WAC 415-02-340 Monthly benefit per $1.00 of accumulation for defined benefit plans. (1) **What does the phrase "monthly benefit per $1.00 of accumulation for defined benefit plans" mean?** It refers to an actuarially equivalent value that the department uses to:

(a) Determine what a future lifetime monthly benefit is worth in present-day dollars;

(b) Determine the equivalent value of a lump sum when compared with monthly payments;

(c) Determine the cost of purchasing additional service credit as described in WAC 415-02-177(7); and

(d) For TRS Plan 1 only: Determine the reduction in the monthly retirement benefit if some or all of the accumulated contributions in a member's individual account are withdrawn at retirement pursuant to RCW 41.32.498.

(2) **What information is used to determine the "monthly benefit per $1.00 of accumulation for defined benefit plans" values?** The values, which change periodically, are based on the expected duration of lifetime payments for recipients over a range of ages. These values differ by system and plan.

The younger a person is at retirement, the longer the anticipated lifetime of payments would be, and the greater the sum required to provide for these payments. The amount of monthly lifetime benefit that a present-day dollar buys increases as the remaining life expectancy of the recipient decreases.

(a) **Example:**

Celina is a 65-year-old PERS Plan 2 member who is eligible to receive $45.00 per month. She wants to know how much money she would receive if she accepted a lump sum payment instead. For illustration purposes in this example only, we will assume that $.0069798 per month for life has a present day cash value of one dollar ($1.00) for Celina's system, plan, and age class. Celina divides $45.00 by .0069798 and learns that her lump sum payment would be $6,447.18.

(b) **Example:**

Fred is a 58-year-old TRS Plan 1 member. The balance in Fred's account is $124,934.00. Upon retirement, Fred chooses to withdraw the $124,934.00 (as only members of TRS Plan 1 can do and still receive a monthly benefit). For illustration purposes in this example only, we will assume that $.0077298 per month for life has a present day cash value of one dollar ($1.00) for Fred's system, plan, and age class. Fred multiplies $124,934.00 by .0077298, and learns that his monthly retirement benefit will be reduced by $965.71 per month if he withdraws his account balance.