parts of care).

You usually don't pay a monthly premium for Part A coverage if you or your spouse paid Medicare taxes while working. If you aren't eligible for premium-free Part A, you may be able to buy it if you meet one of these conditions:

- You didn't work or didn't pay enough Medicare taxes while you worked and you are age 65 or older;

- You are disabled and have returned to work.

The 2008 Part A premium amount for people who buy Part A is up to $423 each month. In most cases if you choose to buy Part A, you must also have or enroll in Part B and pay the monthly Part B premium. If you have limited income and resources, your state may help you pay for Part A and/or Part B.

Medicare Part B (Medical Insurance)
Part B helps cover medically-necessary services like doctors' services, outpatient care, and other medical services that Part A doesn't cover. Part B also covers some preventive services.

You pay the Part B premium each month. Most people will pay the standard premium amount, which is $96.40 in 2008. However, your monthly premium will be higher if you are single (file an individual tax return) and your yearly income is more than $82,000, or if you are married (file a joint tax return) and your yearly income is more than $164,000. You also pay a Part B deductible each year before Medicare starts to pay is share. In 2008, the deductible amount is $135.

To determine your eligibility for Medicare, you may contact the Social Security Administration office at 1-800-772-1213 or online at www.medicare.gov. For general Medicare information, ordering Medicare booklets, and information about health plans, contact 1-800-MEDICARE, 24 hours a day, 7 days a week for assistance.

Long-Term Care Insurance

One aspect of retirement that many people fail to plan for is long-term care coverage. Have you made the necessary arrangements for long-term care for you or your spouse?

What is long-term care?

Long-term care insurance can cover medical and/or non-medical support services used during a prolonged illness, disability, or loss of mental capacity. This care may include assistance with activities of daily living, such as, bathing, dressing, eating, toileting, transferring, or continence. It may also include grocery shopping, laundry, meal preparation, managing medications, transportation, or various types of medical therapies.

Is long-term care right for you?

Long-term care may be **right** if:

- You have assets to protect;
- You can afford the premium;
- You're not currently disabled or seriously ill;
- You're unable to pay out-of-pocket costs and won't qualify for Medicaid;
- You want to ensure control over your assets;
- You want to protect your family from providing your long-term care.

Long-term care may **NOT** be right if:

- You have few or no assets;
- You're unable to afford the premium;
- You're already currently disabled or seriously ill;
- Your income/assets qualify you for Medicaid;
- You have other insurance;
- You have enough assets to self-insure;
- You have no surviving family or causes that you'd like to receive your assets.

Where is long-term care provided?

Long-term care can be provided in a variety of settings, including one's own home, adult or group family homes, assisted living facilities, nursing homes, and continuing care retirement or other community settings.

Who pays for long-term care?

Individuals generally pay for long-term care services out of pocket, unless they qualify for low-income assistance through Medicaid or have insurance to cover the care they require.

The monthly costs for long-term care range from a few hundred dollars for chore assistance to several thousand dollars for skilled nursing care. (Medicare does NOT pay for long-term care).

Choosing a Policy

What matters most are the policy benefit amounts and the specific terms of the contract. These policies are complicated, but if you ask the following questions, you'll come close to finding the best policy for you.

Is this policy "qualified" under the Health Insurance Portability & Accountability Act of 1996 (HIPAA)?
Purchase a policy that is "qualified," because only those policies allow you to take a tax deduction for the premiums and pay out tax-free benefits.

Is this policy guaranteed for life or can the insurance company cancel it?
Make sure that the insurance company cannot cancel your policy if it finds out that you're in poor health. Note that virtually no companies issue policies with guaranteed premiums, because no one can predict future health-care costs.

What is the waiting period and does it only have to be met once?
The waiting period should be no longer than three months and you should only have to meet that requirement once during your lifetime.

Does it cover home health care, as well as, skilled, intermediate, and custodial nursing-home care?
These provisions give you an option to stay at home and receive care, as well as, to receive all levels of care in a nursing home. That way, if your condition changes, you don't lose any benefits.

Do I have to be hospitalized before benefits begin?
Buy a policy where hospitalization is not required. You may simply start needing home health care and your medical insurance might not pay for a hospital stay, in which case you would have to pay out-of-pocket for a hospital visit.

What are the conditions that trigger benefit payments?
The conditions should include cognitive impairment of any kind and should explicitly include Alzheimer's disease. Other triggers should include the inability to perform two out of five or six activities of daily living (ADL) – usually eating, bathing, dressing, using the toilet, transferring (moving unassisted from a bed to a chair, for example) and continence.

What are the daily benefits for home health care and nursing-home care?
Know the cost of these services in your area so that you can choose a policy that adequately covers those costs. Your insurance agent, or a state eldercare agency, should be able to give you this information.

