2017 New Employee Retirement Orientation for Civil Service, Bargaining Unit and Hourly Employees

Presented by Human Resource Services

Retirement Plans

- Possible Plans: PERS 1, 2, 3, LEOFF
  - New Employees have a choice between PERS 2 or 3
  - Administered by the Department of Retirement Systems (DRS)
  - Participation is mandatory from Date of Hire/Eligibility Date.
    - Exception: EE/spouse full-time WSU student
  - If a previous PERS member, some options will be pre-determined.
PERS 2 & 3 Overview

Retirement Under PERS 2

Defined Benefit Plan: Guaranteed benefit that is determined by the following calculation:

\[ 2\% \times SCY \times AFC \]

- Full retirement at age 65 with 5 SCY.
  - Early Retirement available at age 55 with 20 SCY, with a reduced benefit.
- Fully vested after 5 years of service

\[ AFC = \text{the average of the highest 60 consecutive months of pay.} \]

PERS 2

- Employee contribution rate is currently 7.38%.
- Employer contribution rate is currently 12.7%.
- Contribution rates are subject to change.
- Contributions are tax-deferred.
- Amount contributed or account accumulations have \text{no impact} on pension benefit.
Retirement Under PERS 3

PERS 3 has two parts:
1) Defined Benefit Component (funded by Employer)
   \[ 1\% \times \text{Service Credit Year (SCY)} \times \text{Average Final Compensation (AFC)} \]
   Full retirement at age 65 with 10 SCY
   Early Retirement available at age 55 with 10 SCY, with a reduced benefit.
2) Defined Contribution Component (funded by Employee)
   The benefit is based on employee contributions and investment earnings.
   Several payment options are available when you separate from service.

Plan 3 Contribution Rates

<table>
<thead>
<tr>
<th>Employee Defined Contributions</th>
<th>Option A: 5% at all ages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Option B:</td>
<td>5% until age 35</td>
</tr>
<tr>
<td></td>
<td>6% for ages 35 - 44</td>
</tr>
<tr>
<td></td>
<td>7.5% at age 45 &amp; over</td>
</tr>
<tr>
<td>Option C:</td>
<td>6% until age 35</td>
</tr>
<tr>
<td></td>
<td>7.5% for ages 35 - 44</td>
</tr>
<tr>
<td></td>
<td>8.5% at age 45 &amp; over</td>
</tr>
<tr>
<td>Option D:</td>
<td>7% at all ages</td>
</tr>
<tr>
<td>Option E:</td>
<td>10% at all ages</td>
</tr>
<tr>
<td>Option F:</td>
<td>15% at all ages</td>
</tr>
</tbody>
</table>

WSU contributes 12.7\% into the Defined Benefit account – this has no impact on future benefit.

Defined Contributions:
- Tax Deferred
- Immediately Vested
- PERS 3 – Irrevocable (unless changing employers)

Investment Choices

- The Washington State Investment Board (WSIB)
  Contributions invested in the 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.

- The Self-Directed Investment Program
  You choose from any or all funds and/or from preset portfolios.
Plan 2 & Plan 3 Example

Plan 2 and Plan 3 Retirement Plans

Plan 2
EE works 25 years, and averages $2800 a month
2% x 25 x 2800 = $1400/month

Plan 3
EE makes contributions ranging from 5% - 15%, ee has accumulated $200K over a 25 year career
ER will fund a defined benefit plan base on:
1% x 25 x $2800 = $700

Making Your Decision
• You will be placed in PERS 2 initially.
• You have 90 calendar days to choose between PERS 2 or PERS 3.
• Your plan choice is irrevocable.
• If you do not make a choice within 90 calendar days, you will be:
  • Enrolled in PERS 3,
  • At the 5% contribution rate, and
  • In the Retirement Strategy Fund

Enrollment Process
• Complete the Member Information Form, selecting Plan 2 or Plan 3
• If selecting Plan 3, also select:
  • The contribution option
  • The investment option
    • If self-directed, also address how you wish to invest your contributions.
• Complete the Beneficiary Designation Form
**DRS Resources to assist with PERS 2 or PERS 3 Choice**

- DRS Representatives available at 1-800-547-6657 or recep@drs.wa.gov.
- Other information, including Benefit Calculators can be found on the following websites:
  - Savewithwa.empower-retirement.com
  - www.drs.wa.gov
- Resources are listed on the PERS information sheet in your benefits package and on the HRS website, under Employees, then Benefits.

**Voluntary Investment Programs**

The Voluntary Investment Programs allow employees to contribute additional monies towards a retirement account over and above their regular retirement program.

- Able to contribute on a pre-tax or post-tax basis.
- Minimum contribution is $15 a pay period.
- Maximum limit is $18,000, for employees under 50 and $24,000 for employees over 50.
- Can enroll, cancel or change contribution amounts at anytime.

**Voluntary Plans**

Two plans are available through WSU Payroll Deduction:

**Deferred Compensation Program (DCP) – a 457b Plan**
- Administered by Department of Retirement Systems
- 1-888-327-5596
- www.drs.wa.gov

**Voluntary Investment Plan (VIP) – a 403b Plan**
- Vendor – TIAA
- 1-800-842-2888
- www.tiaa.org/wsu
Choosing Your Investments

You have the ability to direct your contributions by selecting from the various investment choices offered.

- Investments options range from conservative to higher risk
- Ability to choose a Lifecycle/Pre-established Account
- Ability to build your own Portfolio
- You can change where you want future contributions to go at any time
- You can transfer some or all of your funds among accounts, with no tax implications

Differences between DCP & the VIP

<table>
<thead>
<tr>
<th>DCP</th>
<th>VIP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-Tax Contributions only</td>
<td>Pre- or Post-Tax Contributions</td>
</tr>
<tr>
<td>After separation, distributions are available without penalty at any age.</td>
<td>After separation, distributions prior to age 59½ will be subject to penalty taxes.</td>
</tr>
</tbody>
</table>

New Hire Timeline

- **Day 1**: You're hired
- **Day 2-30**: DCP Notification Mailing
- **Within 30 days**: Opt Out Window
- **3 Months After Hire Date**: 3% contribution begins
- **Within 90 days of first contribution**: Withdrawals allowed

Automatic Enrollment - New full time employees hired on or after January 1, 2017 will be automatically enrolled.