

2016 Service Purchase Rules Changes

FREQUENTLY ASKED QUESTIONS

March 18, 2015

What is changing and when?

Currently, vested members can purchase service at any time. Soon (beginning January 1, 2016) purchasing IPERS service credit will take place only at the time of retirement, after you've filed your application for IPERS retirement benefits.

Starting January 1, 2016, you also must be vested by service in order to purchase service. There are a few different ways you can vest by service:

- For Regular members, you must have earned four years of service before 6/30/12, or
- For Regular members, you must have earned seven years of service after 6/30/12, or
- For Special service members (sheriffs/deputies and members in protection occupations), you must have earned four years of service (at any date).

Why the change?

The new rules improve the accuracy of service purchase costs. Calculating the cost of the service purchase at the time of retirement allows IPERS to know all the variables. Using the previous method put you at risk of overpaying or underpaying for your purchase.

If I apply for a service purchase cost quote before January 1, 2016, how long is my cost quote good for?

Official cost quotes expire six months from the date they are calculated.

If I apply for a service purchase prior to January 1, 2016, can I go ahead and purchase?

Yes. If you request a cost quote before January 1, 2016, your cost quote (and ability to purchase service) will remain valid until its expiration date.

Can I purchase service right away if I apply for a service purchase on or after January 1, 2016?

If you apply on or after January 1, 2016, you can purchase service only after you have a retirement benefit application on file with IPERS and your benefit amount is finalized. To assist you in planning for a service purchase, IPERS will provide you with a service purchase estimate at any point in your career.

Is there a limit on how much service I can purchase?

The IRS limits the amount of money you may use to purchase service. For example, the limit is \$53,000 in 2015. However, there is no limit on the amount you can spend when you buy back previously refunded IPERS service or when you roll over money from another retirement account to purchase service.

There are limits on how many quarters of service you may purchase, depending on the type of purchase you are making. For example, the maximum amount of air time (time not linked to any particular type of employment) you may purchase is 5 years.

What can I do with my money if I can't purchase service now?

We recommend keeping your money in a retirement account that will allow you to roll it over to IPERS without incurring tax penalties when it is time to purchase. See below for a list of retirement account types. Please note the IRS limits the amount of money you can use to purchase service, unless you make a rollover to fund the purchase.

Can I roll over money from another account to purchase IPERS service credits?

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 a rollover. IPERS accepts rollover money from certain types of retirement plans such as:

- 401(a) and other qualified plans
- IRAs and annuities
- 403(b) plans
- Governmental 457(b) plans

If you have money in another retirement plan or account, ask a representative of that retirement plan what type of plan it is. Remember, the IRS does not limit how much you can purchase in a calendar year if you roll over money to IPERS. (However, your purchase may still be limited by IPERS' rules on the number of quarters you may purchase.)

If I'm already receiving IPERS retirement benefits, how does this change affect me?

If you are already receiving retirement benefits, and are interested in purchasing IPERS service, request a cost quote before January 1, 2016. You will be able to complete your purchase before the expiration date on your cost quote. After December 31, 2015, no additional cost quotes can be generated for members already receiving benefits.