

Plan 2/3 teachers and school employees ask: What's the best retirement month for me?

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When it comes to retirement planning, teachers and school employees in Plans 2 and 3 often ask whether it's better to retire at the end of June (when they stop working) or in September (when their contract ends). Most choose a July 1 retirement date if the last day worked is in June. Why? It all has to do with what's gained from an earlier start to benefits and COLAs (cost-of-living adjustments) compared with what's earned from two extra months of service.

These two scenarios illustrate the differences:

- **July retirement scenario** – Let's say you decide to retire starting in July 2019. In this circumstance, you'll receive your pension benefits plus your salary for July and August. In addition, your cost-of-living adjustment (COLA) will start in July of the following year (July 1, 2020). What you won't receive is service credit for July and August.
- **September retirement scenario** – If you retire starting in September 2019, your COLA won't go into effect until July 2021. That's one year and 10 months after your retirement. This is because you must be retired for an entire year before receiving your first COLA payment. And since COLAs only go into effect on July 1, you must wait for the next July 1 in 2021. You'll earn service credit for July and August, but you'll delay receiving your COLA (and forego pension payments for July and August).

So what's best? The fact is, if you wait until September, the increase in your benefit from the service credit is minimal compared to the increase you'd receive by retiring in July with an earlier COLA and the extra two months of pension payments. This is why most teachers and school employees retire in July if the last day worked is in June.

If you have any questions about your retirement date or COLAs, please contact us.

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