

WAC 415-02-320 Early retirement factors. (1) **What are early retirement factors?** Early retirement factors (ERFs) are actuarial factors used by the department to reduce a monthly retirement benefit when that payment begins before the member has qualified for normal retirement based on age and service. This reduction offsets the cost to the plan of paying the monthly benefit for a longer time.

(2) **In what situations will the department use an ERF?**

(a) The department will use an ERF to reduce a monthly benefit in any of the following situations, subject to the law governing your plan, and subject to the exceptions in (b) of this subsection:

(i) You choose to retire early.

(ii) You retire due to a disability before you are eligible for normal retirement.

(iii) You die before you are eligible for normal retirement, and your beneficiary is eligible for a monthly benefit.

(b) An ERF is not used in the following circumstances, although another method may be used to reduce benefits as required by the laws governing each plan:

(i) You meet your plan's requirements for "alternate early retirement";

(ii) You meet PSERS requirements for "early retirement";

(iii) You retire for service or due to a disability, from PERS Plan 1 or TRS Plan 1;

(iv) You are a member of LEOFF Plan 1;

(v) You retire due to a duty-related disability from LEOFF Plan 2;

(vi) You retire due to a disability or die before retirement from WSPRS Plan 1; or

(vii) You retire due to a disability from WSPRS Plan 2.

(c) The following table shows the law governing plans that use an ERF:

	Early Retirement	Disability Retirement	Death Prior to Retirement
LEOFF Plan 1:	N/A	N/A	N/A
LEOFF Plan 2:	RCW 41.26.430	RCW 41.26.470	RCW 41.26.510
PERS Plan 1:	N/A	N/A	RCW 41.40.270
PERS Plan 2:	RCW 41.40.630	RCW 41.40.670	RCW 41.40.700
PERS Plan 3:	RCW 41.40.820	RCW 41.40.825	RCW 41.40.835
PSERS:	N/A	RCW 41.37.230	RCW 41.37.250
SERS Plan 2:	RCW 41.35.420	RCW 41.35.440	RCW 41.35.460
SERS Plan 3:	RCW 41.35.680	RCW 41.35.690	RCW 41.35.710
TRS Plan 1:	N/A	N/A	RCW 41.32.520
TRS Plan 2:	RCW 41.32.765	RCW 41.32.790	RCW 41.32.805
TRS Plan 3:	RCW 41.32.875	RCW 41.32.880	RCW 41.32.895
WSPRS Plan 1:	RCW 43.43.280	N/A	N/A
WSPRS Plan 2:	RCW 43.43.280	N/A	RCW 43.43.295

(3) **How does the department determine the number of years on which to base the ERF?** The calculation varies among plans:

(a) ERFs are based on the number of years between the age at which you retire, or die, and the age at which you would have qualified for normal retirement based on age and service.

Example - Early retirement: Sandy, a PERS Plan 2 member, applies for retirement at age 56 years and one month with a total of 21.11 years of service. Her average final compensation (AFC) is \$3,500.00.

PERS Plan 2 provides for two percent (.02) of AFC per year of service. A PERS Plan 2 member must be age 65 to retire with an unreduced benefit (i.e., normal retirement), but is eligible to retire with an actuarially reduced benefit (i.e., early retirement) at age 55 with 20 years of service credit.

The difference between Sandy's age now (56) and the age at which she would have qualified for normal retirement (age 65) is 8 years and 11 months. For illustration purposes in this example only, we will use 0.3987 as the corresponding ERF for retiring 8 years and 11 months early (actuarial factors change periodically). As a result, Sandy's monthly benefit will be \$589.16. The department will use the following formula to determine Sandy's monthly benefit: $\$3,500 \text{ (AFC)} \times .02 \times 21.11 \text{ (service credit years)} \times 0.3987 \text{ (ERF)}$.

(b) WSPRS Plan 2 only: The ERF used to calculate your survivor's monthly benefit if you die before retirement is based on the number of years between the age at which you die and age fifty-five (55) or when you could have attained twenty-five (25) years of service, whichever is less. See RCW 43.43.295.

Example - Early retirement: The survivor benefit, in this example, will also have a reduction applied for 100% joint and survivor option, based on the difference between John's age and his survivor's age.

John, a WSPRS Plan 2 member dies prior to retirement. John is age 40 and has 15 years of service at the time of his death. John's Average Final Salary (AFS) is \$4,000. John's surviving spouse, Emily, is also age 40.

Since John would have attained 25 years of service before he would have attained age 55, the ERF used to calculate Emily's benefit will be based on the 10 years it would have taken John to reach 25 years of service. For illustration purposes in this example only, we will use 0.403 as the corresponding ERF for retiring 10 years early, and 0.889 as the corresponding joint and survivor (J&S) factor (actuarial factors change periodically). As a result, Emily will receive a monthly benefit of \$429.92. The department will use the following formula to determine Emily's monthly benefit: $\$4,000 \text{ (AFS)} \times .02 \times 15 \text{ (service credit years)} \times 0.403 \text{ (ERF)} \times 0.889 \text{ (J\&S)}$.

(c) TRS Plan 1 only: The ERF used to calculate your survivor's monthly benefit if you die before retirement is based on the number of years between the age at which you die and the age at which you would have first become eligible to retire under RCW 41.32.480. See RCW 41.32.520.

Example - Death before retirement: Robert, a 56 year-old TRS Plan 1 member, died with 23.17 years of service credit. His AFC is \$3,171.74.

TRS Plan 1 provides an unreduced benefit (i.e., normal retirement) at age 55 with 25 years of service credit.

Robert's wife, Karen, is two years younger than Robert. Karen will receive an actuarially reduced benefit based on the date Robert would have first qualified for an unreduced benefit (i.e., normal retirement). If Robert had continued in service, he would have met eligibility requirements in one year and 10 months, when he earned 25 years of service credit. For illustration purposes in this example only, we will use 0.8410 as the corresponding ERF for retiring one year and 10 months early, and 0.918 as the corresponding J&S Option 2 factor (actuarial factors change periodically). As a result, Karen's monthly benefit will be \$1,134.73.

The department will use the following formula to determine Karen's monthly benefit: 23.17 (Robert's service credit years) x .02 x \$3,171.74 (AFC) x 0.8410 (ERF) x 0.918 (the Option 2 factor).

[Statutory Authority: RCW 41.50.050(5). WSR 13-18-034, § 415-02-320, filed 8/28/13, effective 10/1/13; WSR 10-16-086, § 415-02-320, filed 7/30/10, effective 9/1/10. Statutory Authority: RCW 41.50.050(5), chapter 41.45 RCW. WSR 06-18-009, § 415-02-320, filed 8/24/06, effective 9/24/06; WSR 02-18-048, § 415-02-320, filed 8/28/02, effective 9/1/02.]