

Purchasing Service

Maximizing Your IPERS Benefits



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Purchasing service may increase the amount of your IPERS benefits. This booklet explains service purchases and when you can make them. For additional information, watch the webinar “Purchasing Service: Is It Right for You?” available on our website, www.ipers.org.



This booklet briefly explains certain rights and benefits of IPERS membership. It is not a substitute for federal and state laws governing IPERS, which provide complete information and are subject to change. Although IPERS makes every attempt to ensure its materials are accurate and up to date, any conflict between the contents of the booklet and law must be resolved in favor of the law. The Member Handbook provides a more detailed description of IPERS benefits. It is available on the IPERS website.

Why Service Is Important

Service helps determine the amount of your retirement benefits. You earn IPERS service credit each quarter you work in an IPERS-covered job. Your employer reports your covered earnings to IPERS, withholds contributions from your pay, and sends the contributions to IPERS. You can earn up to four quarters of service for each calendar year.

IPERS calculates your benefit amount with a formula. The formula uses a multiplier based on

the number of years you worked in IPERS-covered employment (“years of service”). For most IPERS members, the multiplier is 2% for each year up to 30 years, and 1% for each of the next 5 years.

Benefit Formula

Average Salary
x Multiplier

(Based on your years of service)

Your Annual IPERS Benefit

Your IPERS benefits will be reduced with an early-retirement reduction if you receive them before normal retirement age — unless you are a Special Service member (sheriffs, deputies, and members in protection occupations).

NORMAL RETIREMENT AGE IS ONE OF THE FOLLOWING, WHICHEVER COMES FIRST:

- **Age 65**
- Age 62 if you have 20 or more years of service (**62/20**)
- When your years of service plus your age equals or exceeds 88 (**Rule of 88**)

Purchasing Service: Increasing Your Benefits

When you purchase service, you gain IPERS service credits for time when you were not working in IPERS-covered employment. This increase in service time results in a higher multiplier (up to the maximum), which means a higher benefit payment for life.

It's important to determine whether the added benefits you receive from a service purchase outweigh the cost of making the service purchase.

WHY PURCHASE SERVICE?

More Service = Greater Retirement Benefits

Purchasing service can increase the amount of your retirement benefits or eliminate an early-retirement reduction.

FREE SERVICE

IPERS provides free service credit for certain times when you are away from IPERS-covered employment. See page 6 for more information.



Depending on your circumstances, purchasing service may also:

- **Eliminate an early-retirement reduction.** Purchasing service could help you reach normal retirement age, eliminating or reducing your early-retirement reduction. (Note: IPERS' records of your age will not change when you purchase service; only your years of service can change.)
- **Boost your death benefits.** Depending on the benefit payment option you choose at retirement, your beneficiary(ies) may receive a larger death benefit if you die after retirement.

You may roll over other retirement plan benefits to purchase service. If you have money in another retirement plan or account, you may be eligible to transfer that money (roll it over) to IPERS for a service purchase. IPERS can accept rollovers only from certain types of retirement accounts. See page 10 for more information.



Requirements to Meet

You must file an *Application for IPERS Retirement Benefits* before you can purchase service. You also must meet the years-of-service requirement for vesting in IPERS.

These are the years-of-service vesting requirements:

- Seven years for Regular members
- Four years completed before July 1, 2012, for Regular members
- Four years for Special Service members (sheriffs, deputies, and members in protection occupations)

Each service purchase type has additional requirements. Also, the amount of service you may purchase is limited for some types. See the *Application for Service Purchase* for details.

FREE SERVICE CREDIT

IPERS will provide you with free service credit if you:

- Take a leave of absence from IPERS-covered employment under rules established by the federal Family and Medical Leave Act (FMLA).
- Serve in the U.S. Armed Forces, if you worked in IPERS-covered employment immediately before entering the Armed Forces and return to covered employment within one year of leaving active-duty service in the Armed Forces.*
- Took leaves of absence from IPERS-covered employment granted before July 1998 in increments of one year or less.

You can request free credit anytime before retirement. If you think you qualify, contact IPERS.

*Free service credit will also be granted for your period of military leave if you do not return to IPERS-covered employment because of an active duty injury or disease that results in death. In order to receive this free service credit, the injury or disease must be sustained in a combat zone, hazardous duty area, or during a contingency operation and the death must occur within two years after you suffer the injury or disease.

