Purchasing Service Credit
Frequently Asked Questions

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Alameda County Employees' Retirement Association

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Members of ACERA may purchase additional service credit to increase their retirement allowance or may redeposit previously withdrawn member contributions (plus interest) to reinstate credit for service previously forfeited. This document summarizes important rules that govern such purchases or redeposits. Additional rules are in the County Employees' Retirement Law of 1937. In case of any conflict, the terms of the County Employees Retirement Law of 1937 will govern. Additionally, ACERA reserves the right to change the terms and conditions of purchase of service credit or redeposit as it deems appropriate.

What type of service credit can I purchase from ACERA?

First Pay Period of Employment Prior to Entry into ACERA Membership (Days Prior)

Your ACERA member entry date is the typically first day of the second pay period of employment in an ACERA covered position (a permanent, full-time position). You may purchase the days worked prior to your ACERA entry date (commonly the two weeks between your date of hire and your ACERA entry date), to increase your service credit. However, this purchase of service does not change your entry date. Most ACERA members will be able to make this purchase.

Non-Contributing Work with an ACERA Participating Employer

If you worked for Alameda County or another ACERA covered employer and did not receive service credit with ACERA for the types of time in the list below, you may purchase credit under ACERA for this service. ACERA must obtain satisfactory documentation from the employer for whom you worked that confirms that you are eligible to purchase this service credit. The documentation must state the dates you worked as an employee, the hours worked during each pay-period and the earnings subject to retirement contributions for each pay period during the employment.

Types of time that are purchasable:

- Part Time Work (that you didn't already earn service credit for)
- Temporary Assignment Pool (TAP) Work
- Project, Service-As-Needed, Seasonal, Intermittent, Per Diem Work

Alameda Health System employees working at Alameda Hospital or San Leandro Hospital, please note: Health and Safety Code §101851 gives AHS the ability to determine which of its employees will participate in ACERA through the Memorandum of Understanding (MOU) process. Under the MOU that applied to you when you were hired at Alameda Hospital or San Leandro Hospital, you would have been excluded from ACERA membership even if you had been working on a full-time basis. Service under those circumstance is not eligible for purchase under Government Code §31641.5 and ACERA's Membership Policy.

Medical Leave without Pay (Including FMLA and/or Maternity Leave)

If you were on medical leave without pay, which may include FMLA (Family Medical Leave Act) and maternity leave, you were not earning service credit during that time. (FMLA is a federal law that allows you to be away from work for up to 12 weeks in a year for certain medical reasons, even if you're out of earned leave time.) However, you have the option to buy that period of time once you return from the medical leave. You can do this for periods of up to 12 consecutive months before your next compensation was received, provided you have a doctor's certification for the medical condition that necessitated the leave. It's important to note that this option is applicable only to your own medical conditions and not when you're on leave to care for family members.

State Disability Insurance (SDI) Leave or Uncompensated Worker's Compensation

If you were out on state disability insurance leave, or out on uncompensated worker's compensation leave (the period after your employer stops paying you workers compensation directly), you didn't earn service credit during that time. However, once you return to work, you have the option to purchase service credit for periods of up to 12 consecutive months before your next compensation was received.

Military Leave Without Pay During Membership

If you go out on military leave during your active membership, you can purchase that time when you return from that leave. (Military time prior to membership isn't purchasable, unless it was prior to August 9, 1972.) More information can be found on our Military Leave page.

Redeposit of Withdrawn ACERA Contributions

If you were a member of ACERA, terminated employment, and withdrew your accumulated contributions and interest, you forfeited all of your prior service credit. Now that you're an ACERA member again, you may reinstate your prior service credit with a "redeposit" by paying back the amount you withdrew plus additional interest that would have been earned on that amount between the date of withdrawal and the date of purchase.

Redeposit of Community Property

This situation is where you divorced or dissolved your state-registered domestic partnership and part of your ACERA employee contributions and interest (and also service credit) was divided off as community property for your ex-spouse or ex-partner. If your ex-spouse or ex-partner takes a refund of their portion of the contributions and interest, you can redeposit that money to regain the service credit that was divided off.

Other Prior Public Service / Other Agency Service

If you worked for another public agency prior to becoming a member at ACERA, you may be eligible to purchase that service.

