

## JOURNEY TO RETIREMENT PERS PLAN CHOICE BOOKLET

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©2006 State of Washington Department of Retirement Systems. All rights reserved. This booklet is intended as an educational tool. It is not intended to advise or recommend specific investment strategies. Members making this decision may wish to seek professional financial assistance.

This publication is not a substitute for reading the full plan materials. It is a brief outline intended to give you an overview of some of the features of PERS Plans 2 and 3. It is not a legal document. The operations of the Plan are governed by the Plan documents, which contain all of the technical provisions that govern the plan. If there is any conflict between this document and the provisions of the Plan documents, the Plan documents will prevail.

You have the opportunity to choose between PERS Plan 2 and PERS Plan 3. The choice you make will be irrevocable, so it's important to consider your decision carefully.

**Definitions:**

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**Defined Benefit** is a guaranteed retirement benefit based on service credit and average final compensation. The amount you or your employer contribute does not determine your retirement benefit.

**Defined Contribution** is a retirement benefit based on the amount contributed and the performance of the investments. Investment returns (both gains and losses) are credited to your Defined Contribution account.

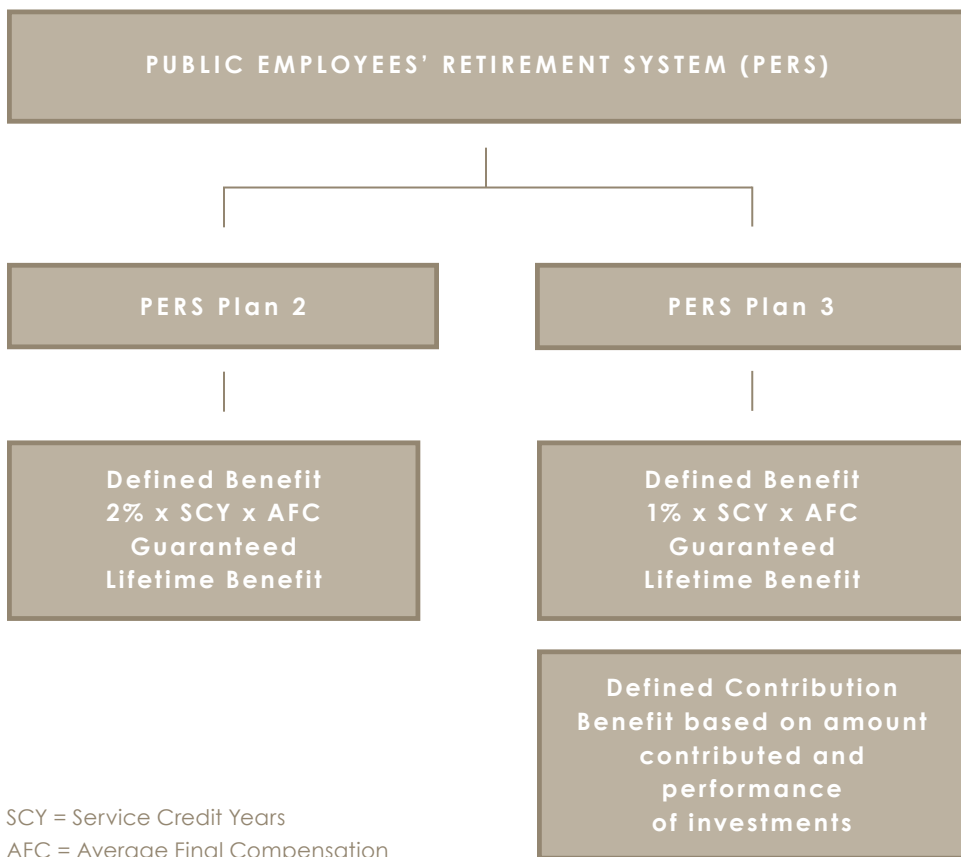
Your individual circumstances and goals for retirement will determine which is more beneficial — PERS Plan 2 or PERS Plan 3. At the Department of Retirement Systems (DRS), our goal is to provide you with information and tools so you can make a choice that will best benefit you and your family.

Use this booklet as your road map to guide you through the decision-making process, provide key information and help you arrive at your retirement destination.

This booklet does not contain all information about PERS Plan 2 and PERS Plan 3. Please refer to your member handbooks if you need more information.

It is important to have a thorough understanding of the differences between the two PERS plans before deciding. We will begin with a brief overview of PERS Plan 2 and PERS Plan 3.

## PERS PLAN 2 AND PLAN 3 OVERVIEW



### THINGS TO CONSIDER

There are a number of factors to consider when making your decision, including your anticipated length of employment, how much you are earning, how much you have saved and how comfortable you are assuming the risk for your own investment decisions.

