

Purchasing Service Credit Workshop

Presented by Colorado PERA



What Will Be Covered...

- Requirements to purchase
- Decision-making tools and issues



Why Purchase Service Credit?

1.

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

4.

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%

* 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**:

31.97% (age 60)  \$3,000  **\$959.10 per month**

(Pre-January 1, 2007 Member)

Purchasing Service Credit - Employment not covered by PERA

 Calculate My HAS

 View Definitions

Your Information

Date of Birth*

6/15/1964

Member Category*

Regular

Date you began PERA membership*

Before June 30, 2005

Monthly Highest Average Salary*

3000

Purchasing Information

Number of months of service credit to be purchased

24

Purchase Date*

10/4/2023

Number of installments*

1

Down payment to be applied to cost*

0

Use amount of money on purchase instead

Reset

Calculate

Cost to Purchase

Reset

Calculate

According to the input values, your purchase costs may be as follows:

\$23,018.40

Cost to purchase using a rate of 31.97 for 24 months of service credit.

 [Take me back to definitions](#)



Purchasing two years of non-covered work

Purchase cost:
\$959.10 per month \times 24 months $=$ **\$23,018.40**

Purchase Recovery Example

(Pre-January 1, 2007 Member)

Age: 60
Years of Service: 28
HAS: \$3000

- 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



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



Rollover from eligible tax-deferred account

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

*Retirement account must be in purchaser's name

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

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