You cannot purchase other agency time as ACERA service credit if you still have retirement contributions on deposit with that other agency; you must take a refund of them before you can purchase the time as ACERA service credit.

Examples of other agencies for which you can purchase time worked as ACERA service credit are as follows:

- California counties
- State of California and other agencies that use California Public Employees' Retirement System CalPERS as their pension system
- East Bay Municipal Utility District (EBMUD)
- Port of Oakland
- Any public school district in Alameda County
- Federal Government Service or Military Service for employees hired on or before August 9, 1972

What types of service not eligible to purchase or redeposit?

- Educational or sabbatical leaves
- Strike, except "blue flu" for sheriffs
- Non-medical leave without pay
- FMLA – to take care of family member's illness
- Paternity Leave
- Child Bonding
- Adoption
- Out of state service
- Service from schools outside Alameda County
- Contract or consultant services
- Work for a temporary agency or employment agency
- Vacation purchase/buy-back

How does service credit benefit me?

ACERA is a defined benefit retirement plan, which means your retirement allowance is based on your age, your final average salary, and your total retirement service credit. The more years of service credit you have when you retire, the greater your retirement allowance will be.

What will I gain by purchasing service credit?

1. The additional service credit you purchase will increase the amount of your retirement allowance when you retire.

2. If you are purchasing Alameda County or other participating employer service credit, this service credit will count towards eligibility to retire and towards becoming vested (five years of service needed) in the retirement plan. (However, if you purchase credit for service with another agency or for other public service, this credit does **not** count toward meeting the minimum service credit requirement for retirement or death benefits.)

What are the potential disadvantages of purchasing service credit?

There are a number of potential disadvantages.

1. The purchase of service credit is essentially an investment decision. Money paid on a service purchase agreement can be considered an investment you make in ACERA in exchange for a later financial return. Therefore, carefully consider whether the return that you will receive is appropriate for your particular financial circumstances. You may wish to consider items such as your health (because ACERA pays lifetime benefits) and other available investment opportunities.

2. After you pay ACERA for service credit, the payment is permanent and cannot be refunded back to you, except for the following situations:

    a. If you terminate employment and request a refund of your contributions and interest in a lump sum, all retirement contributions and interest, including payments for service credit, will be refunded to you.
    b. If you are redepositing service, and the redeposit is not complete by the time you either terminate, retire, or die, the balance you did pay in to your account up to that date will be refunded to you or your beneficiary because a redeposit must be paid in full.

    c. If you choose to pay for a redeposit with a post-tax purchase agreement, you may revoke the purchase agreement at any time and receive a refund of any payments made.

3. In some cases the tax laws prevent members with high salaries from being paid your entire retirement allowance (415(b) limits), though this is rare. In these cases, the employer pays the remaining portion through the Replacement Benefit Plan. In the end, the retirees still receives their full retirement benefit but just in two checks, one portion from ACERA and the other from the employer. See our page Limitations on Your Benefits for more information on the 415(b) limit. ACERA will take reasonable steps inform you before you purchase any service credit of the likelihood that you may be subject to these limits.

    However, because your situation may change after you purchase service credit and tax laws also may change, ACERA cannot predict what may happen in the future with respect to these limits and your particular retirement allowance.

4. Your work situation may change, and you may earn enough compensation and/or service credit in the future that you no longer feel the need for the service credit that you purchased. Nevertheless, as stated above, your purchase is irrevocable.

5. If you are eligible for a service connected disability benefit, the amount of the benefit that you receive from ACERA might not increase with the purchase of service credit. To estimate whether this will happen, run a benefit estimate in your ACERA online account for your retirement scenario. If your estimated retirement allowance is less than 50% of your highest average monthly salary in the estimate, you may be in the situation where purchasing additional service credit isn't helpful. This is because the service connected disability retirement will automatically pay 50% of your highest average monthly salary, regardless of how much service credit you have. However, if you've already earned enough service credit where your estimated retirement allowance is greater than 50% of your highest average monthly salary, then purchasing additional service credit may be beneficial because you will receive the higher retirement allowance. Please contact ACERA for

more information if this may affect you.

6. If you purchase service credit with a trustee to trustee transfer of your 457 plan funds and later terminate employment and withdraw those funds from ACERA, then you may have to pay an extra 10% tax on "early" distribution. That tax is not owed on any distribution from a 457 plan.