### RESOURCES AVAILABLE

Several resources, including this booklet, are available to help you evaluate your individual situation and make the choice that is best for you. In addition to written materials, there is a Web site, financial modeling software and a phone support center. More information about these resources can be found on pages 15 and 16. More information about PERS Plan 3 investment options can be found starting on page 11.

#### Important Note:

PERS Plan 3 is similar to PERS Plan 2, but adds a component that allows you to choose your contribution level and how it is invested.

## AM I A NEW MEMBER OR AN ELIGIBLE TRANSFER MEMBER?

Two different groups of PERS members have the opportunity to choose PERS Plan 3 — new members and eligible transfer members. Different rules apply to each group. Please read the information below to determine which group you belong in.

### NEW MEMBER

You are a new member if you were first hired into an eligible position at a state agency or higher education employer on or after March 1, 2002, or a local government employer on or after September 1, 2002.

### ELIGIBLE TRANSFER MEMBER

You are considered an eligible transfer member if you are already a PERS Plan 2 member and you were employed in an eligible position at a state agency or higher education employer prior to March 1, 2002, or a local government employer prior to September 1, 2002. You have the option to transfer to PERS Plan 3 every January.

## NEW MEMBER

### TIMELY DECISION REQUIRED

Your employer must receive your Member Information Form within your first 90 days of eligibility. If you do not make a decision within your first 90 days of eligibility you will default to PERS Plan 3.

### IRREVOCABLE DECISION

Once you select PERS Plan 2 or PERS Plan 3 (or you default to PERS Plan 3), you will not be able to change plans at a later date. The decision is irrevocable, so be sure you have weighed all of your options carefully.

### WHO CONTRIBUTES TO THE DEFINED CONTRIBUTION COMPONENT OF PERS PLAN 3?

The defined contribution component of PERS Plan 3 is funded entirely by your contributions, investment returns and any gain sharing for which you qualify. For more information please see page 10.

#### Important Note:

If you don't choose a plan during your first 90 days of eligibility, you will default to PERS Plan 3.

Whether you choose your plan or default to PERS Plan 3, you will not be able to change your plan at a later date.

## VIDEO

A short video is available that provides an overview of PERS Plan 2 and PERS Plan 3, and discusses factors to consider when making your decision. You can view the video on the the Web site of DRS' Plan 3 record-keeper ICMA-RC Web at [www.icmarc.org/planchoice](http://www.icmarc.org/planchoice).

Additional resources are available on page 15.

## ELIGIBLE TRANSFER MEMBER

### TIMELY DECISION REQUIRED

If you are a state agency or higher education employee first hired before March 1, 2002, or a local government employee first hired before September 1, 2002, and you are working in an eligible position, you have an opportunity to transfer to PERS Plan 3 during the month of January. In order to transfer you must earn service credit during the January in which you transfer and turn in your Member Information Form to your employer by January 31.

During some January transfer periods, January 31 may fall on a Saturday or Sunday. Contact your employer to determine their cut-off day for accepting your Member Information Form.

### IRREVOCABLE DECISION

The decision to transfer to PERS Plan 3 is irrevocable — once a decision is made to transfer to PERS Plan 3, you cannot return to PERS Plan 2.

### WHO CONTRIBUTES TO THE DEFINED CONTRIBUTION COMPONENT OF PERS PLAN 3?

If you transfer to PERS Plan 3, your defined contribution account will be funded by your PERS Plan 2 account at the date of transfer. Subsequent Plan 3 contributions, investment returns, and gain sharing for which you qualify, are added to your account. For more information please see pages 10 and 12.

## RESOURCES

For a list of available resources please see page 15.

## PERS PLAN 2

### WHAT BENEFITS DOES PERS PLAN 2 PROVIDE?

PERS Plan 2 is a **Defined Benefit** plan that provides a guaranteed lifetime monthly retirement benefit based on your years of service credit and your compensation, provided you meet age and service requirements. The guarantee in PERS Plan 2 is two-fold. Members are guaranteed to receive a benefit based on the formula given below, and PERS Plan 2 funds are also guaranteed by the state of Washington. The formula for computing your benefit at retirement is:

$$2 \text{ percent} \times \text{Service Credit Years (SCY)} \times \text{Average Final Compensation (AFC)}$$

For example, if you worked every month for 15 years, with an average salary over the last five years of \$2,500 per month, your benefit would be:

$$2 \text{ percent} \times 15 \times \$2,500 = \$750 \text{ a month}$$

Once you begin receiving benefits, your monthly benefit amount is adjusted each year, based on cost of living changes, up to a maximum of 3 percent per year.

### WHO CONTRIBUTES TO PERS PLAN 2?

PERS Plan 2 is funded by employer contributions and mandatory member contributions.

Below is a sampling of member contribution rates, as well as a 20-year weighted average. Contribution rates and the 20-year weighted average vary over time.

