

WAC 415-10-030 Calculation of cost to purchase service credit.

The department will calculate the actuarial value of the service credit you purchase under RCW 41.50.165(2) using the following formula:

$$\text{Total Cost} = \text{Part 1 Cost} + \text{Part 2 Cost}$$

Part 1: Annual Average Salary x Service Credit Years to Purchase x Factor 1

Part 2: Annual Average Salary x Current Service Credit Years x (Factor 1 - Factor 2)

Factor 1 takes into consideration your current age and service credit, *including* the service credit you are purchasing.

Factor 2 takes into consideration your current age and service credit, *excluding* the service credit you are purchasing.

The Part 1 cost pays for the additional value of the service credit you plan to purchase.

The Part 2 cost pays for the increased value of your current service credit. The value of your current service credit may increase with this purchase because you may be eligible for earlier retirement, better early retirement factors, or both. For some situations the Part 2 cost will be \$0.

Example: Purchase of additional service credit.

Ron is an active PERS Plan 2 member who currently has 5 years of service. Ron turned age 45 last month. His annual average salary is \$40,000. Ron would like to purchase 15 years of service that he previously withdrew but did not restore before the deadline.

The department will calculate the cost of purchasing the service credit using the Service Credit Purchase Cost formula:

$$\text{Total Cost} = \text{Part 1 Cost} + \text{Part 2 Cost}$$

Part 1: Annual Average Salary x Service Credit Years to Purchase x Factor 1

Part 2: Annual Average Salary x Current Service Credit Years x (Factor 1 - Factor 2)

The cost of Ron's purchase would be calculated as follows:

Part 1: \$40,000 (Annual Average Salary) x 15 (Years to Purchase) x 0.1660* (Factor 1) = \$99,600

Part 2: \$40,000 (Annual Average Salary) x 5 (Current Service Credit) x (0.1660* - 0.1128*) (Factor 1 - Factor 2) = \$10,640

Ron's total cost to purchase 15 years of service credit is \$110,240 (Part 1 + Part 2).

*Factors used are for illustration purposes in this example only as actuarial factors change periodically.

[Statutory Authority: RCW 41.50.050(5). WSR 14-06-053, § 415-10-030, filed 2/27/14, effective 10/1/14. Statutory Authority: RCW 41.50.050(5) and chapter 41.37 RCW. WSR 08-02-048, § 415-10-030, filed 12/27/07, effective 1/27/08. Statutory Authority: RCW 41.50.050(5), 41.50.165. WSR 03-15-006, § 415-10-030, filed 7/3/03, effective 8/3/03; WSR 02-03-120, § 415-10-030, filed 1/23/02, effective 3/1/02. Statutory Authority: Chapter 41.50 RCW. WSR 00-22-049, § 415-10-030, filed 10/27/00, effective 11/27/00. Statutory Authority: RCW 41.50.050 and 41.50.165. WSR 97-01-014, § 415-10-030, filed 12/6/96, effective 1/6/97.]