



Purchasing IPERS service as a Special Service member

The legislature changed IPERS' service purchasing program in 2008, and members now have more options to consider. IPERS Special Service members (sheriffs/deputies; protection occupations such as correctional officers, police, and firefighters) may have unique circumstances that affect decisions about whether to purchase service. This guide answers the common questions about buying service as a Special Service member.

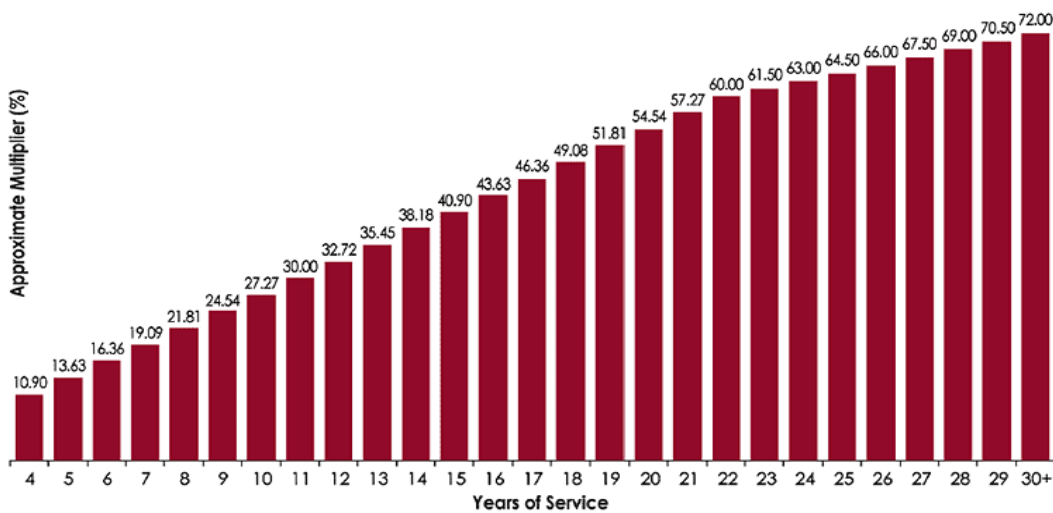
1) What is a service purchase?

When you purchase service, you pay money into the IPERS Trust Fund to buy extra service credits that IPERS uses to calculate your retirement benefits. The cost is actuarially determined based on the projected additional benefit you purchase.

2) Why buy service?

The added service credits can increase your benefits or allow you to begin drawing retirement benefits earlier. This is because the formula used to calculate your benefit amount includes years of service.

$$\begin{array}{ccc} \text{Multiplier} & \times & \text{Final Average Salary} \\ \text{(Based on)} & & \text{(Average of)} \\ \text{Years of Service)} & & \text{Highest 3 Years)} \end{array}$$





3) What are the differences among buying back, buying in, and buying up service, and buying air time?

Although all are service purchases, there are differences that relate to your employment history. Buy-ups and buying air time are new types that you can purchase beginning in July 2008.

Buy-back. You worked in an IPERS-covered job in the past, but you quit that job and took a refund from IPERS. When you took a refund, you gave up all your membership rights, including the service credits you had earned. This service purchase allows you to buy back the service represented by the refund. You must be a vested member to buy back service. To vest, you must have 4 years (16 quarters) of IPERS service credits, or you must be contributing to IPERS at age 55 or older, whichever occurs first.

Buy-in. A buy-in allows you to purchase service credit for time when you were working in public employment that was not covered by IPERS (for example, for an agency in another state). You must be a vested member to buy this service.

Buy-up. You can buy this type of service if you have earned service credits as both a regular IPERS member and as a Special Service member. Special Service benefits are higher than regular benefits, and the amount you contribute for Special Service benefits is higher than the amount you contribute as a regular member. Therefore, to have regular service count as Special Service, you must “buy up” the regular service credits. To do this, you pay the added actuarial cost of the extra benefits you will receive. The actuarial cost is the projected value of the added benefits over your lifetime. You must be vested and have some Special Service credits to buy up regular service time.

Buying air time. If you have at least 20 quarters (5 years) of IPERS service, you may buy extra service credits that are not tied to any past employment. You can buy no more than 20 quarters of air time.



4) May I purchase service to retire before the minimum age?

Generally no. A service purchase allows you to increase the multiplier used to calculate your benefits, but does not change the minimum age at which you are eligible to receive benefits – except for sheriffs and deputies.

Sheriffs, deputies, and members in protection occupations must be at least 55 to be eligible for IPERS retirement benefits with two exceptions:

- Sheriffs and deputies who have at least 22 years of service and who *retire from those positions* may retire at age 50. Therefore, sheriffs and deputies with less than 22 years of service could purchase service to qualify for retirement benefits before age 55. Members in protection occupations do not have this alternative.
- There is no minimum age requirement if you retire early because of a disability.