September 1, 1991	4.70%
September 1, 1994	5.00%
September 1, 1997	4.65%
September 1, 2000	2.43%
September 1, 2002	.65%
September 1, 2004	1.18%
September 1, 2005	2.25%
20-Year Weighted Average	3.77% (as of September 2005)

#### Definition:

##### **Average Final Compensation (AFC)**

is the monthly average of your 60 consecutive highest paid service credit months.

**Service Credit Years (SCY)** are calculated by dividing your total service credit months by 12. You receive one service credit month for each calendar month in which you are compensated for 90 or more hours.

#### Important Note:

Both AFC and SCY are used in determining your benefit at retirement.

### WHEN AM I ELIGIBLE FOR RETIREMENT UNDER PERS PLAN 2?

Under PERS Plan 2, you are eligible to retire with a full benefit at age 65, with at least five service credit years. Or, you are eligible to retire with a reduced benefit at age 55 with at least 20 service credit years. (See the PERS Plan 2 and PERS Plan 3 Early Retirement Reduction Factors Table on page 9.)

### CAN I WITHDRAW MY DEFINED BENEFIT CONTRIBUTIONS?

In PERS Plan 2, you may withdraw your contributions and earnings if you separate from service. However, doing so cancels all rights and benefits you may have earned in PERS. If you return to PERS-covered service, you may be eligible to purchase your previous service credit. See *Plan 2 Recovery of Withdrawn or Optional Service Credit* on the DRS Web site or call 360-664-7000 or toll-free at 800-547-6657 to request a copy.

## PERS PLAN 3

PERS Plan 3 is a Defined Benefit Plan with a Defined Contribution component.

- 1) The **Defined Benefit** component is like PERS Plan 2, which provides a guaranteed lifetime monthly retirement benefit based on your years of service and compensation, provided you meet the age and service requirements.
- 2) The **Defined Contribution** component allows you to choose the level of your contributions and how they are invested.

#### Important Note:

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In PERS Plan 2 you may withdraw your contributions and earnings if you separate from service. However, doing so cancels all rights and benefits you may have earned in PERS.

## DEFINED BENEFIT COMPONENT

### WHAT DOES THE DEFINED BENEFIT COMPONENT OF PERS PLAN 3 PROVIDE?

The Defined Benefit component of PERS Plan 3 is similar to PERS Plan 2. It provides a guaranteed lifetime monthly retirement benefit based on your years of service and your compensation. However, the percentage used for computing your benefit at retirement in PERS Plan 3 is 1 percent instead of the 2 percent in PERS Plan 2:

$$1 \text{ percent} \times \text{Service Credit Years (SCY)} \times \text{Average Final Compensation (AFC)}$$

Like PERS Plan 2, once you begin receiving benefits, your monthly benefit amount is adjusted each year, based on cost of living changes, up to a maximum of 3 percent per year.

### WHO CONTRIBUTES TO THE DEFINED BENEFIT COMPONENT OF PERS PLAN 3?

The Defined Benefit component of PERS Plan 3 is funded entirely by employer contributions. Employer contributions are the same for PERS Plan 2 and PERS Plan 3, but contribution rates vary over time.

### WHEN AM I ELIGIBLE FOR RETIREMENT UNDER THE DEFINED BENEFIT COMPONENT OF PERS PLAN 3?

The retirement eligibility requirements for PERS Plan 3 differ from PERS Plan 2. Under PERS Plan 2, you are eligible to retire at age 65 with at least five service credit years. Under PERS Plan 3, you are eligible to retire:

- At age 65 with at least 10 service credit years; or
- At age 65 with five service credit years, including 12 service credit months that were earned after age 44; or
- At age 65 with five service credit years that were earned under Plan 2 before June 1, 2003.

## EARLY RETIREMENT

Eligible members may retire early with an actuarially reduced benefit. Under PERS Plan 3, you are eligible to retire at age 55 with at least 10 service credit years. Under PERS Plan 2, you are eligible to retire at age 55 with at least 20 service credit years. Use the table below to calculate your benefit, based on your planned retirement age.

PERS PLAN 2 AND PERS PLAN 3 EARLY RETIREMENT REDUCTION FACTORS FOR STARTING BENEFIT BEFORE AGE 65		
ELIGIBLE MEMBER RETIREMENT AGE	MEMBERS WITH <b>LESS THAN 30</b> SERVICE CREDIT YEARS*	MEMBERS WITH <b>AT LEAST 30</b> SERVICE CREDIT YEARS*
55	0.37	0.70
56	0.40	0.73
57	0.43	0.76
58	0.49	0.79
59	0.55	0.82
60	0.61	0.85
61	0.67	0.88
62	0.73	0.91
63	0.82	0.94
64	0.91	0.97

\*To determine the benefit payable for early retirement, multiply your benefit by the reduction factor shown above. Factors vary over time. Please see the DRS Web site for the latest information.

