

## **KCPERS Policy**

### **Policy #002 - Purchase of Creditable Service**

Adopted: December 7, 2000

**Amended: November 13, 2007**

Retirement System statutes provide instances where members may purchase creditable service using a calculation of the actuarial cost. The statutes also provide for the purchase of creditable service for periods of unpaid leave using a calculation of the member's missed contributions. The statutes also provide for the restoration of prior service for service time that the member worked using a calculation of the member contributions refunded and the net yield of the fund. This policy addresses the methods of calculation and cost estimates and the payment process to purchase creditable service or restore prior service.

### **Calculation of Cost and Estimates**

#### **Actuarial cost:**

- 1) The applicable member's salary used in any final computations for the purchase of creditable service will be the member's current annual salary on the day the final contract is signed, and verified with the Personnel Records Unit of the department.
- 2) Cost estimates for the purchase of creditable service will be provided to members in writing and will include the following statement. "This is an estimate of the cost to purchase creditable service as of the date listed below. It should be used only as an estimate until a final contract for the purchase of creditable service is prepared. Any change to the member's fully completed years of service, salary, closeness of nearest birthday, or change to the benefits provided by the retirement system will require a recalculation of the estimate."
- 3) When the retirement system approves any benefit increase the actuary will be asked to determine if the change in benefits requires a change to the Purchase of Creditable Service cost factor tables.
- 4) The retirement system will consider the point of time of change in actuarial expectations related to a change in legislation to be the point in time that the retirement system has been notified that both houses of the general assembly have duly passed the proposed legislation into law.
- 5) During the time a new cost factor table is being developed the member has the right to sign a commitment to purchase creditable service at the cost determined once the new cost factor table has been created. If a member contracts to purchase creditable service based on increased cost factors due to a benefit increase that does not become law, any applicable increased cost will be refunded.

#### **Member contribution cost:**

For members that are paying the amount of member contributions missed during a period of unpaid leave under section 86.1140-3 RSMo.(Police) or when member contributions are required to purchase a period of unpaid military leave that does not qualify under sections

## **Policy #002 - Purchase of Creditable Service**

86.1110-3 RSMo.(Police) or 86.1500-3 RSMo.(Civilian), the cost will be calculated using the member's salary in effect immediately prior to the beginning of the leave period.

### **Restore prior service cost:**

For members that restore prior service under sections 86.1120 RSMo.(Police) or 86.1510 RSMo.(Civilian), the procedure for calculating the cost is outlined in KCPERS Administrative Procedure #005 – Calculation of Net Yield of the Fund. The cost to restore prior service includes repayment of the amount refunded to the member plus an additional payment of interest equal to the amount of the actual net yield earned or incurred by the fund, including both net income after expenses and net appreciation or depreciation in values of the fund, whether realized or unrealized, during the period of time such contributions were withdrawn.

### **Payment**

In any transaction where the member chooses to use a combination cash and rollover for payment, a rollover of pre-tax funds will only be initiated after full payment of the cash amount is received and verification that adequate rollover funds exist to cover the remaining balance of the payment. Contracts for the election to purchase creditable service at actuarial cost may be written to purchase any amount of eligible creditable service. Contracts for the election to restore prior service or purchase creditable service at member contribution cost will only be written for the entire period of eligible service.

### **Actuarial cost:**

For creditable service purchases under sections 86.1110-2 RSMo.(Police), 86.1500-2 RSMo.(Civilian), and 105.691 RSMo.(state-wide plans), provision will be made for payments as outlined in the statutes, if requested by the member. Members will be advised that it may be in their best interest to accumulate funds on their own in an interest bearing account and make an election to purchase service when full funds are available.

### **Member contribution cost:**

Payment in full must accompany a contract for election to purchase creditable service from a period of unpaid leave under section 86.1140-3 RSMo.(Police).

For members that are required to pay member contributions to purchase service for periods of unpaid military leave, Policy #010 – Military Leave of Absence Policy allows a period of up to 5 years from the date of return to active service in which to pay member contributions. Members will be advised that it may be in their best interest to accumulate funds on their own in an interest bearing account and make an election to purchase service when full funds are available.

### **Restore prior service cost:**

Payment in full must accompany a contract for election to restore prior service under sections 86.1120 RSMo.(Police) or 86.1510 RSMo.(Civilian).