Types of Service Purchases

Type of employment/time	Service purchase type: official name
<ul style="list-style-type: none">Previous IPERS-covered employment for which you took an IPERS refundPrevious IPERS-covered employment you left because of a disability, and for which you took an IPERS refund	BUY-BACK
<ul style="list-style-type: none">Previous IPERS-covered employment, for which you took an IPERS refund before July 1998	BUY-BACK WITH COST CREDIT
<ul style="list-style-type: none">Conversion of IPERS service credit for Regular membership to service credit for Special Service membership	BUY-UP CREDIT CONVERSION
<ul style="list-style-type: none">Leaves of absence from IPERS-covered employment (related to FMLA or workers' compensation) that occurred after June 30, 1998Previous employment with optional IPERS coverage that you elected out of (includes legislative service)U.S. public employment, if you are not eligible for retirement benefits related to that employmentU.S. military active duty	QUALIFIED BUY-IN
<ul style="list-style-type: none">Previous employment that was not qualified service in public employment (generally, private-sector employment)Time when you were not employed ("air time")Previous U.S. public employment for which you can still receive retirement benefits	NONQUALIFIED BUY-IN

Service Purchase Costs

Complete an *Application for Service Purchase* to find out the cost of your purchase. The cost of your purchase is calculated especially for you, using information about your unique situation. A service purchase must pay for the additional benefits you will receive over your lifetime. IPERS does not profit from a service purchase.

The cost of your purchase will be shown by quarter. You may purchase any number of quarters; you are not obligated to purchase

every quarter you are eligible to buy. Some quarters will cost more than others. Often times, the quarter that allows you to reach normal retirement age will be much more expensive.

Because your individual situation is reflected in the calculations, costs can vary widely. Two situations that might seem similar could have *significantly* different costs. Only you can decide whether purchasing service makes sense for you.

Basic Cost Estimate/Official Cost Quote

If you have not filed an *Application for IPERS Retirement Benefits*, you will receive a basic cost estimate when you submit an *Application for Service Purchase*. The estimate will give you an idea of the cost of a future purchase, to help you plan and save money for the purchase. A basic cost estimate is only an estimate. The actual cost of your service purchase may vary from the estimate. It's a good idea to occasionally request an updated estimate leading up to your retirement.

After you file an *Application for IPERS Retirement Benefits*, your official cost quote will be prepared for you. You may then decide whether to make the purchase.

How to Purchase Service

- 1** Complete the *Application for Service Purchase*. This does not obligate you to purchase service; it is the only way to find out the cost of your purchase. If you are considering a purchase, you must submit an *Application for Service Purchase* by the date your first benefit is issued.
- 2** After applying for benefits, you will receive an official cost quote with an expiration date. Your payment must be postmarked by that date.
- 3** You can purchase all or a portion of your qualified service. For example, if you are eligible to purchase 2 years (8 quarters) of service, you can purchase any amount from 1 quarter to all 8 quarters. You may purchase all of your service at one time, or in quarter-
- 4** year increments, as long as your purchase is completed before the expiration date.
- 5** Service purchase costs cannot exceed a limit set by the federal government (\$55,000 in 2018), unless you roll over money to IPERS from another retirement account or are making a buy-back. In those cases, there is no limit on the amount you can spend.
- 6** Even if your purchase is within the dollar limits described above, your service purchase cannot increase your IPERS benefits beyond the IRS limit on annual benefit payments and may be limited accordingly.
- 7** Allow IPERS at least 4 – 6 weeks to process a service purchase application.

Completing the *Application for Service Purchase* does not obligate you to purchase service.

Using Rollover Money to Purchase Service

If you have money in another retirement plan or account, you may be able to use that money to purchase IPERS service. This is called rolling over money to IPERS.

IPERS accepts rollover money only from certain types of retirement plans, such as:

- 401(a) and 401(c) qualified plans
- IRAs and annuities
- 403(b) tax-sheltered annuities
- Governmental 457(b) plans

If you have money in another retirement plan or account, confirm with your retirement plan administrator the type of plan it is. Remember, the federal government does not limit how much you can purchase in a calendar year by rolling over money to IPERS.

Purchasing Service Checklist

If you are interested in purchasing service and have submitted your *Application for IPERS Retirement Benefits*, follow these steps:

- **Complete an Application for Service Purchase** (for an application, contact IPERS or visit www.ipers.org). If you have already submitted one, you do not need to submit another. Simply request an official cost quote from IPERS on your *Application for IPERS Retirement Benefits*. Your application or request must be received by the date of your first benefit payment. Keep in mind that simply submitting an application does not obligate you to make a service purchase.
- **Make sure IPERS has received** any necessary supporting documents.
- **IPERS will determine whether you are eligible to make a purchase.** If so, we will send you a cost quote showing how the purchase will affect your benefits.
- **Review the cost quote** to determine whether a service purchase is in your best interest. If you decide to proceed, complete the purchase before the quote expires (within 6 months).

Contact IPERS if you have questions about the cost quote or need help determining whether a service purchase makes sense for you.

Questions? *Contact us.*

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