7. There may be other considerations that apply to you and create a disadvantage for you to purchase service credit or make a redeposit. In all cases, it is your responsibility to determine if the purchase of service credit is a wise financial decision. ACERA cannot advise you on this issue.

What are the payment options available to purchase service credit?

Please Note: Whatever payment option you select, if payment is not in our office by the due date, additional interest will be added to the cost. Please allow sufficient mailing time.

Option 1 – Lump Sum Payment with Post-tax dollars

You may make payment in full by paying with a personal check, cashier's check, or money order made payable to "ACERA For the Benefit Of [your name]". Cash and credit are not accepted.

Option 2 – Lump Sum Payment with Tax-deferred (Pre-tax) dollars via a Direct Rollover or Trustee to Trustee Transfer

DIRECT ROLLOVER
This is a transfer of pre-tax funds from a qualified retirement account earned from your former (terminated) employment. ACERA will accept a direct rollover of pre-tax funds from these types of plans:

- 401(k) tax qualified plan
- 457 deferred compensation plan maintained by a California public agency
- 403(b) tax sheltered annuity plan
- IRA (but not a Roth IRA)

Follow these steps to make a direct rollover:

1. After termination of your former employment, complete the rollover form enclosed with your purchase agreement from ACERA with your signature and date, and forward it the to the plan administrator for processing. Please note that if the form is not completely filled out, the payment check and the purchase agreement will be returned to you.

2. The plan administrator will determine if the distribution qualifies for a direct rollover and must certify that it qualifies. It's your responsibility to follow up with the plan administrator. Ask the plan administrator to make the check payable to "ACERA For the Benefit Of [your name]".The plan administrator should not withhold any tax on this transfer. (However, of course, retirement benefits that you receive from ACERA will generally be taxable.)

3. Ask the plan administrator to send the check and the rollover form directly to ACERA. ACERA will not accept an Indirect Rollover.

4. Once the payment is received by ACERA, the payment and service credit will be posted to your account. You can see this when you log in to your online ACERA account. ACERA does not send confirmation that the payment and service is posted, so keep checking your account until you see it.

Please note: To preserve member confidentially, any additional forms, communications, or issues with your Plan Administrator must be handled between you and the applicable Plan Administrator.

TRUSTEE TO TRUSTEE TRANSFER

This is a transfer of funds from a qualified retirement account from your current employer, such as the County's 457 Deferred Compensation Plan.

Follow these steps to make a Trustee to Trustee Transfer:

1. During your employment with Alameda County or another ACERA participating employer (you cannot do this after termination), contact your 457(b) plan administrator and tell them you want to do a Trustee to Trustee Transfer to ACERA to pay for a service credit purchase and that you will be sending them the transfer form. Ask the plan administrator to make the check payable to "ACERA For the Benefit Of [your name]".

2. Complete the trustee to trustee transfer form enclosed with your purchase agreement from ACERA with your signature and date, and forward it to the plan administrator for processing. Please note that if the form is not completely filled out, the check and the purchase agreement will be returned to you. The check and transfer form will be sent from the plan administrator directly to ACERA for redeposit or service credit purchase.

Please note: To preserve member confidentially, any additional forms, communications, or issues with your Plan Administrator must be handled between you and the applicable Plan Administrator.

Option 3 – Payroll Deduction Payments Only

You may purchase service credit using bi-weekly payroll deductions. The payments will be divided equally over the term of the purchase agreement. You may choose the term of the purchase agreement, provided that you do not exceed the maximum payment schedule for the type of service being purchased. Interest will be calculated over the term of the purchase agreement; therefore, the total amount you pay under this payment option will be greater than the lump sum amount provided in your service credit purchase letter. The longer the term of your purchase agreement, the more you will pay for purchasing service because you will pay more interest. You may choose to pay with only post-tax dollars.

Option 4 – Combination of Lump Sum and Payroll Deductions

You can do any combination of the above. A lump sum may be paid with pre-tax dollars using a rollover and/or trustee to trustee transfer from the plans stated in Option 2 and/or you may pay with post-tax dollars. The lump sum can be for any amount up the total purchase price. You may then pay for the balance using only post-tax payroll deduction payments.

How can I figure out whether making a service credit purchase is worth it?

