

## PURCHASE OF SERVICE CREDIT FREQUENTLY ASKED QUESTIONS



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This document attempts to answer the most frequently asked questions about purchasing additional retirement service credit. The laws for purchase of service credit are contained in the County Employees' Retirement Law of 1937 (CERL); and various Internal Revenue Service and Social Security Administration laws and regulations that apply. If this explanation differs from those laws or regulations, the laws and regulations are controlling.

### Q

*What type of service credit may be purchased?*

### A

**Service Prior to Membership:** Purchase of service where you worked for a SCERA-covered employer but you were not in SCERA.

**Leave Without Pay (LWOP) due to Illness/Injury/Pregnancy:** Absence due to personal illness, injury, or pregnancy disability. Bonding leave is not eligible for purchase. In addition, you must have returned to work at your full-time equivalent before you can purchase the time. To meet the return to work requirement you must work at least one full pay period with actual hours worked. The hours cannot be supplemented with use of sick leave, catastrophic leave, vacation or compensatory time; holiday hours are acceptable. You may purchase no more than 12 consecutive months of time for each absence. If you have an absence that exceeds 12 consecutive months, only the time in the most recent 12-month period may be purchased.

**Military Leave Without Pay (MLWOP):** Absence due to active duty military leave.

**Public Service/Military:** Purchase of prior service from another public agency in California, Federal Government employment, or military service is allowed only if you are not retired from that employer and you are not eligible to receive a retirement benefit for that service. See our [Guidelines for Requesting a Public Service Credit Estimate](#) for further details.

**Redeposit:** Replacing funds previously withdrawn from SCERA, plus interest. This restores the service credit forfeited at the time of the withdrawal.

*How do I request an estimate of the cost to purchase the time?*

Please complete the [Service Purchase Estimate Request](#) form. Be sure to provide all of the necessary back up as described on the form.

## Q

*How much will a service purchase increase my retirement benefit?*

*How much will a purchase of service credit cost?*

*Will my purchased service credit count toward vesting or retirement eligibility?*

## A

Generally, the more retirement service credit you have when you retire, the greater your monthly retirement benefit will be.

SCERA is a defined benefit plan, which means that your monthly benefit at retirement is based upon your **age** at retirement, your **highest annual average compensation** and your **total service credit** in retirement.

To help you determine if the purchase is right for you, we will estimate how much the purchase will increase your monthly retirement benefit.

An exception may occur for members who are granted a disability retirement rather than a service retirement. The benefit for a disability benefit is set by a specific formula, and the purchased service credit may not increase the amount of a disability retirement benefit. Please contact SCERA for more information about disability retirement.

**Service Prior to Membership:** You must pay the contributions you owe plus interest on the time as if you purchased it on your first day of entrance into the retirement system.

**LWOP:** You will pay the contributions you owe for the missing hours, plus interest that would have been applied had you not been absent from work.

**MLWOP:** You will pay the contributions you owe for the missing hours.

**Public Service:** You must pay both your portion and the employers portion of contributions owed plus interest as if you purchased the time on your first day of entrance into the retirement system.

**Redeposit:** The original withdrawal amount plus interest from the date of withdrawal must be paid to reestablish this time.

Any service where you worked for a SCERA-covered employer will count toward your required years of service for vesting and retirement eligibility.

MLWOP will also count towards your required years of service for vesting and retirement eligibility.

All members vest with five years of service credit. Eligibility requirements for retirement are ten years of service credit for Plan A members, and five years of service credit for Plan B members.

For determination whether a purchase will assist you in meeting the qualifications for retiree health care, please contact your employer. SCERA does not administer or determine eligibility for health care options in retirement.

Public Service purchases (including military time) are not included in eligibility for vesting, service retirement, non-service connected disability retirement, deferred retirement, or a death benefit.

**Q**

*What payment options are available?*

**A**

**Rollovers from a tax qualified plan:** You may purchase some or all of the available service credit with a **pre-tax rollover** from a qualified plan such as the County's deferred compensation plan, a traditional IRA, 401k, 403(b), etc. Please verify with the other retirement plan that they are qualified to roll monies into a 401(a) plan. The rollover transfer process can take two to four weeks to complete. After-tax rollovers are not allowed (i.e., Roth IRA).

**Lump sum payment:** You may purchase your additional retirement service credit with a post-tax lump sum payment by personal check.

**Payment plans:** You may purchase your additional service credit by initiating a post-tax\*, bi-weekly payment plan. The utilization of a payment plan will result in additional interest costs. (\*MLWOP can be pre-tax or post-tax with no interest.)

**Combination of lump sum/rollover down payment and payment plan:** You may purchase your additional service credit by making a down payment by check or rollover and initiating a bi-weekly payment plan for the balance.

*How does a payment plan work?*

Pre-tax payment plans are taken out before taxes have been withheld from your income.

Post-tax payment plans are taken out after taxes have been withheld from your income. At retirement, the portion of your benefit that was purchased using after-tax monies will not be taxed per IRS regulations.

The CERL limits the length of the payment plan to the amount of time being purchased, with the exception of Public Service and MLWOP. Public Service has a limit of no more than five years to purchase the time regardless of the amount of time being bought. MLWOP allows three times the length of time being purchased, with a limit of no more than five years.

## Q

***What happens if I need to change or cannot complete my payment plan?***

***What happens if I am on LWOP during a payment plan?***

***How is interest charged on my payment plan?***

***When will I be credited with the service I have purchased?***

## A

Post-tax payment plans can be modified to increase the amount of each payment, thereby reducing the number of payments remaining. You may also stop the purchase altogether. Pre-tax payment plans cannot be revised or stopped.

If you must stop your payment plan before it is paid in full, you will receive service credit for the amount of service credit purchased, with the exception of a redeposit.

**Redeposit:** Credit for redeposited service time can be given only when the amount is paid in full. If a payment plan for a redeposit is stopped prior to completion, the amount already paid, plus interest, is refunded at retirement, or upon termination of employment when a withdrawal of funds is requested.

SCERA may set limits on starting, stopping, changing payment amounts, or number of payments.

If your salary is insufficient to make a payment, your payment plan will be suspended until you return to pay status. Interest will continue to accrue and will be due at the end of the payment plan.

In general, the cost for your service credit includes the interest your contributions would have earned if they had been on deposit with SCERA from the date you entered SCERA membership to the lump sum payment date. In the case of a redeposit, interest is charged from the date you withdrew your funds. If you choose a bi-weekly payment plan, your fixed bi-weekly payment will also include the cost of projected semi-annual interest for the term of the payment plan.

When purchasing service credit with a lump sum payment, service credit is posted to your account immediately.

When purchasing service credit by payment plan, with the exception of a redeposit, service credit is posted to your account on a prorated basis as each payment is received.

When purchasing a redeposit by payment plan, service is credited only upon payment in full. If you terminate employment or you retire before completing full payment, you must pay a lump sum for the balance due or forfeit all service credit and receive a refund of the total amount paid.

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