## DEFINED CONTRIBUTION COMPONENT

### WHAT DOES THE DEFINED CONTRIBUTION COMPONENT OF PERS PLAN 3 PROVIDE?

The ultimate value of the Defined Contribution benefit is based on the amount you contribute and investment performance. Investment returns (both gains and losses) are credited to the Defined Contribution account. The choice of funds will determine the investment risk and return you can expect.

### Important Note:

PERS Plan 3 provides a feature that is not available in PERS Plan 2. If you have at least 20 service credit years and separate from service, your benefit will be increased 0.25 percent per month, or approximately 3 percent per year that you delay receiving benefits (until age 65).

This is separate from the annual cost of living adjustment that will begin when you start collecting benefits.

(You can also delay receiving your benefit under PERS Plan 2. However, your benefit will not increase during that time.)

### WHO CONTRIBUTES TO THE DEFINED CONTRIBUTION COMPONENT OF PERS PLAN 3?

The Defined Contribution component of PERS Plan 3 is funded entirely by member contributions. As with PERS Plan 2, member contributions are mandatory. Unlike PERS Plan 2, which has a single contribution rate (which is equal to 2.25 percent, as of May 2006), with PERS Plan 3 you choose how much to contribute from one of six rate options:

Option A: 5% fixed rate at all ages

Option B: 5% up to age 35  
6% ages 35 through 44  
7.5% age 45 and older

Option C: 6% up to age 35  
7.5% ages 35 through 44  
8.5% age 45 and older

Option D: 7% fixed rate at all ages

Option E: 10% fixed rate at all ages

Option F: 15% fixed rate at all ages

Once you choose your contribution rate, you cannot change it unless you change employers. Changing employers means working for a different employer, not another division or department of your current employer.

If you do not choose a contribution rate, your default rate will be Option A, 5 percent.

### WHAT FACTORS INFLUENCE MY INVESTMENT CHOICES?

Both your risk tolerance and your retirement goals will play a significant role in your investment choices. As a PERS Plan 3 member, it is your responsibility to manage your investment choices to meet your retirement goals. PERS Plan 3 investment education materials are described on the PERS Plan 3 Web site at [www.drs.wa.gov](http://www.drs.wa.gov) (click on “My Plan 3 Account”).

## WHAT INVESTMENT CHOICES DO I HAVE?

The Defined Contribution component of PERS Plan 3 offers members the choice between two investment programs.

### 1) The WSIB Investment Program

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

If you do not select an investment program, your contributions will automatically be directed to this program.

### 2) The Self-Directed Investment Program

The Self-Directed Investment Program allows you to choose from a menu of professionally managed funds. You can choose from any or all of seven investment funds and/or from among three pre-set portfolios, which are composed of various mixed funds.

The seven investment funds, which have risk/return profiles that range from low risk/low return to higher risk/higher return, allow you to create your own investment mix:

- Money Market Fund
- Washington State Bond Fund
- U.S. Large Stock Index Fund
- U.S. Stock Market Index Fund
- U.S. Small Stock Index Fund
- International Stock Index Fund
- Socially Responsible Balanced Fund

If you choose from the seven investment funds as part of the Self-Directed Investment Program, you will be responsible for monitoring your account balances and periodically rebalancing if necessary to maintain your investment objectives.

#### **WSIB Investment Program:**

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The Washington State Investment Board manages the WSIB Investment Program. Assets are valued monthly based on the performance of all the investments in the portfolio.

#### **Self-Directed Investment Program:**

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In the Self-Directed Investment Program, each member's account is valued daily, based on the number of shares and current asset value.

If you select the Self-Directed Investment Program and do not make an investment choice, your contributions will be invested in the Money Market Fund.

#### **Program Flexibility:**

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Although you can contribute to only one of the investment programs at a time, you can have assets in both and move any portion of your account from one program to the other within the program's guidelines.

The three pre-set portfolios, called Horizon Funds, are designed for investors with various risk profiles and time horizons, who want a diversified portfolio with the convenience of a single investment. The funds are automatically rebalanced to remain consistent with their stated investment objectives:

- The **Short-Horizon Fund** is designed for investors who desire relatively low risk with corresponding lower potential return.
- The **Mid-Horizon Fund** is designed for investors who can tolerate moderate risk with corresponding potential moderate long-term return.
- The **Long-Horizon Fund** is designed for investors who can tolerate a relatively high level of risk with corresponding potential higher long-term return.

#### GAIN SHARING

You may also qualify for gain sharing payments. If the WSIB earnings on the combined trust fund assets of PERS Plan 2 and PERS Plan 3 average more than 10 percent over the previous four state fiscal years, half of the amount over 10 percent will be distributed among all Plan 3 members' Defined Contribution accounts. Individual gain share amounts are based on a member's service credit years. If gain sharing payments occur, they are made in January of even-numbered years.

