

Purchasing 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. If you have any questions about purchasing additional service credit, please consult your **ERS Member Handbook** or contact **RSA Member Services** at 877.517.0020.

To purchase service credit, you must ensure there is proper certification of the service. Request the appropriate certification form by contacting Member Services or downloading the form from our Web site at www.rsa-al.gov.

Types of Creditable Service I May be Eligible to Purchase:

Military Service in the U.S. Armed Forces

During your first year of participation in the ERS, you may purchase up to four years of eligible military service for which you are not currently receiving service retirement benefits. Weekend service and summer camp service with the National Guard and Reserves are not eligible to be purchased as creditable service. The next opportunity to purchase this military service will be after accumulating 10 years of creditable service and will cost substantially more.

Restoration of Withdrawn Service Credit from the RSA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 The cost to purchase the withdrawn service is the amount previously withdrawn plus eight percent interest compounded from the date of withdrawal to the date of payment.

Maternity Leave Without Pay

Any 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 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 or Permissive Service

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 or public or quasi-public organizations or political subdivision of a city or county of the state of Alabama (Section 12). The service must have occurred before October 1, 2000. The cost of the service is the full actuarial cost.

Any 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 or public or quasi-public organization or political subdivision of a city or county of the state of Alabama (Section 12s). The service must have occurred 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, or 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.

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 cost of purchasing credit for out-of-state public service is the full actuarial cost.

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.

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 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).

You 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 you when you are notified of the cost for any service purchases.

Prepared by the Communications staff of the Retirement Systems of Alabama. To have your questions answered in "Preparing for Retirement", please address them to **Michael Pegues, Communications, Retirement Systems of Alabama, P.O. Box 302150, Montgomery, Alabama 36130-2150**. Please visit our Web site at www.rsa-al.gov.