



◆ PURCHASING BASE PLAN SERVICE, MAKING A DECISION THAT'S RIGHT FOR YOU

If you are a vested PERSI member, you may purchase additional service to improve your Base Plan retirement benefit. You may purchase up to 48 months of service for any reason. Months purchased will be added to your existing months of service to increase your retirement benefit amount. And if you have reached at least minimum retirement age (50 for public safety officers or 55 for general members) you may also be able to reach your Rule of 80/90 sooner.

WHEN CAN I MAKE A PURCHASE?

For the additional service to be included in your retirement calculation, you must completely pay for it before you retire. PERSI can only accept payment for purchased service within the 90 days preceding your retirement. The reasons for this are:

- Long-term projection amounts or estimates are not as accurate as near-term ones. Because the purchase cost is based on many factors – your salary, age, years of service, and when you retire – an exact cost cannot be determined until you are actually ready to retire. For example: if PERSI calculations project your salary will increase 3 percent per year and your salary increases are even slightly different, your projection amount will not be accurate. Once you are within a few months of retirement it's easier to determine the cost.
- Your decision is irrevocable once a payment is made to PERSI. Due to Internal Revenue Service (IRS) regulations, once PERSI accepts your purchase payment the funds cannot be refunded to you until you retire or separate from employment. You may not want to be irreversibly locked into a decision made far in advance of your actual retirement. Purchasing service might seem like a good decision today, but 5 - 10 years from now you may wish you had done something different with your money. If you want to save gradually over many years for your purchase, PERSI will work with you to estimate the cost and give you ideas on where to place your savings – such as PERSI's Choice 401(k) Plan account or another savings account – until you are

ready to make a purchase decision closer to your actual retirement date.

HOW MUCH DOES IT COST?

Purchase of Service is expensive. It can be paid for with after-tax and/or pre-tax dollars. After-tax dollars would include payments made by a cashier's or personal check. Examples of pre-tax payments could include rolling funds from a qualified retirement plan, such as the PERSI Choice 401(k) Plan, a 457 Deferred Compensation Plan, and/or a 403(b) Tax-Sheltered Annuity, or from an Individual Retirement Account (IRA). It could cost as much as \$110,000 or more to buy 48 months of service, depending on your salary. You must pay for the total cost of the change to your benefit. This means paying the full actuarial cost of service because you are increasing your lifetime pension benefit as a result of the additional service and because you may reach your Rule of 80/90 earlier.



By purchasing service you are paying now for an increased benefit in the future. This is an increase you will receive over your entire retirement. Simply put, if the purchase improves your retirement benefit an estimated \$50,000 over your lifetime, you pay PERSI the present value of that \$50,000 now and we pay it back to you throughout your retirement. How long you live determines whether you will actually receive back more or less than you paid.

WHAT CAN I PURCHASE?

If you purchase service, it may only be done as an extension of your current service. This means:

- If you are a general member, you may only purchase general member (Class I) service; and if you are a public safety officer, you may only purchase public safety officer (Class II) service.
- If you have mixed service (general and public

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safety officer), you may only purchase service as an extension of your current membership class (i.e., if you were once a police officer, but now are a general member, you may only purchase as a general member).

- If you are a board member or elected/appointed official, you may only purchase service at the minimum benefit amount. If you later become a full-time employee and decide to purchase service, you may do so at the rate that applies (general or public safety officer service).

USING YOUR CHOICE PLAN ACCOUNT

You may use all or a portion of your Choice 401(k) Plan account to purchase service regardless of the source of the funds (gain sharing, employer, rollover, etc.). To take advantage of this option, you must be retiring and otherwise eligible for the purchase.

EMPLOYER PARTICIPATION

If your employer decides to purchase service for you, their payment must be a lump-sum payment made during the 90 days prior to your retirement. Employer contributions must be preceded or accompanied by a signed statement from the employer's governing body verifying authority to make such a purchase.

DEATH BENEFITS

Death benefits on Purchase of Service payments are identical to other PERSI death benefits except for the double death provision. (A Purchase of Service payment amount will not be doubled.) In the event of your death, your beneficiary(ies) would receive the remainder of your purchase amount plus any interest earned along with any death benefit relating to your regular Base Plan contributions, less any amounts already paid out. Employer payments for Purchase of Service are not refundable to you as a death benefit.

PURCHASE LIMITS

Idaho Code and IRS regulations place limits on the amount of service you can purchase. By Idaho Code, your PERSI benefit including the part resulting from your purchase cannot exceed your 3-year average

salary at time of retirement. The limitations generally affect very few PERSI members:

- 1) Those who will have very large monthly benefits
- 2) Elected/Appointed officials or other individuals who receive very little salary

If you fall into one of these categories, check with PERSI prior to making a purchase.

ESTIMATING THE COST OF A PURCHASE

You may estimate your cost to purchase service using the Purchase of Service (POS) calculator available on the PERSI website. Simply log into your Base Plan account using the myPERSI button on the homepage and click on the POS calculator link. You may also request a Purchase of Service estimate from PERSI.

The online calculator can help you estimate how different purchases would affect your benefit and how much it would cost (e.g., buying 6 months might cost \$14,000; whereas, buying 48 months might cost \$110,000). You may enter multiple scenarios to see if any of the outcomes suit your needs.

If you want to save for a purchase over several years, the online calculator can also help you estimate how much you'll need to save each month to make your purchase.

Your retirement benefits will be calculated using the formula in effect in Idaho law at the time of your last contribution. You must be working on or after the effective date of a formula for those factors to be applied to your benefit.

There is no right or wrong answer when it comes to purchasing service. It is strictly a personal decision. Members are urged to weigh the pros and cons and evaluate them against their own situation before making a decision.



If you have questions regarding Purchase of Service or want an estimate, contact the PERSI Member Services Answer Center toll-free at 1-800-451-8228 or 208-334-3365 in the Treasure Valley area.

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