

Purchasing Prior Service Credit: FAQ's

What is service credit?

Service credit is one of the factors used to calculate a retirement benefit. The other factors are the member's benefit tier, age at retirement, and final average compensation. For each biweekly payroll period a member works and pays contributions, service credit is granted. Purchasing service credit can increase a member's retirement benefit and, in some cases, allow them to retire earlier. Purchasing eligible service credit does not change a member's seniority date with the County of Kern, any Special District, or the date of membership in KCERA. Nor does it enhance any health insurance benefits.

What types of service credit are eligible to purchase?

KCERA administers two types of service purchases: Prior County/District Service and Prior Public Service (PPS). Each is defined below.

What is Prior County/District Service?

Prior County/District Service is employment held with the County of Kern or another KCERA Special District* in a position that was excluded from KCERA membership. Purchasing prior County/District Service will count towards a member's five-year vesting and retirement eligibility requirements. Prior County/District service that may be eligible for purchase includes:

- Extra Help/Temporary/Per Diem
- Medical Leave Without Pay (employee only; personal and family leaves are excluded)
- Redeposit of previously withdrawn KCERA contributions
- Waiting Period (pay period/biweekly prior to KCERA membership)
- Layoff

*Special Districts: Berrenda Mesa Water District, Buttonwillow Recreation and Park District, East Kern Cemetery District, Inyokern Community Services District, Kern County Superior Court, Kern County Water Agency, Kern Mosquito and Vector Control District, North of the River Sanitary District, San Joaquin Valley Air Pollution Control District, Shafter Recreation and Park District, West Side Cemetery District, West Side Mosquito and Vector Control District, West Side Recreation and Park District

What is Prior Public Service (PPS)?

Prior Public Service is employment held with a qualifying public agency prior to becoming a member of KCERA. In order to be eligible to purchase this time, members **CANNOT** be entitled to receive a pension or retirement allowance (now or in the future) from the agency the member is seeking to purchase time from (including a benefit received based upon a redeposit of contributions withdrawn from a reciprocal system). Purchasing PPS service **DOES NOT** count towards the five-year vesting or retirement eligibility requirements. It is additional service credit that is added to your existing years of service *after* the age and years of service

requirements are met. PPS service that may be eligible for purchase includes service performed for the following entities:

- Federal: all federal agencies and departments of the United States
- State: all state agencies and departments of the state of California
- Counties or Cities: located in California
- U.S. Military†
- Other Public Employers located in whole or in part in Kern County (public corporations, municipal corporations, public districts, including schools, water, fire, hospitals, etc.)

†For Military time purchase requests: members must complete a Certification of Prior Public Service-Military form and they must include a copy of their DD-214.

Who is eligible to purchase service credit?

- Active members may be eligible to purchase service credit prior to retiring.
- Deferred members can purchase extra help/per diem and PPS prior to retiring.
- KCERA can only administer PPS purchases for members whose governing Boards have authorized PPS purchases. The governing bodies for Buttonwillow Recreation & Park and San Joaquin Valley Air Pollution Control District have not approved PPS purchases by their employees.

How do I start the process to purchase Prior County/District Service?

KCERA has created a Purchase of Prior Service Estimator (Estimator) in the KCERA Member Portal (Portal). The Estimator allows members to obtain an immediate estimate of the cost to purchase eligible service periods. Members with eligible service performed after March 1999, can obtain estimates for the following types of purchase requests:

- Extra Help
- Waiting Period
- Sick Leave without Pay
- Redeposit of previously withdrawn KCERA contributions

Members must first log into their KCERA member portal and use the Estimator to view the estimated cost of purchasing the requested service. If the member chooses to proceed with the purchase, they must complete a *Request for Certification of Prior Kern County/District Service* form and return it to our office. Members may also choose to email the completed form to memberservices@kcera.org. Once the form is received, KCERA will start the process of obtaining the member's personnel records and pay records to determine the exact amount of service that is available to purchase and the exact cost. Once calculated, KCERA will mail the member a purchase contract with instructions.

How do I start the process to purchase Prior Public Service (PPS)?

The Estimator in the KCERA member portal is able to estimate the cost of purchasing eligible PPS periods as well. Members can obtain estimates for all PPS requests including Military service.

Members must first log into their KCERA member portal and use the Estimator to view the estimated cost of purchasing the requested service. If the member chooses to proceed with the purchase, they must complete a *Certification of Prior Public Service* form in its entirety and return it to our office. **The member is responsible for providing all requested information in Section 1 of the Certification form.** Members may also choose to email the completed form to memberservices@kcera.org. Once the completed Certification form has been received, KCERA will determine whether the listed employer is a qualifying public agency. If the former employer is a qualifying public agency, KCERA will work to verify the information provided with the applicable agency.

In all cases, KCERA requires the qualifying public agency/retirement system to provide employment dates and service credit earned, confirm whether the KCERA member is eligible for a retirement benefit from that system, and whether the member has funds on deposit. Please note, if a member has funds on deposit with the previous employer/retirement system, the prior service **CANNOT** be purchased.

After KCERA receives the Employer Certification form, KCERA will review and determine if the service is purchasable or if additional information is required. Once all required documents are received, KCERA will calculate the service and the exact cost of the purchase. KCERA will mail the member a purchase contract with instructions.

How do I start the process to purchase prior Military Service?

As mentioned above, members must first log into their KCERA member portal and use the Estimator to view the estimated cost of purchasing the requested service. If the member chooses to proceed with the purchase, they must complete a *Certification of Prior Public Service-Military* form in its entirety and they must provide a legible copy of their DD-214. Members may also choose to email the completed form and supporting documentation to memberservices@kcera.org.

Once the form has been received, KCERA will start the process of calculating the exact amount of service that is available to purchase and the exact cost. Once calculated, KCERA will mail the member a purchase contract with instructions.

What payment options are available?

KCERA offers a variety of payment options, including:

- Lump sum payment
- Vacation rollover (included in taxable income)
- Sick leave and/or vacation rollover at retirement (subject to employer's supplemental tax rate)
- Tax-Deferred rollovers and trustee-to-trustee transfers
- Payroll deductions (includes a finance charge during purchase contract)

If the member elects to use multiple payment methods, they are responsible to pay any remaining balance to complete the service purchase. Retirement service credit will be granted

in full once the purchase is complete and a receipt will be mailed. Please note, all purchases must be paid in full at retirement.

Why was my PPS certification request denied?

KCERA follows a detailed set of laws and guidelines for processing PPS requests and those guidelines must be met or the request cannot be processed.

Is it true that the longer I wait to purchase prior service, the more expensive it will be in the future?

Yes, the longer you wait to purchase prior service credit, the more expensive it will become. KCERA must apply interest to its accounts every six months, therefore, the cost of the purchase increases with each interest period that passes. We recommend members to purchase eligible service as early in their career as possible to avoid accumulated interest charges.

What if I can't afford to purchase the service credit at this time?

Prior service credit can be costly and KCERA understands that not all members can afford to purchase prior service credit. Most members have the option to save for future purchases through contributions made into Deferred Compensation. Once enough has been saved to cover the cost of the purchase, those funds can be rolled over to KCERA. Please note, purchase contracts do expire, therefore, a recalculation must be requested once the funds are available and a member is ready to complete the purchase. If you do not have a Deferred Compensation account and are interested in opening one, please contact their office at (661) 868-3467 or visit their website at www.kerncounty457.com.