

**Important Considerations for Members of
The Teachers Retirement System or The Public Employees Retirement System
Who Have an Option to Change to TIAA/CREF**

I. You Have an Important Choice to Make:

If you are a member of the Teachers Retirement System (TRS) or the Public Employees Retirement System (PERS) and you become eligible for the TIAA/CREF retirement plan at a Washington community or technical college, you have an option to change to the TIAA/CREF plan.

You have six months from the date you become eligible to decide to change to TIAA/CREF or remain in your TRS or PERS plan. If you do nothing, you will continue in your current TRS or PERS plan as long as you remain eligible. *The responsibility for choosing whether or not to change plans is wholly yours.* The college will not enroll you in TIAA/CREF until you tell them to do so by giving a completed TIAA/CREF application form to your college benefits office. *No retroactive plan changes will be made. If you do nothing, you will remain in your current TRS or PERS plan by default and your option to change plans will expire in six months.*

This is a *one-time* choice that you *may not revoke* for the remainder of your employment at the college, so your decision must be made carefully.

There is no one right answer about whether or not to change retirement plans. The decision is *very* individual and it depends largely on your personal situation and career plans. This document provides some important points you should consider in making your decision. Hopefully, you will find it helpful.

II. Understand Your Choice Before You Decide:

Before choosing, do not hesitate to ask questions. The following three offices are the best sources of information about how the various plans work. These offices also have written information that you should find helpful. They will be happy to answer your questions, but only you can make the choice whether or not to change plans.

Your College's Benefits Office

(Some colleges administer benefits in the personnel office--others in the payroll office)

The Department of Retirement Systems (DRS)

(360) 664-7000

800-547-6657 (toll free)

<http://www.wa.gov/drs>

Point Plaza Bldg.

6825 Capital Way

Olympia, WA 98504-8380

*Teachers Insurance Annuity Association/ College Retirement Equity Fund
(TIAA/CREF)*

(800) 842-2776

<http://www.tiaa-cref.org>

730 Third Avenue

New York, NY 10017

III. Plan Portability:

Consider your future career plans. The TRS and PERS plans are provided for eligible positions in Washington State agencies, public schools, political subdivisions, and public higher education institutions. The TIAA/CREF plan is provided for eligible positions in Washington public higher education institutions and in many other not-for-profit higher education institutions, hospitals, and research facilities nationwide. However, TIAA/CREF is not available in state agencies, political subdivisions, or the public schools.

Any retirement plan is designed to provide the best benefit to people who spend their whole career within one plan, but many employees work for several employers during their career--so consider *your career plans*. Also consider how much service you already have in your PERS or TRS plan, how much time you're likely to remain in the workforce, and where you are likely to work during that time. The amount of service contributing to the plan is an important factor for any retirement plan in determining the benefits payable at retirement, so any decision to change must be weighed carefully.

Under specified conditions, some military service can be counted in the benefit formula for PERS or TRS plans--particularly under Plans I. (See the member handbook for your PERS or TRS plan.) Military service has no effect on your retirement benefit under TIAA/CREF.

IV. Plan Benefit Structure:

Defined Benefit Plans: TRS and PERS plans (I and II) are *defined benefit* plans. This means that the benefit you receive at retirement is defined by a formula that considers your years of service credit and your average final compensation. The formula guarantees the benefit you will receive. (The amounts contributed by you and your employer during your career and the investment return on those funds are not directly related to the PERS or TRS (Plans I and II) benefit you will receive.) For TRS II and PERS II, the formula also includes an actuarial reduction if you retire before age 65. Of course, the monthly amount you receive also depends on the payout option you choose at retirement (e.g., benefits for a surviving spouse, etc.)

The formulas for PERS and TRS plans are published in the applicable member handbook published by the Department of Retirement Systems (DRS) which are available from your college benefits office. By applying the formula to your assumptions about your years of service credit, age, and average final compensation at retirement, you can estimate the amount you would receive when you retire. Read the member handbook carefully and address any questions to DRS.

Defined Contribution Plan: TIAA/CREF is a *defined contribution* plan. This means that the *amount contributed* by you and your employer is defined and the benefit you receive at retirement is based on your age and the amount of money in your account at the time you begin drawing benefits. The TIAA/CREF plan does not have a guaranteed benefit amount at retirement.

The amount in your TIAA/CREF account at retirement will depend on the investment experience of the accounts you choose within the TIAA/CREF plan and the amount of time your (and your employer's) investment grows on a tax-deferred basis before you begin benefits. Like the DRS plans, the monthly benefit you receive in TIAA/CREF would also reflect the payout option you select (e.g., providing for a spouse). Your age when you begin drawing benefits is also a factor.

Predicting the amount of your benefits in advance is a little more difficult in a defined contribution plan than in a defined benefit plan. This is because your actual benefit will depend on the investment experience of the accounts you select and on your age at retirement. TIAA/CREF will calculate a benefit estimate for you if you will provide them with your current salary, the TIAA and CREF accounts you would choose, and a projected retirement age. *This can be done by phone by calling 1-800-842-2776.* After enrollment in the plan, TIAA/CREF automatically provides each participant an annual updated benefit estimate based on the current value of each account and each participant's planned retirement age. Quarterly reports of your account balances are also provided.

