Retirement Plans

Retirement Plan Options

- 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

Defined Benefit Plan:
- Guaranteed benefit calculated by:
  \[ 0.02 \times \text{Service Credit Years (SCY)} \times \text{Average Final Compensation (AFC)} \]
- 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 = the average of the highest 60 consecutive months of pay.

Retirement Under PERS 2

Defined Benefit Plan: Guaranteed benefit calculated by:
- \[ 0.02 \times \text{SCY} \times \text{AFC} \]
- 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 = the average of the highest 60 consecutive months of pay.

PERS 2

- Employee contribution rate is currently 7.41%.
- Employer contribution rate is currently 12.83%.
- Contribution rates are subject to change.
- Contributions are tax-deferred.
- Amount contributed or account accumulations have no impact on pension benefit.
Retirement Under PERS 3

PERS 3 has two parts:
1) Defined Benefit Component (funded by Employer)
   1% x Service Credit Year (SCY) x 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</th>
<th>5% at all ages</th>
</tr>
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<tbody>
<tr>
<td>Option B</td>
<td>5% until age 35</td>
<td>6% for ages 35 - 44</td>
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<tr>
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<td>7.5% at age 45 &amp; over</td>
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<tr>
<td>Option C</td>
<td>6% until age 35</td>
<td>7.5% for ages 35 - 44</td>
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<tr>
<td></td>
<td>8.5% at age 45 &amp; over</td>
<td></td>
</tr>
<tr>
<td>Option D</td>
<td>7% at all ages</td>
<td></td>
</tr>
<tr>
<td>Option E</td>
<td>10% at all ages</td>
<td></td>
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<tr>
<td>Option F</td>
<td>15% at all ages</td>
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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 $18,500, for employees under 50 and $24,500 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

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

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% contributions begin
- **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
Resources

- Human Resource Services
  hrs.wsu.edu | 509.335.4521 | hrs@wsu.edu
- DRS
  www.drs.wa.gov | 800.547.6657 | recep@drs.wa.gov
- Empower Retirement
  Savewithwa.empower-retirement.com | 888.327-5596 | savewithwa@empower-retirement.com
- TIAA
  tiaa.org | 800.732-8353 in-person consultation
  800.842-2776 telephone consultation| Login to acct to send email

Questions?
Human Resource Services
139 French Administration
509-335-4521
hrs@wsu.edu

Thank You!