To be eligible for an ongoing gain sharing payment, you must meet the following criteria:

- Have earned service credit during the 12-month window from September 1 to August 31 of the year immediately preceding the distribution, and had a balance of at least \$1,000 in your member account on August 31 of the year immediately preceding the distribution, or
- Be in receipt of payment from the Defined Benefit component of PERS Plan 3, or
- Be in receipt of payment from the Defined Contribution component of PERS Plan 3, and:
  - have completed 10 service credit years, or
  - have completed five service credit years, including 12 service credit months after you reach age 54, or
  - have completed five service credit years in Plan 2 before transferring to Plan 3, or

*(continued on next page)*

- Have a balance of at least \$1,000 in your member account on August 31 of the year immediately preceding the distribution, and:
  - have completed 10 service credit years, or
  - have completed five service credit years, including 12 service credit months after age 54, or
  - have completed five service credit years in Plan 2 before transferring to Plan 3

Note: Gain sharing is a current benefit provision of Plan 3. However, it is not a contractual benefit provision and may be subject to future modification or elimination by the legislature.

### HOW CAN I LEARN MORE ABOUT THE INVESTMENT OPTIONS AVAILABLE IN PERS PLAN 3?

The Department of Retirement Systems provides the following helpful materials:

- Investment education packet
- Investment education seminars

These materials are available from your employer. You can also find information on our Web site at: [www.drs.wa.gov](http://www.drs.wa.gov) (click on “My Plan 3 Account”).

### WHEN CAN I WITHDRAW MY DEFINED CONTRIBUTION MONEY?

Your Defined Contribution money is a major component of your retirement benefit, however, you may withdraw it when you separate from service. You may also leave it in the Plan. If you withdraw any portion before retirement, that portion will not be available as part of your PERS benefit when you retire. Several payment options are available, including lump sum cash distribution, direct rollover, scheduled payments, annuity purchases or a personalized payment schedule. To learn more about your withdrawal options, ask your employer for the PERS Plan 3 *Request for Payment of Defined Contribution Funds* brochure, visit the Web site or call 888-711-8773.

Withdrawing money from the Defined Contribution component of PERS Plan 3 has no effect on your Defined Benefit component. Once you meet the age and service requirements of PERS Plan 3, you are eligible for a monthly benefit payment regardless of whether or not you have withdrawn money from your Defined Contribution account.

#### Important Note:

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Attending one of the investment seminars sponsored by DRS can help you understand the risks and possible rewards associated with making your own investment decisions. Check the Web site at [www.drs.wa.gov](http://www.drs.wa.gov) (click on “My Plan 3 Account”) for more information.

#### Plan Withdrawal Note:

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Withdrawing money from your Defined Contribution component of PERS Plan 3 has no effect on your Defined Benefit component. Once you meet the age and service requirements for PERS Plan 3, you are eligible for a monthly benefit payment, regardless of whether or not you have withdrawn money from your Defined Contribution account.

## DECIDING ON A PERS PLAN

Several resources are available to help you decide which plan may be best for you. These include financial modeling software, phone line representatives, and a detailed comparison chart on pages 18 and 19.

A description of resources begins on page 15 and is followed by a discussion of other factors you may want to consider when making your decision.

## EVALUATING YOUR PERSONAL SITUATION

### **Risk**

What type of investor are you? Are you comfortable with taking investment risk or do you prefer a guaranteed benefit? Risk is the chance that your original investment will not grow as much as you expect or that it could decline in value.

PERS Plan 3 is a Defined Benefit plan that includes a Defined Contribution component. You make the investment choices for the Defined Contribution component and those choices determine the amount of risk your account is exposed to. Investing in the Defined Contribution component is your responsibility. The Defined Benefit provides a guaranteed lifetime monthly benefit, based on your years of service and compensation.

PERS Plan 2 provides a guaranteed lifetime monthly benefit, based on your years of service and compensation, provided you meet the age and service requirements.

### **Flexibility**

Are you interested in putting together your own investment mix? The Defined Contribution component of PERS Plan 3 provides a range of investment programs and choices.

### **Retirement income needs**

Determine your retirement income needs and then look at all sources of income. If you qualify for Social Security benefits, what is the projected monthly benefit? Do you have savings in other retirement plans or accounts, such as a deferred compensation 457 plan, a 403(b) plan or an IRA?

Your retirement income may come from a variety of sources, including Social Security, retirement savings plans and other accounts owned by you or your spouse.

### Time horizon

How long do you plan to be a PERS-covered employee? Based on your anticipated length of employment, do you expect to accumulate a substantial benefit under PERS Plan 2?

How long do you have until retirement? Do you have time to benefit from earnings on investment returns in Plan 3?

