

### Purchasing Service Credit Workshop

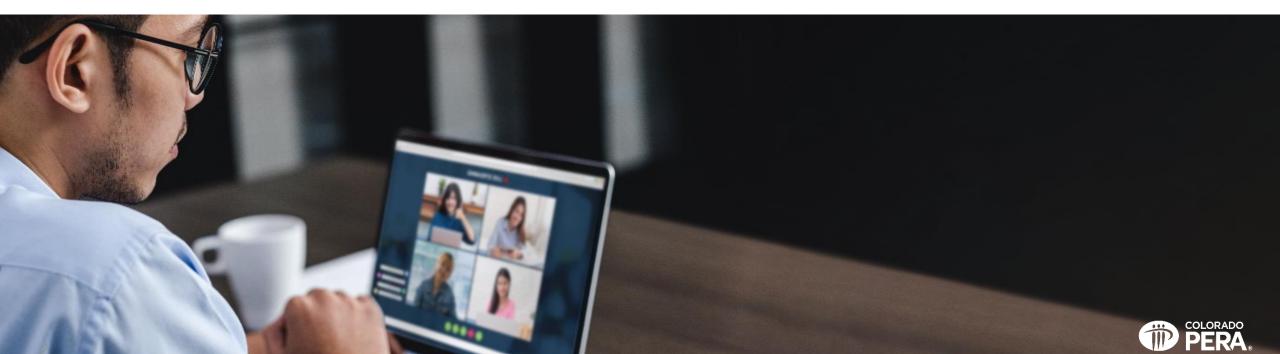
**Presented by Colorado PERA** 





### What Will Be Covered...

- Requirements to purchase
- Decision-making tools and issues



### Why Purchase Service Credit?



### Higher defined benefit percentage

Lifetime for retiree and cobeneficiary

2.

May be eligible to retire at earlier age

3.

Potential higher benefit on which increases are calculated



May increase retiree health care subsidy



### **Purchasing Service Credit**

#### **Based on:**

- Refunded account
- Employment not covered under PERA or another retirement plan



# Purchases of Non-Covered Employment

- Members hired before 1999
  - Currently working in a PERA job
  - Have at least one year under PERA
  - Purchase up to 10 years of any employment outside of PERA
- Previous work must not be vested for a mandatory retirement benefit, except:
  - Work covered only by Social Security and military service



# Purchases of Non-Covered Employment

(continued)

- Members hired on and after January 1, 1999
  - Purchase governmental or "qualified" employment
    - Currently working in a PERA job
    - Have at least one year under PERA
    - Purchase up to 10 years of "qualified" employment outside of PERA
  - Purchase "non-qualified" (private sector) employment
    - Currently working in a PERA job
    - Have at least five years under PERA
    - Purchase up to 5 years of any employment outside of PERA



### **Service Credit Purchase Rates\***

Age	Pre-2007 Members	Post-2007 Members	Pre-2007 State Troopers	Post-2007 State Troopers
20	12.12%	11.08%	13.16%	12.00%
25	14.27%	13.05%	15.50%	14.13%
30	16.27%	14.87%	18.25%	16.64%
35	19.79%	18.10%	21.49%	19.59%
40	23.31%	21.31%	25.31%	23.07%
45	27.45%	25.09%	29.81%	27.17%
50	32.33%	29.55%	35.10%	32.00%
55	33.52%	30.78%	33.52%	30.78%
60	31.54%	29.22%	31.54%	29.22%

<sup>\*</sup> Rates are the full actuarial cost which may change when PERA's actuarial assumptions change



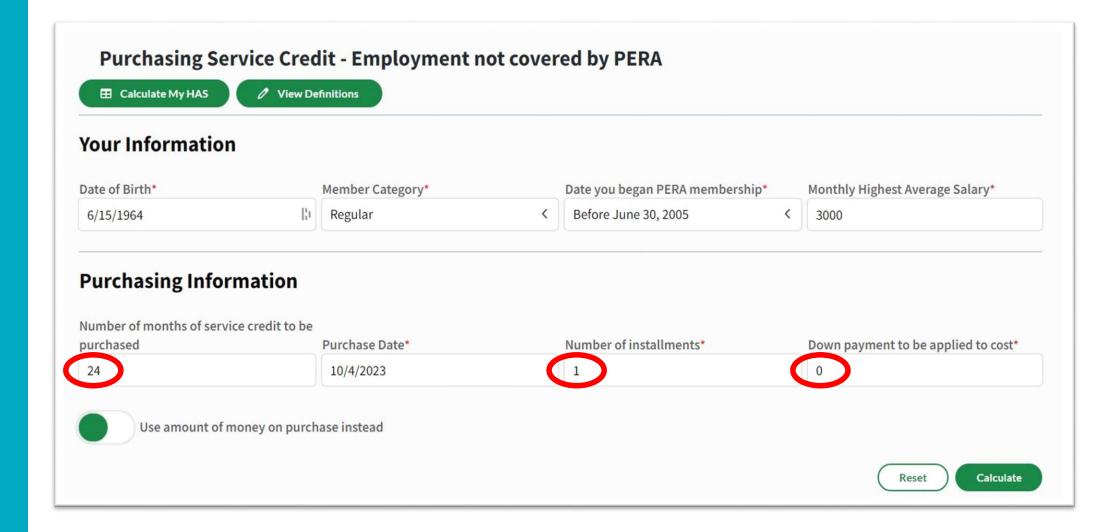
### **Cost to Purchase Non-PERA-Covered Work**

