

Chapter 415-10 WAC
PURCHASE OF SERVICE CREDIT AFTER STATUTORY DEADLINE RCW 41.50.165

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WAC

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DISPOSITION OF SECTIONS FORMERLY CODIFIED IN THIS CHAPTER

415-10-040 Calculation of cost to purchase service credit for members of PERS Plan 1, TRS Plan 1 or WSPRS Plan 1 or 2. [Statutory Authority: RCW 41.50.050(5), 41.50.165. WSR 03-15-006, § 415-10-040, filed 7/3/03, effective 8/3/03. Statutory Authority: RCW 41.50.050(5), chapter 41.45 RCW, and RCW 41.50.165. WSR 02-23-037, § 415-10-040, filed 11/13/02, effective 1/1/03. Statutory Authority: Chapter 41.50 RCW. WSR 00-22-049, § 415-10-040, filed 10/27/00, effective 11/27/00. Statutory Authority: RCW 41.50.050 and 41.50.165. WSR 97-01-014, § 415-10-040, filed 12/6/96, effective 1/6/97.] Repealed by WSR 14-06-053, filed 2/27/14, effective 10/1/14. Statutory Authority: RCW 41.50.050(5).

415-10-090 If I reenter employment after separating from service and withdrawing my plan contributions, must I restore all periods of service? [Statutory Authority: RCW 41.50.050 and 41.50.165. WSR 97-01-014, § 415-10-090, filed 12/6/96, effective 1/6/97.] Repealed by WSR 14-06-053, filed 2/27/14, effective 10/1/14. Statutory Authority: RCW 41.50.050(5).

415-10-110 Can I purchase SERS Plan 2 credit in SERS Plan 3? [Statutory Authority: Chapter 41.50 RCW. WSR 00-22-049, § 415-10-110, filed 10/27/00, effective 11/27/00.] Repealed by WSR 02-03-120, filed 1/23/02, effective 3/1/02. Statutory Authority: RCW 41.50.050(5).

WAC 415-10-010 Can I purchase service credit after the statutory deadline? RCW 41.50.165 generally allows you to purchase service credit that you failed to establish or reestablish within the statutory deadline.

(1) **You must pay the actuarial value of the increase to your retirement benefit.** The actuarial value of the increase to your benefit means the cost to the retirement system trust fund of:

(a) Including the additional service credit in your retirement benefit calculation; and

(b) Beginning your retirement benefit at an earlier age, if applicable.

(2) **The valuation is based upon economic assumptions.** The cost to the retirement system trust fund for the increased value to your benefit is calculated based upon interest rate assumptions adopted by the pension funding council and actuarial factors calculated by the state actuary and adopted by the department.

[Statutory Authority: RCW 41.50.050(5). WSR 14-06-053, § 415-10-010, filed 2/27/14, effective 10/1/14. Statutory Authority: RCW 41.50.050(5) and 41.50.165. WSR 02-03-120, § 415-10-010, filed 1/23/02, effective 3/1/02. Statutory Authority: Chapter 41.50 RCW. WSR 00-22-049, § 415-10-010, filed 10/27/00, effective 11/27/00. Statutory Authority: RCW 41.50.050 and 41.50.165. WSR 97-01-014, § 415-10-010, filed 12/6/96, effective 1/6/97.]

WAC 415-10-020 Definitions. As used in this chapter:

(1) **Annual average salary** means:

(a) In PERS Plan 1, TRS Plan 1 or WSPRS Plan 1: The average of your two highest consecutive years of compensation as of the date of your service credit purchase.

(b) In Plan 2 or Plan 3: The average of your five highest consecutive years of compensation as of the date of your service credit purchase.

(c) In PSERS: The average of your five highest consecutive years of compensation as of the date of your service credit purchase.

(d) In LEOFF Plan 1: The basic salary attached to your position at the date of your service credit purchase.

(2) **Factors** means the actuarial cost factors calculated by the state actuary and, except as noted below, adopted by the department that are used in the formulas for calculating the cost of a service credit purchase. The law enforcement officers' and firefighters' (LEOFF) retirement board adopts the LEOFF Plan 2 factors.

