

KCPERS Policy

Policy #002 - Purchase of Creditable Service

Adopted: December 7, 2000

Amended: November 13, 2007; March 11, 2014, August 8, 2022

The Board of Trustees of the Police Retirement System of Kansas City and the Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri adopts the following policy to address the methods of calculation, providing cost estimates, and the payment process for members that purchase or restore creditable service.

The statutes governing the Police and Civilian Employees' Retirement Systems provide members the ability to purchase creditable service for periods of unpaid leave and prior military service at the actuarial cost. The statutes also provide for members to restore prior service at a portion of the full actuarial cost. Section 105.691 of the Missouri Revised statutes provides members the ability to purchase qualifying outside service at the actuarial cost. Policy #010 – Military Leave of Absence provides for instances when a member may purchase a period of unpaid military leave by paying the amount of missed member contributions.

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 Police 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 creditable service or salary, or a change in the contract date or the benefits provided by the retirement system will require a recalculation of the estimate."
- 3) When the Retirement System or Missouri General Assembly approves any benefit increase, the Retirement System's actuary will be asked to determine if the change in benefits requires a change to the factors used to calculate the actuarial cost of creditable service purchases.
- 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 Missouri 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

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based on increased cost factors due to a benefit increase that does not become law, any applicable increased cost will be refunded.

Restore prior service at partial actuarial cost:

For members that restore prior service under sections 86.1120 RSMo.(Police) or 86.1510 RSMo.(Civilian), the statutes provide for the member to pay an amount equal to the member's portion of the actuarial cost. The actuarial cost will be calculated under the guidelines listed above. The member's portion of the actuarial cost is determined on the ratio of the member's contribution rate to the total of the member and employer contribution rates at the time the member elects to make the purchase. Members may contract to purchase all or a portion of their prior service up to the total amount of prior creditable service.

Restore service from period of unpaid military leave at member contribution cost:

For members that are paying the amount of member contributions missed during a period of unpaid military leave that does not qualify under sections 86.1110-3 RSMo.(Police) or 86.1500-3 RSMo.(Civilian), the cost will be calculated using the member's salary rate in effect during the leave period.

Payment

In any transaction where the member chooses to use a combination cash and rollover for payment, the member will initiate the rollover in the amount of their choosing. Once the Retirement System has received the rollover check, the member will be notified of the remaining amount of funds that they are required to pay, prior to being eligible to complete the contract. Contracts for the election to purchase creditable service at actuarial cost or a portion of the actuarial cost may be written to purchase any amount of eligible creditable service. Contracts for the election to restore a period of unpaid military leave at member contribution cost will only be written for the entire period of eligible service.

For any service purchase that is made within 60 days of the date a member intends to separate from employment, the Retirement System will only accept payments made by cashiers' check, rollover check or cash. Personal checks or money orders will not be accepted within this time frame.

Prior military service and/or qualifying outside service at full 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. The statutes provide for the calculation of interest, compounded annually on unpaid balances, at the actuarial assumed rate. 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 at partial actuarial cost:

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

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Restore service from period of unpaid leave of absence at full actuarial cost:

Payment in full must accompany a contract for election to restore a period of unpaid leave of absence under sections 86.1140-3 RSMo.(Police) or 86.1490-3 RSMo.(Civilian).

Restore service from period of unpaid military leave at member contribution cost:

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.