Follow these steps to do a comparison of your retirement with and without the service credit purchase:

1. Log in to your ACERA online account at www.acera.org/login. Once you're logged in, click on Estimate a Benefit to use the Benefit Estimator tool.

2. You're going to run two estimates for future retirement scenarios. Estimate 1 will be for the scenario where you don't purchase the service credit. Estimate 2 will be for the scenario where you do purchase it. For both estimates, use the same Separation Date and Projected Retirement Date.

   Estimate 1

   - Enter your Separation Date and Projected Retirement Date
   - Press Calculate
   - Press Get Estimate!
   - Take note of where the PDF estimate is downloaded on your computer

   Estimate 2 with Service Purchase

   - Enter the same Separation Date and Projected Retirement Date as in Estimate 1
   - Press Calculate
   - Add the Projected Service Credit + your potential service credit purchase. You'll have to convert your potential service credit to years first. So if you're trying to buy 3 months of service credit, that's .25 years, so you would add .25 to the Projected Service Credit. Put the new grand total in the Override Service Credit field.
   - Press Get Estimate!
   - Take note of where the PDF estimate is downloaded on your computer.

3. Open both estimate PDFs. Look at the Member Allowance column next to the Unmodified Option; this is your maximum monthly retirement allowance estimate for both scenarios. The estimated retirement allowance will be larger for Estimate 2 than Estimate 1, because it has more service credit in it.

4. Subtract Estimate 1 from Estimate 2 to get the difference between the two estimates:

   Estimate 2 – Estimate 1 = Monthly Allowance Difference

5. Now divide the Purchase Cost from the purchase agreement by the Monthly Allowance Difference to see how many months it will take you to get back the money you paid for the service credit purchase. You can even divide that number by 12 to see how many years it will take the cost back. Eventually you will get the money back through your increased retirement allowance.

   Purchase Cost / Monthly Allowance = Months to Get the Cost Back

You must decide if it's worth it to you. If it will take you just a few years to get the cost of the service credit purchase back through increased retirement allowance payments, maybe it's worth it to you. Conversely, if it will take 20 years to get the cost back, you might decide it's not worth it to you. It's your decision.

Why purchase service credit with post-tax contributions?

1. The use of post-tax (or after-tax) contributions allows you greater flexibility under the tax laws. You can start a post-tax purchase agreement and you may later change the length of the purchase agreement or payment amount (subject to ACERA's rules on the minimum amount that must be paid), or you may decide to pay off the remaining amount in a lump sum. **If you terminate this purchase agreement, ACERA will prorate the contributions that were paid and credit your account for the period of service purchased, except when doing a redeposit of a prior membership.**

2. Also, if you use post-tax contributions, a part of your monthly pension will be tax free, reflecting the fact that over time you will recover the after tax payments that you have made. However, this recovery is determined by IRS rules and generally extends on a prorated basis over your lifetime or beyond.

Why purchase service credit with pre-tax contributions?

1. The primary benefit of purchasing with pre-tax contributions is being able to rollover/transfer lump sum funds from another account you were already using to save for retirement in order to make the purchase.

2. Pre-tax contributions paid into the retirement system are not taxed when contributed, they must be taxed on withdrawal of funds or retirement. We keep track of your contributions and separate those which have been paid post-tax and pre-tax.

How long can I take to pay for the service credit?

When purchasing unpaid medical leave, part-time work, and time prior to entry of membership through payroll deductions, the maximum period we can stretch the payments over is the length of time being purchased. For example, if you're trying to buy one year of unpaid medical leave, we divide the payroll deductions over the maximum of one year.

When trying to redeposit withdrawn contributions or purchasing prior service from another public agency, the maximum period of time we can stretch payroll deduction payments over is 5 years, so a maximum of 130 bi-weekly payroll deductions. Please contact our office if you are eligible.

When will I receive service credit for my purchase? When can I lose all or part of the service credit that I am purchasing?

When purchasing in a lump sum, service credit is posted to your account as soon as all conditions are met and your check clears.