(3) **LEOFF** means the law enforcement officers' and firefighters' retirement system established under chapter 41.26 RCW.

(4) **PERS** means the public employees' retirement system established under chapter 41.40 RCW.

(5) **PSERS** means the public safety employees' retirement system established under chapter 41.37 RCW.

(6) **SERS** means the school employees' retirement system established under chapter 41.35 RCW.

(7) **Service credit being purchased** means the number of service credit months or service credit years you are purchasing.

(8) **TRS** means the teachers' retirement system established under chapter 41.32 RCW.

(9) **WSPRS** means the Washington state patrol retirement system established under chapter 43.43 RCW.

[Statutory Authority: RCW 41.50.050(5). WSR 14-06-053, § 415-10-020, filed 2/27/14, effective 10/1/14. Statutory Authority: RCW 41.50.050(5) and chapter 41.37 RCW. WSR 08-02-048, § 415-10-020, filed 12/27/07, effective 1/27/08. Statutory Authority: RCW 41.50.050(5), 41.50.165. WSR 03-15-006, § 415-10-020, filed 7/3/03, effective 8/3/03. Statutory Authority: RCW 41.50.050(5) and chapter 41.45 RCW. WSR 02-03-120, § 415-10-020, filed 1/23/02, effective 3/1/02. Statutory Authority: Chapter 41.50 RCW. WSR 00-22-049, § 415-10-020, filed 10/27/00, effective 11/27/00. Statutory Authority: RCW 41.50.050 and 41.50.165. WSR 97-01-014, § 415-10-020, filed 12/6/96, effective 1/6/97.]

WAC 415-10-030 Calculation of cost to purchase service credit.

The department will calculate the actuarial value of the service credit you purchase under RCW 41.50.165(2) using the following formula:

$$\text{Total Cost} = \text{Part 1 Cost} + \text{Part 2 Cost}$$

Part 1: Annual Average Salary x Service Credit Years to Purchase x Factor 1

Part 2: Annual Average Salary x Current Service Credit Years x (Factor 1 - Factor 2)

Factor 1 takes into consideration your current age and service credit, *including* the service credit you are purchasing.

Factor 2 takes into consideration your current age and service credit, *excluding* the service credit you are purchasing.

The Part 1 cost pays for the additional value of the service credit you plan to purchase.

The Part 2 cost pays for the increased value of your current service credit. The value of your current service credit may increase

with this purchase because you may be eligible for earlier retirement, better early retirement factors, or both. For some situations the Part 2 cost will be \$0.

Example: Purchase of additional service credit.

Ron is an active PERS Plan 2 member who currently has 5 years of service. Ron turned age 45 last month. His annual average salary is \$40,000. Ron would like to purchase 15 years of service that he previously withdrew but did not restore before the deadline.

The department will calculate the cost of purchasing the service credit using the Service Credit Purchase Cost formula:

$$\text{Total Cost} = \text{Part 1 Cost} + \text{Part 2 Cost}$$

Part 1: Annual Average Salary x Service Credit Years to Purchase x Factor 1

Part 2: Annual Average Salary x Current Service Credit Years x (Factor 1 - Factor 2)

The cost of Ron's purchase would be calculated as follows:

Part 1: \$40,000 (Annual Average Salary) x 15 (Years to Purchase) x 0.1660* (Factor 1) = \$99,600

Part 2: \$40,000 (Annual Average Salary) x 5 (Current Service Credit) x (0.1660* - 0.1128*) (Factor 1 - Factor 2) = \$10,640

Ron's total cost to purchase 15 years of service credit is \$110,240 (Part 1 + Part 2).

*Factors used are for illustration purposes in this example only as actuarial factors change periodically.

