

**WAC 415-02-150 How is regular interest credited to Plan 1 and Plan 2 individual accounts?** The director has the statutory authority to set the terms of regular interest and modify those terms consistent with RCW 41.50.033. This rule summarizes how regular interest is credited to Plan 1 and Plan 2 individual accounts effective July 1, 2022.

(1) You are required to make contributions to your retirement plan each pay period.

(2) The department maintains an individual account in your name. In your individual account, the department tracks your contributions and the regular interest credited to your account consistent with this rule. Taken together, your contributions plus the regular interest that has been credited to your account are defined to be your accumulated contributions.

(3) Amounts in your individual account (both contributions and previously credited regular interest) accrue regular interest daily at the rate currently in effect. As long as your individual account is in existence, regular interest will continue to accrue, regardless of whether or not you are in active employment.

(4) Regular interest is calculated and credited to your account periodically.

(a) In WSPRS, regular interest is calculated and credited monthly, on the last day of the month. (If you withdraw your accumulated contributions mid-month, the department will calculate and credit your account with the regular interest accrued during the partial month prior to your withdrawal.)

(b) In all other plans 1 and 2, regular interest is calculated and credited quarterly. (If you withdraw your accumulated contributions or transfer your accumulated contributions to another plan mid-quarter, the department will calculate and credit your account with the regular interest accrued during the partial quarter prior to your withdrawal or transfer.)

(c) Because regular interest is calculated on both your contributions and previously credited regular interest, regular interest is compound interest.

(5) Rate of regular interest. The director has the statutory authority to set the rate of regular interest.

(a) During each odd year, the director will consider whether to change the rate of regular interest.

(b) If the rate is to be changed, the new rate will be effective July 1st of the following even year.

(c) In setting the rate, the director will consider the inflation assumption published by the Office of the State Actuary in the bi-annual Economic Experience Study and adopted by the Pension Funding Council.

(6) Example 1. For illustration purposes only, examples will assume the rate of regular interest is 5.5 percent per year. John begins PERS Plan 2 employment. John's employer submits the following contributions to PERS Plan 2:

|      |       |
|------|-------|
| 3/11 | \$100 |
| 3/27 | \$100 |
| 4/10 | \$100 |
| 4/26 | \$100 |
| 5/12 | \$100 |
| 5/27 | \$100 |

|      |       |
|------|-------|
| 6/11 | \$100 |
| 6/25 | \$100 |
| 7/11 | \$100 |

(a) On March 31st, regular interest of \$0.36 is credited to John's account. This is calculated as follows (except where noted, calculations are rounded to four decimal places):

(i) \$0.2411 on the account balance of \$100 from 3/12 to 3/27. That is \$100 for 16 days, the regular interest for this balance is:

$$.055 * 16/365 * 100 = \$0.2411$$

(ii) \$0.1205 on the account balance of \$200 from 3/28 to 3/31. That is \$200 for four days, the regular interest for this balance is:

$$.055 * 4/365 * 200 = \$0.1205$$

(iii) The total regular interest credited for the first quarter is \$0.36 (\$0.2411 + \$0.1205 = \$0.3616 which rounds to \$0.36).

(iv) The balance in John's account on March 31st, is \$200.36 - New Contributions (\$200) + Regular Interest (\$0.36).

(b) On June 30th, regular interest of \$6.56 is credited to John's account. This is calculated as follows:

(i) \$0.3019 on the account balance of \$200.36 from 4/1 to 4/10. That is \$200.36 for 10 days, the regular interest for this balance is:

$$.055 * 10/365 * 200.36 = \$0.3019$$

(ii) \$0.7242 on the account balance of \$300.36 from 4/11 to 4/26. That is \$300.36 for 16 days, the regular interest for this balance is:

$$.055 * 16/365 * 300.36 = \$0.7242$$

(iii) \$0.9653 on the account balance of \$400.36 from 4/27 to 5/12. That is \$400.36 for 16 days, the regular interest for this balance is:

$$.055 * 16/365 * 400.36 = \$0.9653$$

(iv) \$1.1310 on the account balance of \$500.36 from 5/13 to 5/27. That is \$500.36 for 15 days, the regular interest for this balance is:

$$.055 * 15/365 * 500.36 = \$1.1310$$

(v) \$1.3570 on the account balance of \$600.36 from 5/28 to 6/11. That is \$600.36 for 15 days, the regular interest for this balance is:

$$.055 * 15/365 * 600.36 = \$1.3570$$

(vi) \$1.4775 on the account balance of \$700.36 from 6/12 to 6/25. That is \$700.36 for 14 days, the regular interest for this balance is:

$$.055 * 14/365 * 700.36 = \$1.4775$$

(vii) \$0.6030 on the account balance of \$800.36 from 6/26 to 6/30. That is \$800.36 for five days, the regular interest for this balance is:

$$.055 * 5/365 * 800.36 = \$0.6030$$

(viii) The total regular interest credited for the second quarter is \$6.56 (\$0.3019 + \$0.7242 + \$0.9653 + \$1.1310 + \$1.3570 + \$1.4775 + \$0.6030 = \$6.5599 which rounds to \$6.56).

(ix) The account balance on June 30th is \$806.92 - March 31st Balance (\$200.36) + New Contributions (\$600) + Regular Interest (\$6.56).

(7) Example 2. John terminates PERS Plan 2 employment on July 1st, after making one contribution for the third quarter. He chooses to withdraw the amount in his individual account. On July 17th, he receives a warrant for \$907.74, calculated as follows:

(a) John receives \$2.16 in regular interest for the period from July 1st through July 17th.

(i) \$1.3375 on the account balance of \$806.92 from 7/1 to 7/11. That is \$806.92 for 11 days, the regular interest for this balance is:

$$.055 * 11/365 * \$806.92 = \$1.3375$$

(ii) \$0.8200 on the account balance of \$906.92 from 7/12 to 7/17. That is \$906.92 for six days, the regular interest for this balance is:

$$.055 * 6/365 * \$906.92 = \$0.8200$$

(iii) The total regular interest credited for the third quarter is \$2.16 (\$1.3375 + \$0.8200 = \$2.1575 which rounds to \$2.16).

(b) The total withdrawal is \$909.08 - June 30th Balance (\$806.92) + New Contributions (\$100) + Regular Interest (\$2.16).

[Statutory Authority: RCW 41.50.050. WSR 22-13-052, § 415-02-150, filed 6/8/22, effective 7/9/22. Statutory Authority: RCW 41.50.033 and 41.50.050. WSR 18-07-063, § 415-02-150, filed 3/15/18, effective 4/15/18.]