



Interest Calculation on Member Accounts

Educational Briefing

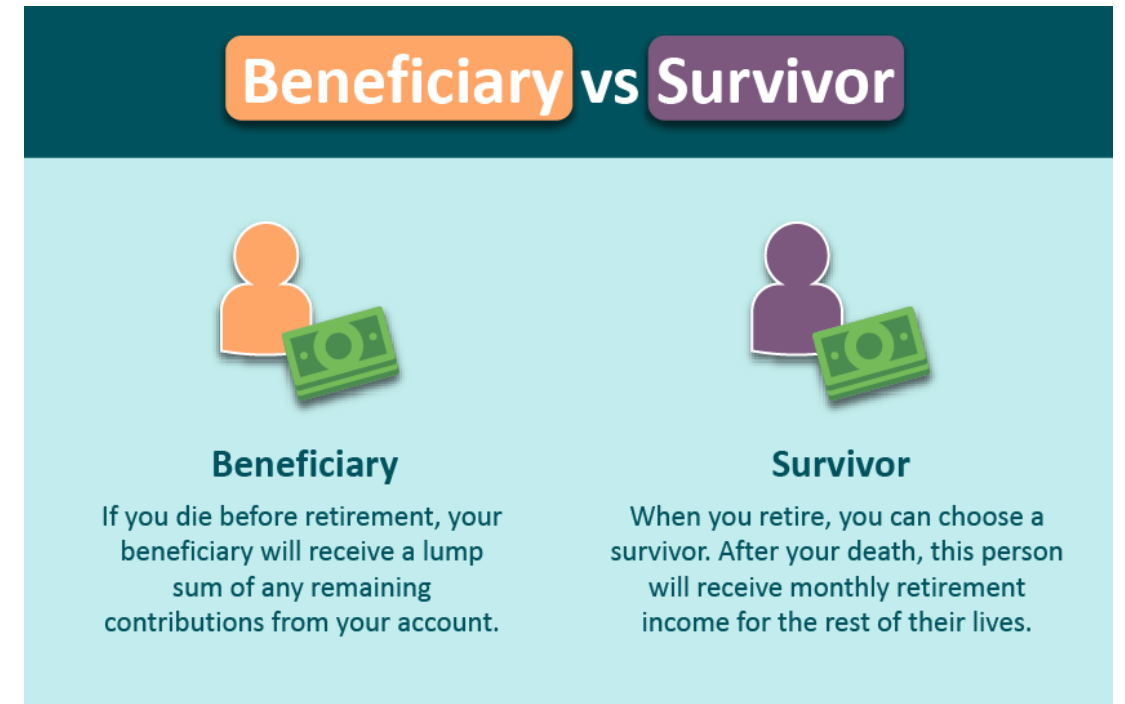
September 24, 2025

Issue

- In 2022 DRS changed the way interest is calculated for accumulated contributions in member accounts

What are member accounts?

- Member accounts include accumulated contributions plus interest.
- LEOFF 2 Benefits based on member account:
 - 150% withdraw from LEOFF 2
 - Beneficiary Benefit
- Suspended accounts also earn interest.



DRS Legal Authority - RCW 41.50.033

- (1) The director shall determine when interest, if provided by a plan, shall be credited to accounts [...]. The amounts to be credited and the methods of doing so shall be at the director's discretion, except that if interest is credited, it shall be done at least quarterly.
- (2) Interest as determined by the director under this section is "regular interest" as defined in [...]
- (3) The legislature affirms that the authority of the director [...] includes the authority and responsibility to establish the amount and all conditions for regular interest, if any. The legislature intends chapter 493, Laws of 2007 to be curative, remedial, and retrospectively applicable.

Two Changes

1. **Changed annual rate of interest from 5.5% to Long Term Inflation Assumption (currently 2.75%)**
 - DRS administrative decision
2. **Changed accrual of interest from quarterly to daily**
 - Result of legal decisions (Probst and Fowler Cases)

DRS Process

- DRS used Rule Making process
 - WAC 415-02-150 issued in 2022
 - DRS posted the CR 101, CR 102, CR 103, and Concise Explanatory Statement on their website during rule making process

1. Change of Interest Rate

WAC 415-02-150 Updated

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.

From this date	Through this date	Member rate
7/1/2022	Present	2.75% (current rate)
1979 for most systems*	6/30/2022	5.5%

2. Change From Quarterly To Daily Accrual Of Interest

- Court ordered change
- Probst (PERS) and Fowler (TRS) Cases – Class action cases against DRS from PERS and TRS 2 member's who transferred into Plan 3 and had their member account interest compounded quarterly not daily.
- Court held that DRS had been arbitrary and capricious in applying their administrative decision to compound quarterly.

Next Steps

- Educational Briefing – No action required



Thank You

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