

WSR 22-15-007
PERMANENT RULES
DEPARTMENT OF
RETIREMENT SYSTEMS

[Filed July 6, 2022, 4:17 p.m., effective August 6, 2022]

Effective Date of Rule: Thirty-one days after filing.

Purpose: Plan 3 of the public employees' retirement system (PERS), school employees' retirement system (SERS), and teachers' retirement system (TRS), and the law enforcement officers' and fire-fighters' retirement system (LEOFF) Plan 2 provide an increased benefit if retirement is delayed following separation from employment after 20 or more years of service. The increase is referred to as a benefit "index." The rule clarifies the application of the benefit indexing when a person separates on the first day of a month so that month is included in the calculation, as there was ambiguity in the statute.

Citation of Rules Affected by this Order: New WAC 415-02-210.

Statutory Authority for Adoption: RCW 41.50.050.

Adopted under notice filed as WSR 21-11-096 [22-12-067] on May 27, 2022.

Number of Sections Adopted in Order to Comply with Federal Statute: New 0, Amended 0, Repealed 0; Federal Rules or Standards: New 0, Amended 0, Repealed 0; or Recently Enacted State Statutes: New 0, Amended 0, Repealed 0.

Number of Sections Adopted at the Request of a Nongovernmental Entity: New 0, Amended 0, Repealed 0.

Number of Sections Adopted on the Agency's own Initiative: New 1, Amended 0, Repealed 0.

Number of Sections Adopted in Order to Clarify, Streamline, or Reform Agency Procedures: New 1, Amended 0, Repealed 0.

Number of Sections Adopted using Negotiated Rule Making: New 0, Amended 0, Repealed 0; Pilot Rule Making: New 0, Amended 0, Repealed 0; or Other Alternative Rule Making: New 0, Amended 0, Repealed 0.

Date Adopted: July 6, 2022.

Tracy Guerin
Director

OTS-3702.2

NEW SECTION

WAC 415-02-210 What is an indexed retirement allowance? If you are a member of an indexed retirement plan as defined in WAC 415-02-030 and have at least 20 years of service credit when you leave employment, your pension benefit will increase by three percent for each year you delay receiving it, up to your full retirement age. The increased amount is referred to as an indexed retirement allowance.

(1) **How will my indexed retirement allowance be calculated?** If there is a period of at least one month between your separation from employment in the plan and your date of retirement, the department will calculate your indexed retirement allowance in the following way:

Using the average salary, increase the retirement allowance from the date both of the following have occurred and end on the last day of the month prior to attainment of the full retirement age.

- (a) Separation from the retirement plan; and
- (b) Accrual of 20 years of service credit.

Example: A PERS Plan 3 member separates December 24, 2017, with 23 years of service credits at age 63 and defers receiving their retirement until age 65, January 1, 2019. This member will receive indexing starting January 2018 through December 2018 (12 months of indexing).

(2) What if I return to service after completing 20 years of service credit? If you separate with at least 240 months of service credits, wait to retire, then return to membership before retiring, the indexing of your retirement benefit will be calculated two ways, with the higher of the two being used for your retirement calculation.

(a) Method 1: Use the average salary from the first separation after you attained 20 years of service credit. Indexing would apply to the number of calendar months starting from the first separation date. Indexing ends the month prior to the chosen retirement date or attainment of the full retirement age whichever is sooner, and excludes the months of re-employment following the first separation date.

(b) Method 2: Use the highest average salary based on all earnings throughout the entire employment period. Indexing would apply from the last separation date to the end of the month prior to the chosen retirement date or full retirement age, whichever is sooner.

Example: You are a member of a single DRS retirement system who separates with at least 240 months of service credits, waits to retire, then returns to membership before retiring. You now have 20 years of service credits on your inactive employment period, and will have at least two separation dates. DRS will calculate the benefit in the following two ways and provide you the higher of the two results:

Method 1 - System AFC/FAS with Interruptive Indexing.

- Use the AFC/FAS from the first separation after you attained 20 years of service credit excluding months when you were reemployed.

Method 2 - System AFC/FAS without Interruptive Indexing.

- Use the highest AFC/FAS based on all earnings, where indexing only be allowed from the last separation date to the retirement date.

(3) If your separation from employment occurs on the first of the month, that month will be included in the months indexed between separation and retirement. Any separation date after the first of the month will have indexing begin the following month.

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