• The following example show the cost to buy one month of service credit for most members, assuming a \$3,000 HAS:



(Pre-January 1, 2007 Member)







### **Cost to Purchase**





### **Purchase Recovery Example**

(Pre-January 1, 2007 Member)

Age:

Years of Service: 28

\$3000 HAS:

### Purchasing two years of non-covered work

**Purchase cost:** \$959.10 per month





24 months \$23,018.40

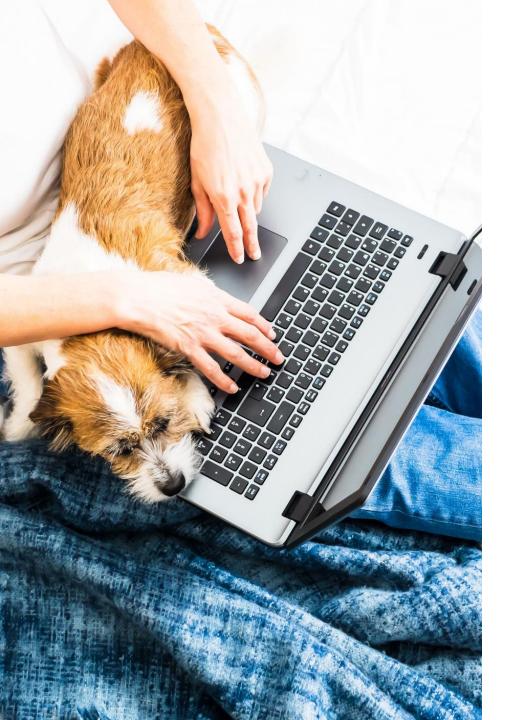
- Option 1/A benefit increases from 70% to 75% of HAS
  - Benefit increases from \$2,100 to \$2,250
    - \$150 monthly difference
- **Determining recovery time** 
  - It will take 139 months to recover purchase cost. (11 years, 7 months)



## Decision-Making Factors

- Why purchase service credit?
- Consider alternative investment options





## Verification of Work Not Covered by PERA

- Complete Service Credit Purchase Application
  - Provide beginning and ending dates of employment
  - Cannot be vested in an employer's mandatory retirement plan
- Document previous work
  - Social Security earnings statement
  - Former employer's statement verifying work
  - Tax returns, W-2 forms, pay records

### **Purchase Payment Options**



#### Lump sum



### Rollover from eligible tax-deferred account

- 401(k)
- 403(b)(7)
- 457
- IRA

\*Retirement account must be in purchaser's name



### Monthly payments

- After-tax money only; 7.25% interest charged
- Repayment period up to twice the amount of service purchased (up to 10 years maximum)
- Electronic funds transfer from checking or savings account



## Payment Requirements

- You will have 60 days from your purchase agreement date to act on the agreement
- All purchases must be completed prior to leaving PERA employment





### **Next Steps**

To purchase service credit for employment not covered by PERA

#### Contact PERA for an estimate of your purchase costs

- www.copera.org
- 1-800-759-PERA (7372)

### Complete Service Credit Purchase Application and Certification by Former Employer and/or Retirement Plan (if applicable)

- Submit application online through member account
- Mail application to PERA
  - PO Box 5800, Denver, CO 80217-5800
- Fax application to PERA
  - 303-863-3727

Service Credit Purchase Agreement is valid for only a limited time



### **Get More Information**



- Web address
  - www.copera.org
- Mailing address
  - PO Box 5800, Denver, CO 80217-5800
- Office locations
  - 1301 Pennsylvania Street, Denver
  - 1120 West 122nd Avenue, Westminster
- Phone number
  - 1-800-759-PERA (7372)



### Survey

- Please take a moment to give us your feedback on this presentation.
- Scan this QR code on your smartphone to take our survey.

