

## New tax rule may affect you

The recently passed federal stimulus package (American Recovery and Reinvestment Act of 2009) contains a provision that may reduce the taxes withheld from your retirement benefit, beginning in April. However, the total amount of tax you owe may not change, so it's important you understand how the new tax credit works and review your current withholding.



### *Why your tax withholding may change*

The stimulus package contains a "Making Work Pay" credit that will reduce the amount of federal income tax withheld from many workers' wages. The credit applies only to earned income and not to income you receive from your pension, including Social Security and federal Railroad Retirement benefits.

The Internal Revenue Service (IRS) has directed that we use the same new tables that are used for workers to calculate the tax withheld from your retirement benefit. That's why your withholding may change, even if the amount of tax you owe does not.

If your retirement benefit is your sole source of income, you will not have earned income that qualifies for the Making Work Pay credit. If you returned to work after you retired and are receiving a salary, or you retired in 2009 and were paid a salary for part of the year, you may qualify for the tax credit.

### *What you can do*

If you do not want your withholding reduced, you can complete and send us a new Form W-4P that claims fewer allowances or directs that an additional amount be withheld. The W-4P form is available on the DRS Web site at [www.drs.wa.gov](http://www.drs.wa.gov) or on the IRS Web site at [www.irs.gov](http://www.irs.gov). You can also call us at 360-664-7000, or toll-free at 800-547-6657, and we'll send you a new W-4P form.

The information provided is intended to assist you in making decisions and does not eliminate the need to discuss your particular circumstances with a qualified professional. ■

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# Pension Notes

## COLA increases coming in July

Cost-of-Living-Adjustments (COLAs) will be included in the July benefit checks for those who qualify. The type of COLA you are eligible for depends on your plan and the options you chose when you retired.

### PERS and TRS Plan 1

#### **Uniform COLA**

You're eligible if you have been receiving your retirement benefit for at least one full year on July 1 and are at least age 66 by December 31 of that year. This COLA is calculated by multiplying your years of service credit by a dollar amount (currently \$1.73).

If you're eligible to receive the Uniform COLA, you will also receive a one-time permanent COLA of five cents per year of service that the 2007 Legislature put into place through Engrossed House Bill 2391.

#### **Optional COLA**

You're eligible for this COLA if you selected it when you retired. It is based on the percentage change in the Consumer Price Index over the past year. The COLA cannot be larger than three percent of your total monthly benefit.

### LEOFF, PSERS, WSPRS, and Plan 2 and Plan 3 of PERS, SERS and TRS

#### **Base COLA**

You're eligible if you have been retired for at least one full year as of July 1 (April 1 for LEOFF Plan 1). This COLA is an automatic annual increase that is calculated according to the percentage change in the Consumer Price Index over the past year. It cannot be larger than three percent of your monthly benefit (except LEOFF Plan 1).

If you have questions about COLAs, please call us at 800-547-6657. ■

## Your defined benefit pension is secure

While these are challenging times, the state's retirement plans are sound and the state's investments are in a good position for a market recovery.

Market fluctuations do not affect the Defined Benefit payment you receive from Plan 1, Plan 2 or Plan 3. There have been investment losses in recent months, but there is enough money in each of the trust funds to cover pension payments.

Market fluctuations can impact the performance of your investments if you participate in the Deferred Compensation Program or have a defined contribution account as a member of Plan 3. If you are considering a change to your current allocations, be sure to thoroughly review your investment strategy. Then it is always wise to consult with your financial adviser before making any decisions. For the latest information on investment performance, visit the Washington State Investment Board Web site at [www.sib.wa.gov](http://www.sib.wa.gov). ■

## Governor appoints new DRS Director



Steve Hill

Governor Gregoire recently appointed Health Care Authority Administrator Steve Hill as the new Director of DRS. Steve is now leading both agencies.

As part of her plan to reform state government and revamp the way the state provides programs and services, the Governor has proposed merging DRS and the HCA. Since the two agencies serve many of the same customers, the Governor believes a merger would bring new opportunities for coordinating and streamlining service. It would require legislative approval, however, which is unlikely until the 2010 session, at the earliest.

You can find more information on the proposed combining of DRS and HCA on the DRS Web site at [www.drs.wa.gov](http://www.drs.wa.gov). ■

## Living well

Monitoring your health is an important part of living well in retirement. The Washington Wellness Web site at [www.washingtonwellness.gov](http://www.washingtonwellness.gov) offers tools that can help.

One of the best places to start is with a Health Risk Assessment (HRA). It takes about 20 minutes to complete and after you do, you'll receive valuable feedback on any health risks to talk over with your physician. To take your HRA, go to the Washington Wellness site, click on your medical insurance plan and follow the instructions.

Also, make the most of your medical benefits. The Washington Wellness site offers links to each of the state's medical and dental insurance plans, making it easy to check out the benefits available to you through your provider. Are you getting the routine screening tests your plan covers? A flu shot each year? Are you thinking of giving up smoking? The site will tell you exactly what benefits are available to you.



Washington Wellness can also put you in touch with other resources related to your health. For example, did you know that retirees are eligible for fitness club discounts? For a list of participating clubs, check out the resources page at [www.washingtonwellness.gov](http://www.washingtonwellness.gov). ■

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

# Benefit check mailing and direct deposit dates for 2009

To the right is a list of dates that your monthly retirement benefit will be mailed or electronically deposited in your account.

More than 90 percent of retirees now take advantage of our direct deposit service, which ensures their monthly benefit is deposited in their bank account even when they're out of town. The service is both secure and convenient. We will also continue to mail you a payment advice, if you choose, to confirm the payment was sent to your bank, or you can verify that electronically through our online account access.

To sign up, just complete the *Authorization for Direct Deposit* form available on our Web site or call us at 800-547-6657 to have the form mailed to you. ■

## May 2009 – December 2009

Check Mailing Dates	Direct Deposit Dates
May 28	May 29
June 27	June 30
July 29	July 31
August 28	August 31
September 28	September 30
October 29	October 30
November 25	November 30
December 29	December 31

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