When purchasing by payroll deduction, service credit is posted to your account once you have completed your payments under your purchase agreement obligation. In the following events service credit will be posted to your account on pro-rated basis (except for redeposits):

- You terminate employment
- You are granted a disability retirement benefit
- You die prior to retirement

When purchasing with a combined lump-sum partial payment and monthly payroll deductions, the amount of service purchased by the lump sum partial payment is computed and credited as soon as all conditions are met and your check clears (except on redeposits). The service purchased with monthly payroll deductions is posted to your account when you have completed your purchase agreement obligation or on a prorated basis in the event of termination, the granting of a disability benefit, or death.

If you are making a redeposit, and you terminate, retire for service, retire on disability, or die before payments are made in full, you or your beneficiary will have the opportunity to make a lump sum payment of the balance within thirty days of the termination or death. Otherwise, you WILL NOT RECEIVE ANY CREDIT AT ALL FOR THIS SERVICE, and all contributions and interest will be refunded to you.

Can I pay off my purchase agreement early?

Yes. In order for us to process this request, please submit a signed and dated letter to ACERA letting us know you would like to cancel your bi-weekly payroll deductions and pay off the rest of the purchase agreement via lump sum.

Can I get an extension on my purchase agreement?

Sometimes. It depends on the circumstances. Please contact ACERA to inquire about this.

Can I terminate my payroll deduction purchase agreement if I cannot complete the payments?

Yes. If you choose to pay your purchase agreement with post-tax dollars, you will be permitted to revise your purchase agreement if you so choose, at any time. Though if you terminate the purchase agreement before it is paid in full, ACERA cannot refund any contributions you have paid, unless you are redepositing a prior membership.

Please see the preceding section for information on what happens if you fail to complete payment in full of your service purchase.

What happens if I terminate my payroll deduction purchase agreement to Redeposit Service Credit?

If you are redepositing service credit, and the redeposit is not complete when you cancel your payroll deduction purchase agreement, the balance you did pay in to your account up to that date will be refunded to you or your beneficiary because a redeposit must be paid in full. You will receive no service credit for the redeposit.

What happens if I terminate my payroll deduction purchase agreement to Purchase Additional Service Credit?

If you terminate a service credit purchase agreement before it is complete, ACERA will prorate the service credit you receive based on the contributions that were paid, and credit your account for the prorated amount of service credit.

What happens if I receive a disability retirement before completing the payment purchase agreement?

If you are currently redepositing withdrawn contributions to restore prior membership, and you are granted a disability retirement before completing your purchase agreement, you may pay off the purchase agreement balance within 30 days from the billing date to complete the restoration of service credit. If the purchase agreement is not paid off, the restoration will not be granted. However, you should consult a Retirement Technician at ACERA to be advised if this payment would be to your advantage.

For all other types of service credit purchase agreements, you may pay off the balance within 30 days from date of termination of employment, or ACERA will prorate the contributions that were fully paid upon approval of your disability retirement and credit your account for the paid months/years of service credit.

What happens if I am on an unpaid leave?

Any payroll deduction payments will be suspended until you return to a paid status.

If you select the bi-weekly payment option and the employer is unable to process these payments as agreed, the bi-weekly payment amounts will be recalculated upon your return to work to account for any additional interest accrued during the time payments were not processed, and deductions will resume accordingly.

How is interest calculated on my payment purchase agreement?

In general, the lump sum cost for your service credit includes the interest your contributions would have earned if they had been on deposit with ACERA from the date of the time you're purchasing(or in the case of a redeposit, from the date you withdrew your funds) to the lump sum payment date on the Purchase Agreement. If you choose payroll deduction payments, your fixed bi-weekly deduction will be calculated using a semi-annual interest rate for the term of the purchase agreement. The semi-annual interest rate is based on the actuarial interest rate assumption in effect at the time the Purchase Agreement is signed.

Is it my responsibility to know if I have enough money in my paycheck to make payments under a purchase agreement?

Yes. Review your check stub and see what deductions you have already. You will need to determine how signing a purchase agreement will affect your deductions.

How do I get started?

To determine whether your service is available for purchase, you can submit your request online through your ACERA MemberDirect account or in writing to ACERA using the Purchase Request Form located at: www.acera.org/forms.

A Retirement Technician will compute the cost to purchase the additional service credit, notify you of the amount in writing, and provide all necessary forms for you to complete.

Important Reminder: Regardless of the payment option you select, ACERA must receive payment on or

before the due date. Otherwise, the total amount of the purchase agreement, including interest, must be recalculated. Please allow sufficient mailing time.