## RESOURCES

### Financial modeling software

Financial modeling software considers multiple variables for PERS Plan 2 and PERS Plan 3 and performs the complex calculations needed to project your future benefit under each plan. It allows you to compare results for your personal situation, including your:

- Contribution level
- Expected rate of return
- Life expectancy
- Payout method
- Current age
- Expected years of service
- Anticipated date when Defined Contribution payments will begin

You can use the software in a number of ways. For example, you can compare the projected retirement benefits for PERS Plan 2 and PERS Plan 3 using various Defined Contribution rate options and expected rates of return. You can also use factors such as early retirement, delayed benefits and different survivor benefit options to compare projected benefits.

The software requires only a Web browser and is available at [www.drs.wa.gov](http://www.drs.wa.gov). If you do not have Internet access, you can call the phone support center at 888-711-8773 and one of the customer service representatives will create projections for you.

### Comparison Chart

On pages 18-19 you will find a detailed chart with a side-by-side comparison of the benefits, retirement eligibility, contribution rates and other features of both PERS Plan 2 and PERS Plan 3.

**Phone support center and e-mail**

You can call 888-711-8773 at any time. Representatives will be available to help you between 5:30 a.m. and 6:00 p.m., Monday through Friday. If you call at other times, you can leave a message and a representative will return your call on the following business day.

If you prefer, you can e-mail your questions or requests to [pershelp@icmarc.org](mailto:pershelp@icmarc.org). You will receive a response within one business day.

**Web site**

A Web site at [www.drs.wa.gov](http://www.drs.wa.gov) (click on “My Plan 3 account”) has been designed to help you with your retirement plan decision. There you can:

- Review and download educational materials
- Find out more about investment education seminars
- Input data into financial modeling software, save scenarios and print the results

**Department of Retirement Systems**

The Department of Retirement Systems (DRS) provides member handbooks and additional information on PERS Plan 2 and PERS Plan 3, as well as other services.

Most questions can be answered by calling the phone support center at 888-711-8773. However, if you have a question regarding your service credit or existing account, you can contact DRS directly at 360-664-7000 or toll free at 800-547-6657.

**Seminars**

Investment education seminars are sponsored by DRS. You can obtain information about upcoming seminars from your employer or by visiting the Web site.

## OTHER FACTORS TO CONSIDER

### Member contribution level

The member contribution level for PERS Plan 2 is 3.50 percent of your salary, as of July 2006, when this document was printed. The contribution rate varies over time.

PERS Plan 3 allows you to choose your contribution level from six different options, ranging from a fixed 5 percent of your salary to a fixed 15 percent, and contribution levels that vary as you approach retirement.

Consider whether you can afford to make higher contributions under PERS Plan 3 and still meet your other financial obligations.

### Investment choices

The investment choices you make will have a major impact on the savings you accumulate in your Defined Contribution account.

Investment earnings are not guaranteed in the Defined Contribution component of PERS Plan 3. Depending on your investment choices, your Defined Contribution account may fluctuate considerably in value, perhaps even declining at times.

### Gain sharing

During periods of strong investment market performance, the gain sharing feature of PERS Plan 3 may provide additional income to your Defined Contribution account, based on your length of employment. Note: Gain sharing is not a contractual benefit and may be subject to future modification or elimination by the legislature. (More information about gain sharing can be found on page 12.)

### Inflation

Since 1926, inflation has averaged about 3 percent per year; 3 percent is also the maximum cost of living increase in PERS Plan 2 and the Defined Benefit component of PERS Plan 3.

Consider the possible impact of inflation on the Defined Contribution component of PERS Plan 3, especially if you are a conservative investor.

Inflation can have a corrosive effect on savings. Inflation can actually slow or stop the growth of retirement savings when income grows at a slower rate than inflation or when investment returns are lower than, or just staying even with, inflation.

### Important Note:

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#### Tax Consequences

Regardless of which PERS Plan you choose, there may be tax consequences when you begin withdrawing your retirement benefit. Some contributions may have been made before federal taxes were taken out. Furthermore, earnings on your contributions are tax-deferred.

If you are under age 59½, there may be additional penalty taxes for withdrawing money from the PERS Plan. You may want to consult a financial planner or tax advisor for analysis of the tax consequences.