Your college benefit office can provide written materials describing the TIAA/CREF accounts available in their plan. The past investment experience of each TIAA/CREF account is also available from your college benefits office, but remember that markets for each account do change and past returns do not necessarily predict future returns. With the exception of the TIAA Traditional Annuity Account, you can move your funds among the TIAA/CREF accounts daily by telephone or on the internet. (Funds can only be drawn without penalty out of a TIAA Traditional Annuity Account at 10 percent per year over a ten-year period because of the guaranteed rate of return for that one account.)

IV. Age and Service Requirements to Collect Benefits:

Consider the age at which you plan to retire and the amount of time you will have in your retirement plan.

Retirement based on age and/or length of service: The TRS, PERS, and TIAA/CREF plans all have specified ages, service, and other conditions for receiving benefits. They are not all the same. You should understand these requirements before you decide which plan is best for you.

The age and service requirements to begin receiving a benefit under a PERS or TRS plan are in the member handbook for the applicable plan. The age and service requirements to begin any of the payout options under TIAA/CREF are in the rules of the Washington State Board for Community and Technical Colleges available from your college benefits office. *(TIAA/CREF has immediate vesting which means that if you leave employment in the community and technical college system, you can begin monthly benefits under TIAA/CREF administrative policies regardless of age or amount of service—but remember that your benefit would be based on the amount in your account and your age when benefits begin. You can also withdraw funds after 180 days as explained below.)*

If you become disabled after you are vested in the plan, all of the DRS and TIAA/CREF plans allow you to receive a benefit even before you reach the normal age and service requirements to retire. You must have at least five years in the plan to be vested in TRS or PERS. Vesting is immediate in TIAA/CREF. Disability retirement benefits would be provided using the normal benefit calculations for the plan in which you are enrolled. For TRS or PERS plans, see the appropriate member handbook for disability retirement details.

(NOTE: Regardless of the retirement plan you choose, the state offers optional long-term disability insurance to eligible employees. You are encouraged to consider long-term disability insurance. To obtain information, contact your college benefits office.)

Can I draw my money out of these retirement plans? The DRS and TIAA/CREF plans are designed to provide benefits at retirement, so withdrawals from the plans are not generally permitted. Some general provisions below may interest you:

- None of the Department of Retirement Systems plans permit any withdrawals while you are employed in an eligible position. If you leave eligible employment, you can withdraw *your* contributions, but not *your employer's* contributions. If you withdraw your contributions from a DRS plan, you normally cease to be eligible for a retirement benefit from the plan. (For withdrawals at retirement, there is an exception in the TRS Plan I only.)
- You may not normally withdraw funds from the TIAA/CREF retirement plan while you are actively employed – unless you meet the stringent conditions delineated in the State Board's "hardship withdrawal" rules that allows such withdrawals under conditions set by the Internal Revenue Code. If you leave all TIAA/CREF-eligible employment in all Washington community and technical colleges and the State Board for Community and Technical Colleges for a period of 180 days or more, you can

withdraw all or a portion of your and your employer's contributions, and account earnings. (Withdrawals from the TIAA Traditional Annuity Account can only be made over a ten-year period. Other TIAA/CREF accounts do not have that restriction on withdrawals.)

If you withdraw funds from a DRS plan or TIAA/CREF, they become taxable in the year you receive them. There may be an additional 10 percent early withdrawal tax if you are under age 59 1/2 when you withdraw funds.

V. If You Decide to Change to TIAA/CREF:

If you choose to change from your PERS or TRS plan to TIAA/CREF, you will have an additional decision to make--whether or not to leave your vested contributions in your old plan. Here are some things to consider in making this decision:

If you are vested in PERS or TRS when you change, you can leave your funds in your former plan or withdraw them. If you leave your money in your DRS plan, you can receive a benefit from the plan when you become eligible to retire. *However, your DRS retirement benefit will be based on your age, salary and service credit while you were contributing to the DRS plan. The buying power of such a benefit will diminish over time due to inflation. The benefit, and the age at which you would receive it, can be calculated exactly.* Using the formula in the appropriate PERS or TRS member handbook, you can estimate the benefit you would receive at retirement from the vested service you leave in the plan.

If you decide to take your money out of PERS or TRS, you can simply apply to withdraw it and no longer be a member of the plan. Such withdrawals are taxable in the year received and may also have an additional 10 percent early withdrawal tax if you are under age 59 1/2. Another option that keeps the withdrawal tax-deferred is to put the money in a "roll-over" Individual Retirement Account. TIAA/CREF provides a roll-over IRA and such IRA's are available from other companies as well. To keep your withdrawn DRS funds tax-deferred, set up the roll-over IRA *first*. Then ask the Department of Retirement Systems to transfer your funds directly into it. *If you withdraw the funds and deposit them yourself, DRS is required to take a mandatory income tax withholding of 20 percent. Also if you withdraw the funds and do not deposit them in your roll-over IRA within 60 days, they become immediately taxable.*

VI. Additional Tax Deferrals:

Whichever basic retirement plan you ultimately choose, you are encouraged to consider additional tax deferrals to prepare for your retirement. Information about available voluntary tax-deferral plans is available at your college benefits office.

