



PERS Plan 2 or PERS Plan 3? Your Transfer Decision

At a Glance

It's important to weigh your options now and consider all the factors carefully before making a decision.

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As a PERS Plan 2 member, you will soon need to choose whether you want to remain in PERS Plan 2 or transfer to the new PERS Plan 3. This *At a Glance* summary outlines some of the key points and important steps to help you through the decision-making process. For more information, refer to your *Journey to Retirement* Transfer Decision Booklet.

The Department of Retirement Systems' (DRS) goal is to provide you with information and tools so you can make an informed choice for you and your family. We encourage you to take advantage of all the resources available to you to help you make your decision. Keep in mind that the transfer window is a brief but important opportunity.

HOW DO I KNOW WHICH PLAN IS BETTER FOR ME?

Your individual circumstances will determine which is more beneficial — for you to remain in PERS Plan 2, or transfer to PERS Plan 3. There are a number of factors to consider, such as your comfort level with investment risk, your length of employment, how much you are earning and how much you have saved.

Transfer Payment and Gain Sharing

Members who transfer to PERS Plan 3 will receive a transfer payment, a one-time payment made to the Defined Contribution account of eligible members who transfer from PERS Plan 2 to PERS Plan 3 during the initial transfer window.

The transfer payment is based on your accumulated PERS Plan 2 account balance. (See page 11 of your Transfer Decision Booklet for more information on the transfer payment.)

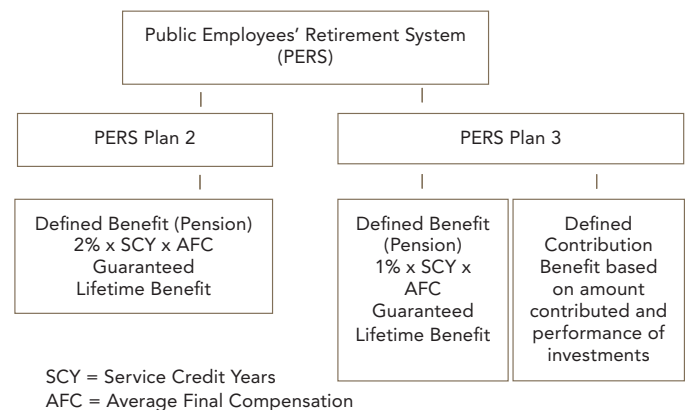
Gain sharing can also add to the value of your PERS Plan 3 Defined Contribution account. For information about gain sharing, see page 12 of your Transfer Decision Booklet.

WHAT ARE THE DIFFERENCES BETWEEN THE PLANS?

PERS Plan 2 is a **defined benefit** plan. It provides a guaranteed lifetime monthly retirement benefit. The benefit is based on the member's length of employment and salary. The formula is given in the chart below, and is described on pages 4 and 5 of your Transfer Decision Booklet.

PERS Plan 3 has a benefit which is made up of two parts:

- a **defined benefit** component like PERS Plan 2 but providing half the benefit; and
- a **defined contribution** component, in which you have some flexibility and assume investment risk. This is because you choose the level of your contributions and how they are invested.



For an overview of the two plans and how each can benefit you, see pages 18 and 19 of your Transfer Decision Booklet.

HOW DO I KNOW WHICH PLAN IS BETTER FOR ME?

How comfortable are you assuming investment risk?

In PERS Plan 2, your retirement benefit will be based on a formula, and that benefit is guaranteed. Like PERS Plan 2, part of PERS Plan 3 is also based on a formula and is guaranteed. However, there is another part of PERS Plan 3 that is based on your contributions and investment returns. This portion carries investment risk. Your investment choices are your responsibility and will determine how much risk your account is exposed to — and what kind of benefit you receive in retirement.

How does your length of employment impact your benefit?

Your length of employment and your anticipated retirement age will impact your benefit in each plan, and should be a consideration when making your decision.

PERS Plan 2 and the Defined Benefit portion of PERS Plan 3 are calculated based on your length of employment and salary. So, the longer you've been a PERS member when you retire, the more service credit you will have and the higher your pension benefit will be in each plan.

If you plan on retiring early, take note — eligibility for benefits is different in each plan. See page 18 of your Transfer Decision Booklet to see how PERS Plan 2 and PERS Plan 3 compare.



Does your salary make a difference?

In both plans, your mandatory member contribution is based on a percentage of your salary. So, if your salary changes, so does your contribution amount.

In PERS Plan 2, your retirement benefit is calculated based on your salary, as well as your length of employment. Therefore, a higher salary will result in a higher retirement benefit. This is the same for the Defined Benefit portion of PERS Plan 3.

How will you meet your retirement goals?

Your PERS retirement benefit will only be a part of your retirement income. It may come from a variety of sources, including Social Security benefits, a deferred compensation 457 plan, a 403(b) plan or an IRA. It could also include money in savings accounts or a spouse's retirement plan.

Think about how your other sources of retirement income factor into your plan choice. How much additional retirement income will you need to meet your retirement goals in each plan?

How can you compare your benefits in each plan?

Financial modeling software has been developed that factors in multiple variables for PERS Plan 2 and PERS Plan 3 and performs the complex calculations needed to project your future benefit in each plan. It allows you to compare the projected benefits for both plans based on your personal situation, including variables such as your contribution level and expected rate of return.

You can find out more about the software on page 15 of your Transfer Decision Booklet.

Retirement Goals

You will need to decide which plan best meets your retirement goals.

Compare Benefits

You can use the financial modeling software to compare the benefits in each plan.



WHERE CAN I FIND HELP?

Several resources are available to help you evaluate your individual situation. The Transfer Decision Booklet is a good place to start. The booklet outlines the two plans, explains many of the important considerations and provides an explanation of the resources you can use to make an informed decision for you and your family:

- *Journey to Retirement* Transfer Decision Booklet
- Financial Modeling Software available on the Web site
- Phone Support Center and E-mail call 888-711-8773 or write pershelp@icmarc.org
- Video available from your employer
- Seminars Schedule available on the Web site
- Web site www.wa.gov/DRS/member/pers/2or3

ONCE I DECIDE, WHAT DO I DO?

If you decide to stay in PERS Plan 2, you don't need to do anything. You will automatically remain in PERS Plan 2.

If you choose to transfer into PERS Plan 3, you need to fill out two forms — the Member Information Form and the Beneficiary Designation Form — and turn them in to your employer. You can find the forms in the back of your Transfer Decision Booklet, or on the Web site.

Time is Important

As a PERS Plan 2 member, you have an initial transfer window during which you may choose to transfer to PERS Plan 3 or remain in PERS Plan 2.

Initial Transfer Window

State & Higher Education Employees

March 1, 2002 through August 31, 2002

Local Government Employees

September 1, 2002 through May 31, 2003

If you transfer to PERS Plan 3 during your initial transfer window, you may be eligible for payments that will not be available if you transfer later on.

If you choose to transfer to PERS Plan 3, your decision is final. You will not be able to transfer back to PERS Plan 2.

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This publication is not a substitute for reading the full plan materials. It is a brief outline intended to give you an overview of some of the features of PERS Plans 2 and 3. It is not a legal document. The operations of the Plan are governed by the Plan documents, which contain all of the technical provisions that govern the Plan. If there is any conflict between this document and the provisions of the Plan documents, the Plan documents will prevail.