# COMPARISON CHART

	PERS PLAN 2	PERS PLAN 3															
	DEFINED BENEFIT (DB) PLAN	DEFINED BENEFIT (DB) COMPONENT	DEFINED CONTRIBUTION (DC) COMPONENT														
<b>PLAN STRUCTURES AND FUNDING</b>																	
Formula for Pension Benefit	2% x SCY x AFC	1% x SCY x AFC	The value of the benefit is based on the amount contributed and the performance of the investments.														
Member Contributions	<p>Currently 3.50% of salary (as of July 2006). Contributions are automatic, mandatory and may change in the future to cover the costs of the Plan. Below is a sampling of member contribution rates:</p> <table border="0"> <tr> <td>September 1, 1988</td> <td>4.90%</td> </tr> <tr> <td>September 1, 1991</td> <td>4.70%</td> </tr> <tr> <td>September 1, 1994</td> <td>5.00%</td> </tr> <tr> <td>September 1, 1997</td> <td>4.65%</td> </tr> <tr> <td>September 1, 2000</td> <td>2.43%</td> </tr> <tr> <td>Currently</td> <td>3.50%</td> </tr> <tr> <td>20-Yr. Weighted Avg. (as of September 2005)</td> <td>3.67%</td> </tr> </table>	September 1, 1988	4.90%	September 1, 1991	4.70%	September 1, 1994	5.00%	September 1, 1997	4.65%	September 1, 2000	2.43%	Currently	3.50%	20-Yr. Weighted Avg. (as of September 2005)	3.67%	Not applicable	<p>Six rate options:</p> <p>Option A: 5% fixed at all ages            Option B: 5% up to age 35                      6% ages 35 to 44                      7.5% age 45 and up            Option C: 6% up to age 35                      7.5% ages 35 to 44                      8.5% age 45 and up            Option D: 7% fixed at all ages            Option E: 10% fixed at all ages            Option F: 15% fixed at all ages</p>
September 1, 1988	4.90%																
September 1, 1991	4.70%																
September 1, 1994	5.00%																
September 1, 1997	4.65%																
September 1, 2000	2.43%																
Currently	3.50%																
20-Yr. Weighted Avg. (as of September 2005)	3.67%																
Employer Contributions	Currently 3.69% of salary. This percentage may fluctuate.	Currently 3.69% of salary. This percentage may fluctuate.	Not applicable														
Gain Sharing	Not applicable	Not applicable	Payments made if the earnings from the PERS Plan 2/3 combined trust fund average more than 10% over a four-year period. See page 12 for more information.														
<b>RECEIVING BENEFITS</b>																	
Eligibility for Normal Retirement with Full Pension Retirement Benefits	Age 65 or older with at least 5 SCY	Age 65 or older with at least 10 SCY or 5 SCY including 12 Service Credit Months after reaching age 44	You may request withdrawal of your contributions and earnings at any time after you separate from PERS-covered employment.														
Eligibility for Reduced Early Retirement Benefits	Age 55 or older with at least 20 SCY (reduced benefit)	Age 55 or older with at least 10 SCY (reduced benefit)	The value of your Defined Contribution account is based on your contributions, plus the performance of the investments you choose.														
Separation from Service (and Delaying Receiving Defined Benefits)	You may stop working and delay receiving benefits until age 65.	You may stop working and delay receiving benefits until a later date. For members with at least 20 SCY separating from PERS-covered employment, benefits increase by approximately 3% for each year benefit is delayed (up to age 65).	You may stop working and delay receiving benefits until a later date. The value of your account will be based on contributions and accumulated investment earnings.														
Cost-of-Living Increases	On July 1 of every year following your first year of retirement, your monthly pension benefit will be adjusted by the percentage change in the Consumer Price Index (CPI-U, Seattle) - up to a maximum of 3% per year.	On July 1 of every year following your first year of retirement, your monthly benefit will be adjusted by the percentage change in the Consumer Price Index (CPI-U, Seattle) - up to a maximum of 3% per year.	Not applicable														
Rollovers	Member contributions and earnings can be rolled into other retirement plans and IRAs. If contributions and earnings from PERS Plan 2 are withdrawn and rolled into another retirement plan or IRA, rights to pension benefits are forfeited.	Not applicable	Defined Contribution account proceeds can be rolled into other retirement plans and IRAs.														

	PERS PLAN 2	PERS PLAN 3	
	DEFINED BENEFIT (DB) PLAN	DEFINED BENEFIT (DB) COMPONENT	DEFINED CONTRIBUTION (DC) COMPONENT
Separation from Service (and Taking Withdrawals)	<p>If PERS-covered employment ends, you may request withdrawal of member contributions and earnings. If you withdraw your member contributions and earnings, you forfeit all benefits available under the Plan.</p> <p>You can leave member contributions in the Plan if you leave a PERS-eligible position. Contributions currently earn 5.5% per year. Employer contributions are not refundable.</p> <p>If you return to PERS-covered employment after withdrawing contributions, refer to the <i>Plan 2 Recovery of Withdrawn or Optional Service Credit</i>.</p>	<p>Withdrawing money from your Defined Contribution component of Plan 3 does not affect your eligibility to receive a monthly pension benefit under the Defined Benefit.</p> <p>Employer contributions are not refundable.</p>	<p>If PERS-covered employment ends, you may request a distribution of accumulated contributions. You can also leave your contributions invested until you retire.</p>
Payment Options	<p>Option 1: Standard Option 2: 100% survivorship Option 3: 50% survivorship Option 4: 66<sup>2</sup>/<sub>3</sub>% survivorship</p> <p>For more information on survivor benefits, see your member handbook.</p>	<p>Option 1: Standard Option 2: 100% survivorship Option 3: 50% survivorship Option 4: 66<sup>2</sup>/<sub>3</sub>% survivorship</p> <p>For more information on survivor benefits, see your member handbook.</p>	<p>Distributions may be deferred until minimum required distribution date. Two investment programs:</p> <p><i>WSIB Total Allocation Portfolio (TAP):</i> lump sum cash distribution, direct rollover, scheduled payments and a personalized payment schedule.</p> <p><i>Self-Directed:</i> lump sum cash distribution, direct rollover, scheduled payments, annuity purchase and a personalized payment schedule.</p> <p>For more information on distribution options see the <i>Request for Payment of Defined Contribution Funds</i>.</p>