5) As a current sheriff or deputy, may I buy up past protection occupation service to sheriff/deputy service so it will count toward the 22 years of eligible service needed to retire at age 50?

No. Past service in a protection occupation already counts in the 22 years, so there is no reason to do so. As a sheriff or deputy, you may buy up regular service credits and apply those toward the 22 years of eligible service you need to retire at age 50.

6) As a member currently working in a protection occupation, may I buy up protection occupation service credits to sheriff/deputy service credits?

No. As a member in a protection occupation, you may not buy up protection occupation credits to sheriff/deputy service credits.

7) May I buy service to increase my benefit multiplier to more than 72 percent?

No. You cannot exceed the maximum multiplier of 72 percent, a limit set by Iowa law. There is a limit in the law because the Iowa Legislature created IPERS to work with the social security benefits you will receive, plus personal savings. IPERS was not designed to replace all of your preretirement wages.



8) After I move to the protection occupation class, may I buy up all the years of service I earned as a regular member?

You may buy up all regular service, within an annual limit. Because of federal rules, IPERS limits the total that one individual may buy in a year. In 2008 that limit is \$46,000. However, rolling over money from another qualified retirement account to purchase service and buying back previous IPERS service do not count toward the limit.

9) May I buy up regular service *and* buy service for air time or prior service?

Yes, you may buy different kinds of service at the same time, within the limit described in question 8.

10) Is there an advantage to buying up regular service to protection occupation service if I am eligible to retire in several years under the Rule of 88?

Only you can decide if the advantages of purchasing service outweigh the cost. Before deciding, you should talk with an IPERS representative about your specific circumstances. Request a cost estimate for the buy-up. Have IPERS prepare retirement benefit estimates with and without the buy-up so you can see the difference in benefits. Look at how long you would have to draw benefits before you would get back what you will pay. Also consider the earnings on savings or investments that you would receive if you do not use the money to buy the service. If the buy-up allows you to retire earlier than you could have, you must decide how much you value that extra time.

11) May I buy up past service if I already retired or if I do not currently work either in a protection occupation or as a sheriff or deputy?

Yes. You may buy up regular service credits to the last Special Service classification you worked in. Keep in mind, sheriffs and deputies cannot retire prior to age 55 unless their last employment immediately prior to retiring was as a sheriff or deputy and they have at least 22 years in that class.



12) May I buy up my years of regular service earned as a detention officer to sheriff/deputy service now that I am certified as a deputy sheriff?

If you are now working as a deputy sheriff, you may buy up regular service credits earned as a detention officer to sheriff/deputy service credits. However, if you are certified as a deputy sheriff, but you are not currently employed as one, you may not buy up past regular service to sheriff/deputy service credits.

13) May I buy up regular service to protection occupation service to increase my retirement benefits even though I already retired as a regular member?

You may not convert regular service credits to protection occupation service credits if you were never a protection occupation member. If you had some protection occupation service, you may buy up regular service to protection occupation service, even after retirement.

14) How much will a service purchase cost?

After you complete an application, IPERS' actuary calculates the cost of your service purchase by analyzing the value of the extra benefits over your lifetime (the actuarial cost). Completing an application does not obligate you to buy the service, and you must complete an application to get a cost quote. The cost varies according to the current value of your benefits, how much the purchase would increase your benefits, how soon you can begin drawing benefits, and how long you are likely to draw them. IPERS does not profit from a service purchase.

15) Does it cost the same to buy up service as it does to buy back previous service or buy air time?

No, these costs are different because what you are buying is different. When you buy up service, you convert regular service credits already earned to Special Service credits. You pay only the difference between the cost of the regular benefits you had earned and the cost of the added Special Service benefits you will receive over your lifetime.

When you buy back previous service or buy air time, you have no regular credits to convert so there is nothing on hand to apply to the cost. Therefore, you pay the full cost of these extra benefits over your lifetime.



16) If I have both sheriff and protection occupation service, is my cost quote to buy service based on benefits for sheriffs and deputies or protection occupations?

Although the multiplier used in the benefit formula is the same for both membership classes, benefit costs are different because sheriffs and deputies have an earlier retirement alternative. IPERS' actuary will calculate costs based on the position you are in now or were in when you retired.

17) May I use my deferred compensation money in a 403(b) or 457 retirement account to buy up my regular service credits to Special Service credits?

Yes. IPERS will work with you and your deferred compensation plan administrator to have this money transferred.

18) When I buy service, are payments deducted from my paycheck or do I have to submit a check?

Employers do not deduct payments for service purchases as they do for your IPERS contributions. You must pay the full cost of the service purchase directly to IPERS when you buy the service, either by a personal payment or by transferring money from another qualified retirement account.

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