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Retirement Plan Options for Faculty and Exempt Employees*

Faculty and exempt employees meeting the TIAA-CREF Retirement Plan eligibility standards** established by the State Board for Community and Technical Colleges are required to participate in the retirement plan unless they:

- Are currently members of the Public Employees Retirement System (PERS) or Teachers Retirement System (TRS), *AND*;
- Are employed in a college or State Board position that meets the eligibility standard established for the PERS or TRS retirement plans in which they have membership ("eligible position" or TRS 1), *OR*;
- Are active members of PERS through concurrent employment with another employer and, as such, are prohibited by statute from simultaneously participating in two state retirement plans and who elect to continue active PERS membership.

Options Table		
If you are currently a participant in:	And you:	Your options are:
TIAA-CREF	Meet the TIAA-CREF eligibility criteria	1. Continue with TIAA-CREF
	Do not meet the TIAA-CREF eligibility criteria	2. Continue participation if no break in service, otherwise no retirement plan participation
TRS Plans 1, 2 or 3 or PERS Plan 1, 2 or 3 (Not Active) <i>(Note: This section applies to TRS and PERS members who are <u>not concurrently</u> employed with another TRS or PERS employer. "Active" means currently earning service credit in TRS or PERS through employment with a different employer. This section does not apply to former TRS or PERS members who withdrew their accumulated contributions.)</i>	Meet the TIAA-CREF eligibility criteria and are eligible to participate in a TRS or PERS plan (TRS plan 1 or defined "eligible position")	3. Continue with TRS or PERS (TRS 1 members must continue in Plan 1) <i>or</i> ; 4. Begin TIAA-CREF immediately <i>or</i> ; 5. Remain in TRS or PERS until vested and then begin TIAA-CREF participation.
	Meet the TIAA-CREF eligibility criteria but are not eligible to participate in a TRS or PERS plan (Not in TRS 1 or a defined "eligible position")	6. TRS Plan 1 must continue Plan 1 membership 7. Immediately begin TIAA-CREF participation.
	Do not meet the TIAA-CREF eligibility criteria and not in a TRS or PERS defined "eligible position"	8. TRS Plan 1 members must continue in Plan 1. TRS Plan 2/3 members may apply to DRS for service credit. PERS members receive no benefits.
Active PERS Plan 1, 2 or 3 Member <i>(Note: This section applies to <u>active</u> PERS members who are <u>concurrently</u> employed by an employer in addition to the college district or SBCTC. It is your responsibility to notify your college or state board employer if you are no longer an active PERS members. "Active" means currently earning service credit in TRS or PERS through employment with a different employer.)</i>	Meet the TIAA-CREF eligibility criteria (Not in a PERS or TRS "eligible position")	9. Begin TIAA-CREF immediately and forgo active PERS membership with other employer. Employee notifies other employer; <i>OR</i> 10. Forgo TIAA-CREF participation to continue active PERS membership solely through other employer. Notify the college of changes in PERS membership status. See #12.
	Meet the TIAA-CREF eligibility criteria and in a TRS or PERS "eligible position"	11. Select option #9 or #10; <i>or</i> , 12. Elect to have service credit in both positions reported in PERS or TRS. See DRS for additional information.
	Do not meet the TIAA-CREF or PERS or TRS eligibility criteria	13. No retirement plan participation through their college/state board employer
Active TRS Members or No Plan <i>(Note: Participation is required for otherwise eligible employees regardless of the source of funds or the designation of the position as temporary "Active" means currently earning service credit in TRS or PERS through employment with a different employer.)</i>	Meet the TIAA-CREF eligibility criteria & not eligible to participate in TRS	14. Begin TIAA-CREF participation immediately. (TRS 1 must continue in Plan 1.)
	Meet the TIAA-CREF eligibility criteria, and eligible to participate in TRS (Plan 1 or in eligible position)	15. Continue with TRS or elect to participate in TIAA-CREF. TRS 1 must continue in Plan 1.
	Do not meet the TIAA-CREF eligibility criteria	16. TRS Plan 1 must continue in Plan 1. 17. TRS Plan 2 or 3 members see #8

Employee's Irrevocable Retirement Plan Choice:

This is to certify that I fully understand the retirement plan information and options applicable to me and I wish to select option number _____ from the chart above. I understand that this choice may not be revoked during my employment with this college or agency.

Employee's Name (printed)

Employee's Signature

Date

* The options presented in this form are designed to cover most circumstances. If your situation does not appear to fit those described, check with your benefits officer.

** Except as noted above, participation in the TIAA-CREF funded retirement plan is required of faculty and exempt employees employed at one or more colleges or the SBCTC for at least 50 percent of full-time, as defined by the collective bargaining agreement and/or their appointing authority, for at least two consecutive quarters.