Is there an inflation clause so that my daily benefits increase over time?
The cost of home health and nursing-home care has skyrocketed in the past few years, so make sure that your policy benefits will keep up with those costs. Again, your agent or state eldercare agency can help.

How long will benefits be paid?
If possible, you should purchase a policy with a period of six years or more. The benefit period should be the same for nursing-home care and health care.

Is there a pre-existing conditions clause?
This clause excludes pre-existing conditions (medical conditions or ailments you already have prior to purchasing the policy, which are usually

listed on your application). Your policy should not have a pre-existing condition clause.

Are there specific, guaranteed protections against policy lapses and reinstatements?
This protects you if you are having physical or mental difficulties and forget to pay the premium. You can have the policy reinstated even if your premium is late.

How are benefits paid?
The traditional long-term care policy is based on reimbursement of eligible expenses – you submit actual expenses and get reimbursed. Other policies are indemnity-based – if you qualify for benefits, you receive the daily benefit and pay for your expenses with it. You don't submit bills for approval.

How long has the company been selling long-term care insurance?
Choose a company that has a good track record in the sales and administration of long-term care insurance. Make sure you buy insurance from a company that has been selling long-term care insurance for at least five years.

What are the insurer's financial-strength ratings from the major insurance ratings services (A.M. Best, Standard & Poor's, Moody's, and Duff & Phelps)?
You want to choose a company with solid financial strength so that if expenses are substantially greater than expected, the company can handle them with ease.

Ask for a sample copy of the exact contract of the policy you would be purchasing from your company.
Here is where you will probably get the answers to most of the questions listed above. Do not depend on what an insurance agent tells you verbally; it's what's in the contract that counts.

Long-Term Care Information

For more long-term care insurance information you may contact Statewide Health Insurance Benefits Advisors (SHIBA) at 1-800-562-6900 or find out more information online through www.insurance.wa.gov.

Additional Resources

Senior Information & Assistance
National Elder Care Locator Service
1-800-677-1116

DSHS Home & Community Services
1-800-422-3263

A Shopper's Guide to Long-Term Care Insurance
National Association of Insurance Commissioners (NAIC)
1-816-842-3600
www.naic.org

Other Retirement Issues

Legal Issues

Estate Planning

Your estate includes everything you own, less everything you owe. Everyone with any type of income or property should be concerned with estate planning as it can save your family members a lot of headaches during the difficult time following your death. Lack of planning for what will happen to your estate after you die can result in higher taxes, higher probate costs, family arguments, and other financial or emotional nightmares. Most people believe that their estate is too small to require planning, but think about all the assets you have accumulated over the years – your home, insurance policies, cars, retirement benefits, including MEBT, 457, PERS/LEOFF, stocks, bonds, and other real estate.

Estate planning objectives should include provisions for your spouse and/or children at your death. It is advisable that you begin pulling important documents together now to assure that your estate is in order at the time of your death.

You may also want to include telephone numbers for your pension and health plan administrators, your accountant, Social Security, and the IRS so your survivors can get information on taxes, reports, etc. An estate planning team often consists of an attorney, life insurance agent, accountant, and investment advisor or bank trust officer. Using this team will allow you, or your attorney, to develop an estate plan that covers drafting a will, tax issues, insurance, and investments. If you haven't put together an estate planning team, now is the time to do so. Your family deserves the peace of mind.

The following are 12 easy steps to follow in preparing your estate plan:

1. Prepare your will. If you die without a will, your estate ends up in probate court which can be an added stress on your heirs.

2. Make sure you have not only a will, but also a durable power of attorney, and a healthcare proxy.

3. Use estate planning software to at least make initial preparations. Most of the estate-planning software packages available today give you a good start on your estate plan. Completing the questions in the software program gives an attorney the necessary information and saves you time and billable dollars. If you create legal documents with a software package, make sure your attorney reviews them.

4. Get your will notarized with the correct number of witnesses. Laws vary from state to state on this. No beneficiary should ever sign as a witness.

5. If you already have an estate plan, you should always review your plan in cases of divorce, death of a spouse, adoption, birth of *each* child, moving from one state to another, receiving a windfall, getting married or remarried.

6. Make a list of all of your assets and all of your liabilities. Your liabilities will have to be paid at your death. What's left over, minus administrative and probate costs, is what your beneficiaries will get. Decide who gets what, and in what proportion.

7. Name an executor who will manage your estate from the time of your death until the time that your assets are distributed.

This is a big job, so make sure the person has the time and the ability to do it.

8. Choose a guardian for your children.

9. Have only one set of documents signed, witnessed, and notarized. You'll probably get duplicate copies. Keep the others for your files.

