

Service Credit Purchase TERMS AND CONDITIONS

The terms that apply to the purchase or reinstatement of service credit are explained below:

- » Payment for purchases may be made in a lump sum or monthly installments. Installments may be made over a period equal to twice the number of months being purchased, up to a maximum of 120 months. You are required to make the minimum payment needed through automatic deduction from your checking or savings account to complete the *Service Credit Purchase Agreement* within this time frame. If installment payments are made, interest is charged on the unpaid balance. The interest rate for installment payments is PERA's investment assumption rate in effect at the time you submit a valid request and provide the necessary information for PERA to issue you a *Service Credit Purchase Agreement*.
- » Installment payments are made by automatic deduction from your checking or savings account on the fifth day of the month. If there are insufficient funds in your account, PERA will submit a deduction equal to the usual monthly installment amount plus any delinquent payment(s) in the month following the month(s) in which the deduction(s) were rejected due to insufficient funds. If more than three monthly payments do not clear your financial institution for any reason, your *Service Credit Purchase Agreement* will be canceled and payments made will be returned to you.
- » You may use tax-deferred funds to purchase service credit, including amounts you have deferred in the PERAPlus 401(k) or 457 Plans. If you use these funds to purchase service credit and the cost of your *Service Credit Purchase Agreement* exceeds your rollover transfer amount, you must pay the difference or provide a *Service Credit Purchase Automatic Payment Authorization* form by the 25th day of the month in which your *Service Credit Purchase Agreement* is due.
- » Tax-deferred payments are added to the tax-deferred balance of your account. This increases the portion of your retirement benefit that will be treated as taxable income later. Payments made with tax-paid money are added to the tax-paid balance of your account.
- » The required monthly installment amount must be received every month while you are making installment payments, even if you pay more than the required monthly installment amount. You may pay the total remaining balance in full at any time. Your *Service Credit Purchase Agreement* will be canceled and only payments made (no interest) will be returned if any of the following occur:
 - Your *Service Credit Purchase Automatic Payment Authorization* form is incomplete or the form is not received by PERA by the *Service Credit Purchase Agreement* due date.
 - Your payments are delinquent.
 - You stop making payments.

(continued on reverse)



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- Tax-deferred funds will be returned to the custodian or plan that issued the tax-deferred check. If you arrange for a new *Service Credit Purchase Agreement*, your new cost will be recalculated according to terms and conditions in effect at the time of the recalculation. This may result in increased cost.
- » Payment of the full cost of the purchase (including installment payments) must be completed before you terminate PERA-covered employment or your effective date of retirement, whichever is earlier. If you end PERA-covered employment or retire before the purchase is paid in full, the *Service Credit Purchase Agreement* will be canceled and payments made will be returned to you.
 - » Service credit and payments are credited to your PERA account after the *Service Credit Purchase Agreement* is paid in full. Payments cannot be returned after a *Service Credit Purchase Agreement* has been paid in full unless you end employment and withdraw your entire account.
 - » The purchase amount does not begin accruing interest in your PERA account until the *Service Credit Purchase Agreement* is paid in full. No match is paid on the purchase amount.
 - » Purchased or reinstated service credit may increase the service used to calculate your PERACare Health Benefits Program subsidy.
 - Purchased service credit cannot be used to become eligible for survivor benefits or PERA's disability program.
 - » Your employer may reimburse you for the cost to purchase service credit. Your employer may not pay the purchase amount directly to PERA.
 - » All payments must be made from an account on which you are named as an account holder. Checks from a business account must also include your name. No lump sum or monthly installment payments will be accepted from a spouse's account where you are not named as an account holder or any other individual account where you are not named as an account holder.

This fact sheet provides the general terms and conditions of purchasing service credit. Your rights, benefits, and obligations as a PERA member are governed by Title 24, Article 51 of the Colorado Revised Statutes, and the Rules of the Colorado Public Employees' Retirement Association, which take precedence over any interpretations in this fact sheet.