[Statutory Authority: RCW 41.50.050(5). WSR 14-06-053, § 415-10-030, filed 2/27/14, effective 10/1/14. Statutory Authority: RCW 41.50.050(5) and chapter 41.37 RCW. WSR 08-02-048, § 415-10-030, filed 12/27/07, effective 1/27/08. Statutory Authority: RCW 41.50.050(5), 41.50.165. WSR 03-15-006, § 415-10-030, filed 7/3/03, effective 8/3/03; WSR 02-03-120, § 415-10-030, filed 1/23/02, effective 3/1/02. Statutory Authority: Chapter 41.50 RCW. WSR 00-22-049, § 415-10-030, filed 10/27/00, effective 11/27/00. Statutory Authority: RCW 41.50.050 and 41.50.165. WSR 97-01-014, § 415-10-030, filed 12/6/96, effective 1/6/97.]

WAC 415-10-050 Restrictions on purchasing service credit. (1) You may not purchase service credit under RCW 41.50.165(2) if your deadline to establish or reestablish the service credit has not expired.

(2) If you are reestablishing credit you must purchase at least the service credit you earned in any one calendar month of employment.

(3) If you are establishing optional service credit, you must purchase the entire period of service.

(4) Your ability to purchase service credit may be limited by Internal Revenue Code restrictions. The department may limit the amount of service credit you may purchase in any calendar year in order to stay within the maximum employee contribution limits established by the Internal Revenue Code for 401(a) tax qualified plans.

(5) You may not make installment payments. If you purchase service credit under this section, you must make payment in a single lump-

sum as determined by the department for each unit of service credit purchased.

(6) **Purchasing service credit will not move you from one plan to another.** Plan membership is based upon the date your retirement system membership was established. Purchasing prior service credit does not change the date you first established membership and therefore does not change your plan membership.

[Statutory Authority: RCW 41.50.050(5). WSR 14-06-053, § 415-10-050, filed 2/27/14, effective 10/1/14. Statutory Authority: Chapter 41.50 RCW. WSR 00-22-049, § 415-10-050, filed 10/27/00, effective 11/27/00. Statutory Authority: RCW 41.50.050 and 41.50.165. WSR 97-01-014, § 415-10-050, filed 12/6/96, effective 1/6/97.]

WAC 415-10-060 Crediting service credit purchases. If you do not purchase all of your previously withdrawn service credit, the department will recredit your purchased service credit beginning with the oldest month of service canceled by your withdrawal.

[Statutory Authority: RCW 41.50.050 and 41.50.165. WSR 97-01-014, § 415-10-060, filed 12/6/96, effective 1/6/97.]

WAC 415-10-070 Requesting an estimate—Requesting a bill. (1) **The department will provide you a service credit purchase estimate upon request.** If, after receiving the estimate, you wish to purchase some or all of the available credit you must request a bill. Your request must identify the amount of service credit you wish to purchase.

(2) **Your bill will be based on a specific date of payment.** The cost to purchase the service credit could change if you attempt to pay after the specific payment date listed on the bill. If you do not make payment by the bill's due date but still wish to purchase service credit, you must request a new bill from the department.

[Statutory Authority: RCW 41.50.050(5). WSR 14-06-053, § 415-10-070, filed 2/27/14, effective 10/1/14. Statutory Authority: RCW 41.50.050 and 41.50.165. WSR 97-01-014, § 415-10-070, filed 12/6/96, effective 1/6/97.]

WAC 415-10-080 If I purchase service credit under RCW 41.50.165, can I receive a refund of my payments? (1) **You may receive a refund only after you separate from service and apply for withdrawal of your contributions.** Your payments to purchase service credit under RCW 41.50.165(2) qualify as a part of your accumulated contributions. There are additional restrictions for TRS Plan 1, LEOFF Plan 2 and members of the Plan 3 systems as listed in subsections (2), (3), and (4) of this section.

(2) **Restrictions for TRS Plan 1 members.** At the time of retirement, RCW 41.32.498(2) prohibits you from withdrawing payments made to purchase service credit under RCW 41.50.165(2).

(3) **Restrictions for LEOFF Plan 2 members.** Payments made to purchase service credit under RCW 41.50.165(2) and interest on those payments will be refunded at one hundred percent. Those payments will not

be included when calculating the one hundred fifty percent refund of contributions under RCW 41.26.540 (1) (b).

