

Cost-of-Living Adjustments (COLAs) – how they're calculated and when they occur

You've probably heard the term *Cost-of-Living Adjustment*, or more commonly, *COLA*. A COLA is an adjustment to your monthly benefit after you retire. The type of COLA you are eligible for depends on your retirement plan. Here's a brief summary.

Optional and Uniform COLAs – PERS and TRS Plan 1

Plan 1 retirees in PERS or TRS are eligible for two different types of COLAs. The most common is the Uniform COLA, which is an adjustment to your benefit each year in July.

To be eligible for the Uniform COLA, you must have been receiving your retirement benefit for at least one full year on July 1 and reached at least the age of 66 by December 31 of that year. The Uniform COLA is calculated by multiplying your years of service credit by a dollar amount (currently \$1.73). The Uniform COLA is not based on increases in consumer prices. It is based only on your years of service credit and a dollar amount that is calculated by the Office of the State Actuary.

The second Cost-of-Living Adjustment is known as the Optional COLA. This COLA is based on the percentage change in the Consumer Price Index over the prior year. It cannot be larger than three percent of your total monthly benefit.

The Optional COLA must have been selected at the time you retired. If you chose to receive an Optional COLA, your monthly benefit was reduced at retirement to reflect the fact that you will receive this additional adjustment each year over your lifetime.

Base COLA – LEOFF, PSERS, WSPRS and Plan 2 and Plan 3 of PERS, SERS and TRS

The Base COLA is an automatic annual increase that is calculated according to the percentage change in the Consumer Price Index over the prior year. The increase cannot be larger than three percent of your monthly benefit (except LEOFF 1). To receive the Base COLA, you must have been retired for at least one full year as of July 1 (April 1 for LEOFF 1).

If you have questions about COLAs, please call us at 1-800-547-6657 or send us an e-mail at recep@drs.wa.gov. ■

2008 Legislative update

No bills were passed during the 2008 legislative session that directly impacted retirees. For information about pension legislation that affected active members, check out the *Legislative Update* page on the DRS Web site. ■



Pension Notes

Public safety officers may exclude up to \$3,000 from their federal taxable income

If you are a retired public safety officer, you may be able to exclude up to \$3,000 of your qualified health, accident and long-term care insurance premiums from your gross taxable income each year. To take advantage of this program, the premiums must be deducted directly from your retirement benefit. At www.drs.wa.gov/retiree you can find out if you're eligible for this tax savings program and how to participate. The Web site provides the following information:

- A quick three-question qualification checklist – *Public safety officers' tax savings on health insurance premiums*
- A Q&A detailing the qualifications and how the program works – *Public safety officers' tax savings on health insurance premiums – Commonly asked questions and answers*
- A form to elect into the program – *Public safety officers' health insurance premiums tax savings election*

If you have any questions, please call us at 360-664-7000 or toll free at 1-800-547-6657. ■

2008 tax forms will mail in January



Your *Internal Revenue Service (IRS) Form 1099-R* (Distributions from Pension Plans) will be mailed at the end of January 2009. You can also access your 1099-R, by using our *Online Account Access* service at

www.drs.wa.gov.

If you do not receive your Form 1099-R by February 13, please call us at (360) 664-7000 or toll free at 1-800-547-6657.

The IRS offers several helpful publications on filing taxes. You can find them at your local IRS office or online at www.irs.gov. ■

Contact information for the IRS

Web site: www.irs.gov

Phone: 1-800-829-1040

Regional IRS Offices

Olympia: 360-570-5410

Seattle: 206-220-6015

Spokane: 509-353-0508

Tacoma: 253-428-3518

Vancouver: 360-696-7960

Electronic deposit – it's easy and secure



More than 90 percent of our customers now take advantage of our electronic (direct) deposit service, which ensures their monthly benefit is securely deposited to their bank account. No more waiting for the mail to come and making trips to the bank. Even when

they are out of town, they know the money will automatically go into their account where they can access it at any time.

Have you signed up for direct deposit yet? It's easy to do. Just print the *Authorization for Direct Deposit* form available on our Web site, complete it and send it to us. Or call us at 1-800-547-6657 and we'll be glad to talk with you about the benefits of direct deposit and send you a form to complete.

For the remainder of 2008, benefits will be electronically deposited in accounts on November 28 and December 31. Look for the 2009 retirement benefit disbursement schedule on our Web site in late November.

Making an account change once you've signed up for direct deposit

Once you've signed up for direct deposit, it's also easy to update your account information. Here's how.

Changing your financial institution

Just mail or fax a completed *Authorization for Direct Deposit* form to DRS. Be sure to keep a copy for your records.

Changing your account at the same financial institution

To have your benefit deposited into a different account at the same financial institution, fax or mail us a signed request. We'll make the change on a temporary basis and send an *Authorization for Direct Deposit* form for you and your financial institution to complete.

If you have questions or need more information, please call us. ■

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This document is available in alternate formats.
Contact the editor at 360-664-7097.

Market conditions do not affect your retirement benefit

Market fluctuations do not affect the defined benefit you are receiving each month. Your benefit is based on your years of service and compensation while employed and is guaranteed by the State of Washington. Retirees will continue to receive their benefit payments each month as usual.

The Washington State Investment Board, which manages the pension assets, specifically designs diversified investment portfolios to withstand the inevitable ups and downs of the market. ■

Health insurance changes take effect in January

You will notice changes to your retirement benefit beginning in January 2009, for one or both of the following reasons:

- Increases or decreases in health insurance premiums that take effect January 1, 2009; and/or
- Changes you make to your coverage during the Public Employees Benefits Board (PEBB) Program's open enrollment period (October 27 through November 30).

Please contact the PEBB Program if you have any questions regarding your health coverage. You can reach them at 1-800-200-1004 or online at www.pebb.hca.wa.gov. ■

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