10. Review your estate plan every few years, even if your situation is pretty much the same. Laws change constantly and your planning may be out of date.

11. Don't keep your insurance policies in your safe-deposit box. This delays filing for death benefits.

12. There are three kinds of joint ownership. If you die, your share does not automatically go to the other owner. Make sure you have the right kind of joint ownership for your needs.

It's important to keep in mind that your estate-planning needs are probably much less complicated than they seem, even if they don't include all of the topics touched upon here.

Wills

A will is the basic building block of estate planning, but it is estimated that over two-thirds of Americans do not have one. If you do not have a properly drafted will already, now is the time to take care of that. Drafting a will most often includes the following steps:

- Naming an executor and alternate executor to handle property distribution;
- Choosing a guardian of underage children if you and your spouse should die;
- Setting up a trust fund for your spouse and/or children;
- Naming recipients of valuable possessions;
- Designating charitable contributions;
- Considering estate tax reduction strategies.

An attorney can draft a simple will for a low fee. This type of will usually leaves the entire estate to the surviving spouse. You can always make changes in your will if your circumstances change. The first step is to decide what you want in your will and then seek competent legal counsel.

Financial Issues

Selecting a Financial Planner

You may decide that you want to hire a professional financial planner to help you make those difficult financial decisions. Make sure you do your homework before hiring this type of professional. The National Association of Personal Financial Advisors (NAPFA) represents “fee-only” financial planners who do not receive commissions or fees from selling financial products to you. NAPFA can be reached at 1-800-366-2732 or info@napfa.org. The Certified Financial Planner (CFP) Board of Standards can help you find a certified financial planner in your area by using their website at www.cfp.net or by calling 1-800-487-1497.

Contact & Resource Guide

457 Account Information
1-800-543-2520 (MetLife)
www.mlr.metlife.com

457 Plan Committee

Finance Director - Chair
Finance
425-556-2160

Lori Brown - Secretary
Human Resources
425-556-2125

Matt Peringer
Police
425-556-2580

Mike Haley
Public Works
425-556-2843

Terry Marpert
Planning
425-556-2428

Todd Short
Fire
425-556-2242

Dave Tuchek
Parks & Recreation
425-556-2318

Administration on Aging
www.aoa.dhhs.gov

American Association of Retired Persons (AARP)
www.aarp.org

Basic Health Plan
1-800-660-9840
1-888-923-5622 (TTY)
www.basichealth.hca.wa.gov

Certified Financial Planner Board of Standards
1-800-487-1497
www.cfp.net

COBRA – Consolidated Omnibus Budget Reconciliation Act
1-866-444-3727 (US Dept. of Labor)
www.dol.gov

Department of Retirement Systems (DRS)
360-664-7000
800-547-6657
360-586-5450 (TDD)
www.drs.wa.gov

DSHS Home & Community Services
1-800-422-3263

Government Pension Offset
http://www.ssa.gov/pubs/10007.html

Human Resources
Kendra Johnson, HR Assistant - Benefits
425-556-2169

Internal Revenue Service (IRS)
1-800-829-1040
www.irs.gov

Long-Term Care Insurance
1-800-562-6900 (SHIBA)
www.insurance.wa.gov

Medicare
1-800-MEDICARE (633-4227)
www.medicare.gov.

MEBT Account Information
1-877-401-SAVE (7283)
www.401save.com

MEBT Plan Committee

Finance Director - Chair
Finance
425-556-2160

Lori Brown - Secretary
Human Resources
425-556-2125

Matt Peringer
Police
425-556-2580

Mike Haley
Public Works
425-556-2843

Terry Marpert
Planning
425-556-2428

Todd Short
Fire
425-556-2242

Dave Tuchek
Parks & Recreation
425-556-2318

MetLife

1-800-543-2520
www.metlife.com

National Association of Insurance Commissioners (NAIC)

1-816-842-3600
www.naic.org

National Association of Personal Financial Advisors (NAPFA)

1-800-366-2732
info@napfa.org

National Elder Care Locator Service Senior Information & Assistance

1-800-677-1116

Social Security

800-772-1213
800-325-0778 (TTY)
www.ssa.gov

Statewide Health Insurance Benefits Advisors (SHIBA)

1-800-562-6900
www.insurance.wa.gov

US Department of Health & Human Services Healthfinder

www.healthfinder.gov

US Department of Labor Employee Benefits Security Administration

1-866-444-3272
www.dol.gov

Washington State Department of Labor & Industries

1-800-547-8367
http://www.lni.wa.gov/

Washington State Health Insurance Pool (WSHIP)

1-800-877-5187
www.wship.org

Washington State Office of the Insurance Commissioner

www.insurance.wa.gov

Windfall Elimination Provision (WEP)

http://www.ssa.gov/retire2/wep.htm