

# State Board Retirement Plan Supplemental Benefit

## CONTENTS

- SBRP Supplemental Benefit Overview
- Eligibility, Age & Service Requirements
- Calculation
- Income Options at Retirement
- Death Prior to Retirement
- Separation Prior to Retirement

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## SBRP Supplemental Benefit Overview

For the most part, the State Board Retirement Plan (SBRP) functions as a “defined contribution” plan throughout a participant’s career - with the amounts contributed (matched 100% by the employer) defined in the plan as 5%, 7.5% and 10% depending on age.

By contrast, the SBRP Supplemental Benefit is a “defined benefit”, or formula-driven calculation. If the age and years of service eligibility criteria are met, a statutorily defined calculation will be performed to determine qualification for a minimum level of state paid retirement income termed the "Supplemental Benefit."

The SBRPP Supplemental Benefit is defined under Washington state law, RCW 28B.10, Sections 400 through 480. Specific information about the benefit can be found in the SBRP Plan Document.

Supplemental Benefit calculations are performed only once for each qualifying retiree, and only at the time of retirement. Calculations are complex, require the assistance of a professional actuary, and are market sensitive to the actual date of retirement. As such, the State Board will not provide projected calculations. Once calculated at retirement, there are no future re-calculations.

The SBRP contribution rates and the 100% employer match provides for excellent retirement savings rates, and makes the SBRP one of the most attractive retirement plans among our peer institutions. All SBRP participants should strive to maximize their retirement contributions and actively manage their accounts to ensure that eventual retirement income is well above the minimum level that the Supplemental Benefit would provide.

To understand how the Supplemental Benefit works and how it is calculated you must understand the following:

1. Eligibility for the calculation of Supplemental Benefit is based on age and years of service.
2. How "Goal Income" is defined and calculated.
3. How "Assumed Income" is defined and calculated.
4. How the Goal Income and the Assumed Income are used to determine the amount of Supplemental Benefit that is paid to the retiree, if any.

The retiree's actual SBRP account balances or investment allocations are unrelated to the calculation of the Supplemental Benefit. If a retiree qualifies for a Supplemental Benefit, the amount is paid by the State Board regardless of SBRP account balances. Because the calculations are formulas, as outlined below, any divisions of your retirement accounts due to divorce are irrelevant to the calculation.

## **Eligibility, Age & Service Requirements**

To be eligible for the calculation of the Supplemental Benefit, a participant must meet one of the following minimum requirements:

- **Full Supplemental Benefit Eligibility** - Be at least 65 years old and have a minimum of 10 years full-time participation in SBRP, OR
- **Reduced Supplemental Benefit Eligibility** - Be at least 62 years old and have a minimum of 10 years full-time participation in SBRP, OR
- **Disability Retirement** - Meet special disability retirement provisions at any age.

## **Calculation**

If an eligible participant's "Goal Income" is more than his or her "Assumed Income," a Supplemental Benefit is paid. If it is equal to or less, then nothing is paid. Both the Goal Income and the Assumed Income are calculated as required by law and as described below.

### **Goal Income Calculation**

"Goal Income" is defined by state law and is calculated as follows:

**Goal Income = (Average Monthly Compensation) X (Eligible Years of Participation) X (Service Factor)**

Average Monthly Compensation is calculated using SBRP-eligible salary for the highest paid two consecutive years in a SBRP-eligible position.

Eligible Years of Participation includes all time participating in SBRP up to a maximum of 25 years. For participants with service credit from a Department of Retirement System (DRS) plan, that service credit is included in the Goal Income calculation if:

- The participant transferred directly from the DRS plan to the SBRP **with the same employer and no break in service**; and,

- The DRS contributions were not withdrawn.

If the participant was on an approved leave of absence without pay, he/she can recover up to two years of service if **both** the employer and employee contributions were paid while on the authorized leave of absence **and** if the participant returned to employment with the a Washington State two-year college system employer immediately following the leave of absence for a period of not less than two years.

The Service Factor used in the calculation is 2% if at age 50 you chose to increase your SBRP retirement plan contribution to the 10% amount. As of July 1, 1974 the service credit factor is only 1.5% for any years of service in which you were at least age 50 and did not elect to participate at the 10% contribution rate. (The 10% contribution rate is mandated at this time but was optional through calendar year 1997.)

### **Assumed Income Calculation**

"**Assumed Income**" is a theoretical amount of monthly income from an annuity that your actual employee and employer retirement contributions would have generated if they had been allocated **equally** between a **fixed dollar** and a **variable dollar annuity**. (This assumed allocation split is required by state law.) Professional actuaries, who are not State Board employees, perform this part of the calculation.

If applicable, DRS retirement plan income will be included in the assumed income. Former DRS plan members are required to provide the State Board official documentation of the DRS calculation of a single life income option before the State Board can perform the SBRP Supplemental Benefit calculation.

### **Supplemental Benefit Determination**

Participants are only eligible to receive a Supplemental Benefit payment if the calculated "Goal Income" is greater than the amount of the calculated "Assumed Income". The Supplemental Benefit payment is reduced by 0.5% for each month of retirement before age 65, unless the retirement was due to disability.

### **Income Options at Retirement**

If qualified to receive Supplemental Benefit income, a participant has the following income options:

- **Single Life Supplemental Payment:** The retiree receives the full payments as a lifetime income with payments stopping upon death. This provides the highest payment to the retiree.

Survivor options offered below provide a lower payment amount than that calculated for the Single Life payment. However these options provide an ongoing payment to the survivor.

- **2/3 Supplemental Payment to Survivor:** Both the retiree and spouse/beneficiary receive this reduced monthly payment as a lifetime income. At either the death of the retiree or death of the spouse/beneficiary, the monthly payment amount drops to 2/3 of the original amount.
- **Full Supplemental Payment to Survivor:** The retiree receives this reduced monthly payment for his/her lifetime. Upon the death of either the retiree or spouse/beneficiary, the payments continue to the survivor for life, in the same amount.
- **1/2 Supplemental Payment to Survivor:** Retiree receives this reduced monthly payment for his/her lifetime. Upon death of the retiree, surviving spouse/beneficiary will receive 1/2 this amount. If spouse/beneficiary passes away before retiree, retiree continues to receive this amount for his/her lifetime with no reduction.

For the above options the designated beneficiary must be the retiree's surviving spouse; or with the written consent of the spouse (or if no spouse) such other person or persons who have an insurable interest in the retiree's life as documented and filed by the retiree with the UW.

## **Death Before Retirement**

If a participant dies while an active SBRP participant, and prior to retirement, the Plan will perform a calculation as if the participant retired on the date of death. If the results are positive, the SBRP will determine a 2/3 benefit with a 10-year guaranteed benefit for a married retiree's spouse, or, for single retirees, a single life annuity with a 10-year guaranteed benefit payable to the beneficiary.

## **Separation Before Retirement**

To be considered a SBRP retiree, an application for retirement must be made while an active participant in the SBRP (making contributions through employment). If you separate from college or state board employment or otherwise lose eligibility and cease active participation in the plan prior to achieving eligibility to retire, no Supplemental Benefit will be calculated or due.

**Disclaimer: If there are any discrepancies between this summary and the provisions of the SBRP Plan Document, the Plan Document will prevail.**