(4) **Restrictions for Plan 3 members of TRS, SERS and PERS.** When you apply for service credit under RCW 41.50.165(2), one-half of the amount due will go into your defined benefit plan and one-half will go into your defined contribution plan. As a member of any Plan 3 system, you may apply for a refund of your contributions from the **defined contribution** portion of your account upon separation from employment. Your refund will be based on the market value of your contributions, including earnings and losses, at the time you withdraw. The defined benefit portion will be paid when you are eligible to receive benefits.

Example 1 (Market has gains):

Joe restores 5 years of service credit at a total cost of \$10,000.00. One-half, or \$5,000.00, goes into Joe's defined contribution plan member account, and the other \$5,000.00 goes into the pension trust fund for his defined benefit plan. Joe separates two years later and applies for the withdrawal of his defined contribution account. While Joe was in service the market experienced gains. The value of Joe's defined contribution account is now \$6,000.00. Joe receives \$6,000.00 (minus applicable taxes and penalties). The defined benefit portion is not refundable but Joe will receive a one percent defined benefit allowance when he is eligible.

Example 2 (Market has losses):

Joe restores 5 years of service credit at a total cost of \$10,000.00. One-half, or \$5,000.00, goes into Joe's defined contribution plan member account, and the other \$5,000.00 goes into the pension trust fund for his defined benefit plan. Joe separates two years later and applies for the withdrawal of his defined contribution account. While Joe was in service the market suffered a loss. The value of Joe's defined contribution account is now \$4,000.00. Joe receives \$4,000.00 (minus applicable taxes and penalties). The defined benefit portion is not refundable but Joe will receive a one percent defined benefit allowance when he is eligible.

[Statutory Authority: RCW 41.50.050(5), 41.26.540, 41.32.498, 41.40.730, 41.40.830, 41.50.160, 41.50.165, 41.50.175. WSR 02-03-120, § 415-10-080, filed 1/23/02, effective 3/1/02. Statutory Authority: Chapter 41.50 RCW. WSR 00-22-049, § 415-10-080, filed 10/27/00, effective 11/27/00. Statutory Authority: RCW 41.50.050 and 41.50.165. WSR 97-01-014, § 415-10-080, filed 12/6/96, effective 1/6/97.]

WAC 415-10-100 Can a Plan 3 member purchase service credit? (1) Transferring purchased Plan 2 credit under RCW 41.50.165(2) into Plan 3. If you purchase Plan 2 service credit under this chapter and later enter Plan 3, that credit will also transfer to Plan 3.

(a) Fifty percent of the money you paid to purchase the service credit will be credited to the Plan 3 defined contribution account.

(b) The other fifty percent will be credited to the Plan 3 defined benefit plan established under RCW 41.32.831 for TRS Plan 3, RCW 41.35.600 for SERS Plan 3, and RCW 41.40.780 for PERS Plan 3.

(2) **Purchasing Plan 2 service credit after transferring to Plan 3.** You may purchase service credit initially available under Plan 2 after you transfer to Plan 3. The service will be credited in Plan 3.

If you purchase Plan 2 service credit under this chapter, fifty percent of the money you pay to purchase the service credit will be credited to your Plan 3 defined contribution account. The other fifty percent will be credited to the Plan 3 defined benefit portion established under RCW 41.32.831 for TRS Plan 3, RCW 42.35.600 for SERS Plan 3 and RCW 41.40.780 for PERS Plan 3.

(3) **Not applicable for service earned after transferring to Plan 3.** Plan 3 does not have any deadlines on establishing optional service.

[Statutory Authority: RCW 41.50.050(5). WSR 14-06-053, § 415-10-100, filed 2/27/14, effective 10/1/14. Statutory Authority: RCW 41.50.050(5), 41.50.165, 41.50.175. WSR 02-03-120, § 415-10-100, filed 1/23/02, effective 3/1/02. Statutory Authority: Chapter 41.50 RCW. WSR 00-22-049, § 415-10-100, filed 10/27/00, effective 11/27/00. Statutory Authority: RCW 41.50.050 and 41.50.165. WSR 97-01-014, § 415-10-100, filed 12/6/96, effective 1/6/97.]