

PURCHASE OF SERVICE CREDIT FREQUENTLY ASKED QUESTIONS



Sonoma County Employees' Retirement Association
433 Aviation Boulevard, Suite 100, Santa Rosa, CA 95403
Tel: (707) 565-8100 / Fax: (707) 565-8102
www.scretire.org

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

How does the purchase of service credit benefit me?

A

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.

What type of service credit may be purchased?

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. 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.

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Redeposit: Replacing funds previously withdrawn from SCERA, plus interest.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.



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How much will a purchase of service credit cost?

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SCERA will provide you with the cost of the purchase after the receipt of the information described below. You will also be informed of the potential increased benefit the purchase would provide.

Service Prior to Membership: SCERA must have certification from the employer of the service prior to membership. The employer will send certification to SCERA and SCERA will then calculate the cost of the purchase. If you were employed by the County of Sonoma for the Service Prior to Membership, you may request the **Retirement Buy Back Information Request Form** from the Auditor's Office / Main Payroll Division at 565-4691 or on-line at <http://scetire.org/Resource-Center/Forms/>. If you were employed by the Superior Court for the Service Prior to Membership, contact Superior Court Human Resources.

Leave Without Pay Due to Illness/Injury/Pregnancy: SCERA must have certification that the LWOP was due to your own illness, injury, or pregnancy disability. Bonding leave is not eligible for purchase. This certification must also include the date you returned to work at your full-time equivalent. 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. Please submit copies of your leave of absence forms. If you did not retain copies, please contact your payroll clerk.

Public Service: For any public service purchase, you must review and complete the form accompanying the **Guidelines for Requesting a Public Service Credit Estimate** available on-line at <http://scetire.org/Resource-Center/Forms/> or by contacting SCERA.

Redeposit: Submit a written request for an estimate that provides the approximate dates of service and any previous names used at the time of membership.

How much will a service purchase increase my retirement benefit?

Generally, the more retirement service credit you have when you retire, the greater your monthly retirement benefit will be. To help you determine if the purchase is right for you, SCERA will calculate the cost to purchase the service credit and will estimate how much the purchased service credit 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.



Q.

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

A.

Any service where you worked for a SCERA-covered employer will count toward 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.

Will a purchase of service credit impact my Social Security?

You pay Social Security taxes on your earnings while you are a member of SCERA, and your earnings are reported to Social Security. If you purchase service credit you earned while you were NOT contributing to Social Security, those earnings may be subject to the Social Security Administration's Windfall Elimination Provision (WEP). For information on WEP please contact Social Security, or visit www.ssa.gov.

What payment options are available?

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 or other qualified plan. Qualified plans include traditional IRAs and 403(b) plans. The rollover transfer process can take two to four weeks to complete.

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

Payment plan. 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.

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?

Payments 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. If you are purchasing more than five years of Public Service, the payment plan may not exceed five years.



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

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Once a payment plan is in place you may increase the amount of each payment, thereby reducing the number of payments remaining. You may also stop the purchase altogether.

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.

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

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.

How is interest charged on my 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 will I be credited with the service I have purchased?

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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