

## Purchasing Additional Service Credit

Alabama state law allows active members to purchase service credit for certain types of past employment. Purchasing service credit may increase the amount of your retirement income or allow you to retire sooner.

To purchase service credit, the member must submit proper certification of the service. Request the appropriate certification form by contacting the ERS or download the form from our Web site. Have the form completed by an official record keeper where the service was performed. Then return the completed certification form to the ERS.

### Military Service in the U.S. Armed Forces

- ◆ During an active member's **first year** of participation in the ERS, he or she may purchase up to four years of eligible military service provided the member has had no previous period of eligibility. Eligible service includes honorable service in the U.S. armed forces for which the member is not currently receiving service retirement benefits from any branch of the U.S. armed forces, or from any other source other than benefits received exclusively as payment for a service connected disability. Weekend service and summer camp service with the National Guard and Reserves are not eligible to be purchased as creditable service.

To purchase this service, a [STATEMENT OF MILITARY SERVICE](#) form must be completed and submitted to the ERS. Military documentation that verifies the periods of military service and character of service must be provided. Examples of documentation include DD Form 214 and discharge notification. The cost to purchase military service in the first year is four percent of the average salary paid to a state employee during each year of claimed service plus eight percent interest compounded from the last date of service to the date of payment. The full amount must be paid in a lump-sum for all active duty time up to four years.

- ◆ The next opportunity to purchase military service will be after accumulating **10 years of creditable service** and will cost substantially more.

Once an active member of the ERS has accrued 10 years of service, he or she may purchase up to four years of active military service if not purchased during the first year of participation. Eligible service includes honorable service in the U.S. armed forces for which the member has not received credit for such service toward retirement status in the ERS, TRS or any other public pension fund. Weekend service and summer camp service with the National Guard and Reserves are not eligible to be purchased as creditable service.

The cost of purchasing credit for military service after ten years of service will be the full actuarial cost. The full actuarial cost is based on the member's life expectancy, salary, and earliest date eligible to begin receiving retirement benefits. This service must be purchased prior to the member's retirement.

### Restoration of Withdrawn Service Credit from the RSA

After completing two years of contributing service, any member who previously participated in either the ERS or TRS and withdrew his or her contributions may restore the previously canceled creditable service. The withdrawn service cannot be service credit established with any other public retirement system.

The cost to purchase the withdrawn service is the amount previously withdrawn plus eight percent interest compounded from the date of withdrawal to the date of payment. The total withdrawn amount must be paid in a lump-sum and made prior to termination of employment. [A STATEMENT OF WITHDRAWN SERVICE](#) must be completed with the purchase. The STATEMENT OF WITHDRAWN SERVICE may be obtained from the ERS or downloaded from our Web site.

### **Maternity Leave Without Pay**

An active member (male or female) of the ERS may purchase up to one year of credit for each period of maternity leave without pay. The member cannot purchase credit for any period of maternity leave that he or she already has credit for in the ERS. A member may request an [APPLICATION TO OBTAIN SERVICE CREDIT FOR MATERNITY LEAVE WITHOUT PAY](#) from the ERS or download from our Web site.

The cost to purchase this service is the full actuarially determined cost. Payment must be made no later than June 30 of the calendar year following the expiration of maternity leave without pay.

### **Previous Service with a City, County, Town, Public or Quasi-Public Organization, or Political Subdivision of the State of Alabama (Local Units)**

- ◆ Any active member with at least five years of contributing service, exclusive of military service, may purchase up to eight years of eligible previous service with a city, county, town, public or quasi-public organization, or political subdivision of a city or county of the state of Alabama (Local Units). To be able to purchase this service the following condition must be met:
  - ◇ the service must have occurred before October 1, 2000, and

The cost of the service is the full actuarial cost. The service must be purchased in increments of one year unless total service is less than one year in which case the member must purchase the entire period.

Members who purchase this service will forfeit the service if they have credit or become entitled to benefits for the service with any other public retirement plan.

- ◆ An active member with at least five years of contributing service, exclusive of military service, may purchase up to ten years of eligible previous service with a city, county, town, public or quasi-public organization, or political subdivision of a city or county of the state of Alabama (Local Units). To be able to purchase this service the following conditions must be met:
  - ◇ the service must have occurred before October 1, 1996, and with an employer other than the employer as of October 1, 1996,
  - ◇ the member claiming credit for the service must have been on October 1, 1996, an officer or a regular employee of a city, county, town, public or quasi-public organization, or political subdivision of a city or county of the state of Alabama eligible to participate in the ERS, and
  - ◇ the member must have been covered or eligible to be covered in the ERS on October 1, 1996.

The cost of the service for each year of service purchased is the greater of the sum of the current employee and employer contribution rates of the member's compensation earned during the fiscal

year in which payment is made or the average of his or her current annual earnable compensation for the two fiscal years immediately prior to the purchase. The member must purchase all service up to 10 years.

Members who purchase this service will forfeit the service if they have credit or become entitled to benefits for the service with any other public retirement plan.

### **Out-of-State Public Service**

Any active member with a minimum of 10 years contributing service, exclusive of purchased military service, may purchase up to ten years of out-of-state public service. The service to be purchased must have been credited under another public retirement plan, but cannot qualify the member for any benefits under any other public plan. The cost of purchasing credit for out-of-state public service is the full actuarial cost. The purchase must be completed prior to the member's retirement. The [APPLICATION AND CERTIFICATION FOR OUT-OF-STATE SERVICE](#) is located on this Web site.

### **TRS Support Personnel, Teacher Aide, Job Corps, and Teacher Corps**

This service may be purchased under the same conditions as out-of-state public service. Contact the ERS for the proper form.

### **Non-Participating Employer Service**

Any active member of a city retirement system that participates in the ERS may purchase up to eight years of credit for service earned under a non-participating employer funded by a city and a county which was eligible to participate in the ERS. The cost is the full actuarial cost and payment must be made prior to retirement.

### **Sources of Funds**

Members of the ERS who are purchasing any type of permissible service as outlined previously in this section may do so by rolling funds from tax deferred savings plans such as tax sheltered annuities (IRC 403(b)), governmental deferred compensation plans (IRC 457) like RSA-1, IRAs (IRC 408), or qualified plans (IRC 401).

The member can have these funds transferred directly from the other plan to the ERS and avoid paying tax at the time of transfer, any early distribution penalty, or required withholding. The necessary form will be provided to members when they are notified of the cost for any service purchases.

**Note:** Eligibility for and cost of all service purchases are based on the provisions of law in effect at the time of purchase.