**PLAN INVESTMENT**

Investment Options	<p>Investments are a diversified portfolio selected and managed by the Washington State Investment Board (WSIB). Investment risk is assumed by WSIB.</p> <p>There is no investment risk to members.</p>	<p>Investments are a diversified portfolio identical to PERS Plan 2, selected and managed by the Washington State Investment Board.</p> <p>Investment risk is assumed by WSIB. There is no investment risk to members.</p>	<p>Investments are chosen by members from options available through two investment programs:</p> <p>The Washington State Investment Board (WSIB) Investment Program, which offers the Total Allocation Portfolio (TAP).</p> <p>The Self-Directed Investment Program, which offers a choice of fixed income, market index and pre-mixed portfolio funds. Investment risk is assumed by members.</p>
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**OTHER FEATURES**

PEBB Retiree Health Care Coverage Contact PEBB at: 1-800-700-1555, or www.pebb.hca.wa.gov.	<p>PEBB health care coverage is available to qualified members. The Health Care Authority can assist you in determining if you are qualified. If qualified, you must: Elect PEBB coverage upon separation from employment; and begin receiving your retirement benefit immediately after separation from employment. If you delay receiving your retirement benefit upon separation, you are not eligible for coverage.</p>	<p>PEBB health care coverage is available to qualified members. The Health Care Authority can assist you in determining if you are qualified. If qualified, you must: Elect PEBB coverage upon separation from employment; and be at least age 55 with at least 10 years of service credit.</p>	Not applicable
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## GLOSSARY

**Annuity:** The purchase of an investment that provides fixed payments that are predetermined and for a set amount of time.

**Average final compensation (AFC):** The monthly average of a member's 60 highest paid consecutive service credit months.

**Cost of Living Adjustment (COLA):** In PERS Plan 2 and the Defined Benefit portion of PERS Plan 3, on July 1 of every year following the first full year of retirement, the monthly benefit is adjusted by the percentage change in the Consumer Price Index (CPI-U, Seattle), to a maximum of 3 percent per year.

**Defined Benefit:** A predetermined retirement benefit, also called a pension plan. For PERS Plan 2, the Defined Benefit equals 2 percent x SCY x AFC. For PERS Plan 3, the Defined Benefit equals 1 percent x SCY x AFC.

**Defined Contribution:** A retirement benefit that is based on the amount contributed and the performance of the investments chosen. Investment returns (both gains and losses) are applied to the account.

**DRS:** Department of Retirement Systems.

**Gain sharing:** If the Washington State Investment Board's (WSIB) earnings on the PERS Plan 2 and PERS Plan 3 combined trust fund assets average more than 10 percent over a four-year period, half of the amount over 10 percent will be passed on to qualifying PERS Plan 3 members' Defined Contribution accounts, based on each member's years of service. Note: Gain sharing is not a contractual benefit and may be subject to future modification or elimination by the legislature.

**Inflation:** The general rise in the price of goods and services. Since 1926, inflation has averaged about 3 percent per year.

**Return:** A measure of investment performance that consists of interest, dividends and gains or losses in the value of the principal. Returns can be positive or negative.

**Minimum required distribution date:** The IRS currently requires members in a qualified plan to begin receiving distributions from the plan by April 1 following the year in which the member attains age 70 ½.

**PERS:** Washington State Public Employees' Retirement System.

**Portfolio:** A collection of investments.

**Risk:** The uncertainty that your original investment may decline in value or not grow as expected.

**Risk tolerance:** Your willingness to accept declines in the value of your investments with the goal of achieving gains over a longer time period.

**Service credit months:** Members earn one service credit month for each calendar month in which they are compensated for 90 or more hours in an eligible PERS position. Members cannot earn more than one service credit month during one calendar month.

**Service credit years (SCY):** Service credit years are calculated by dividing total service credit months by 12.

**Weighted average contribution rate:** This average accounts for how long each rate was in effect by multiplying each historical rate by the number of days it was in effect, then dividing by the total number of days for which the average is being calculated.

**WSIB:** Washington State Investment Board.