

Cost to Purchase Service Credit

The cost to purchase credited service depends upon your age at the time of purchase and is based on an actuarially determined percentage (multiplier) of your current salary or your final average compensation, whichever is higher, for each year to be purchased.

The same formula applies to each class of membership:

Multiplier x Higher of Current Salary or Final Average Compensation x Years to Purchase

<u>Class A</u>		<u>Class B- Public Safety</u>	
<u>Age at Purchase</u>	<u>% of Pay</u>	<u>Age at Purchase</u>	<u>% of Pay</u>
36 and Younger	12.0%	25 and Younger	16.0%
37	12.3%	26	17.0%
38	13.1%	27	18.1%
39	14.0%	28	19.4%
40	14.9%	29	20.7%
41	15.9%	30	22.1%
42	17.0%	31	23.7%
43	18.1%	32	25.3%
44	19.2%	33	27.0%
45	20.5%	34	28.8%
46	21.8%	35	30.8%
47	23.2%	36	32.9%
48	24.7%	37	35.1%
49	26.2%	38	37.4%
50	27.8%	39	39.9%
51	29.6%	40	42.6%
52	31.4%	41	45.4%
53	33.3%	42	48.4%
54	35.4%	43	51.5%
55 and Older	37.5%	44	54.9%
		45 and Older	58.5%

Note: For purchases prior to July 1, 2005, compound interest of 8% applies to purchases financed over time. For purchases from July 1, 2005, to December 31, 2012, compound interest of 7.75% applies. For purchases initiated on January 1, 2013, and after, compound interest of 7.25% applies.

Class B- Judicial (First 15 Years)

<u>Age at Purchase</u>	<u>% of Pay</u>
30 and Younger	18.0%
31	18.3%
32	19.5%
33	20.8%
34	22.3%
35	23.7%
36	25.3%
37	27.0%
38	28.8%
39	30.8%
40	32.8%
41	34.9%
42	37.2%
43	39.7%
44	42.2%
45	45.0%
46	47.9%
47	50.9%
48	54.1%
49	57.6%
50	61.2%
51	65.0%
52	69.0%
53	73.2%
54	77.6%
55 and Older	82.3%

Class B- Judicial (After 15 Years)

<u>Age at Purchase</u>	<u>% of Pay</u>
37 and Younger	18.0%
38	18.5%
39	19.8%
40	21.1%
41	22.5%
42	23.9%
43	25.5%
44	27.2%
45	28.9%
46	30.8%
47	32.7%
48	34.8%
49	37.0%
50	39.3%
51	41.8%
52	44.3%
53	47.1%
54	49.9%
55 and Older	52.9%

Note: For purchases prior to July 1, 2005, compound interest of 8% applies to purchases financed over time. For purchases from July 1, 2005, to December 31, 2012, compound interest of 7.75% applies. For purchases initiated on January 1, 2013, and after, compound interest of 7.25% applies.



Service Credit Purchase



July 2016

South Dakota Retirement System
222 East Capitol Avenue • Pierre, SD 57501
(888) 605-SDRS • (605) 773-3731
www.sdrs.sd.gov

Service Credit Purchase

Eligible members may purchase additional credited service in order to enhance their SDRS benefits at retirement. To be eligible, you must be currently working for an SDRS participating unit and contributing to SDRS.

Purchase Process

If you are interested in purchasing prior service, you should notify SDRS at least 60 days in advance of your interest to purchase. This provides sufficient time for the verification process, if applicable, and consultations as necessary.

The types of credited service that may be purchased include:

Prior Public Employment: Public service includes all prior public employment that has already been rendered.

- To be considered eligible for a purchase of prior public employment, you must not be eligible to receive a retirement benefit from the prior public employment period of service.
- Any prior public employment service you wish to purchase must be verified by your former employer and retirement system, as necessary, via the Service and Retirement System Verification form. It is your full responsibility to secure verification of service and retirement status for this period of service. Once completed, the form must be submitted to SDRS. SDRS must approve submitted documentation before a purchase can be allowed.

- The verification process must be completed before SDRS will provide formal benefit estimates based on the purchase of credited service. Until then, please use the benefit calculator on the SDRS website at www.sdrs.sd.gov.

Nonqualified Permissive Service (Air Time):

An arbitrary period of time with the service available to purchase being limited to 5 years.

- All members must have 5 years of contributory service to be eligible to purchase air time service.
- The verification process is not required for air time purchases.

Purchase Contract

Once the initial steps of the purchase process are complete, SDRS can issue a purchase contract. You must provide SDRS with information on how much service you wish to purchase at a time and over how long you wish to pay for the purchase.

A purchase contract is valid for 45 days from date of issue. If a contract is not signed by you as accepted and received in the SDRS office within this timeframe, a new contract must be issued if you wish to proceed with the purchase.

Methods of Purchasing Service

**Check with your employer regarding the type of purchase unit they qualify for under state statute.*

Standard Purchase*: Flexibility in payment options – If your employer is a standard purchase unit, your purchases are not tax-

deferred and are paid with after-tax dollars. You may make a lump-sum cash purchase or you may set up a payment plan and pay SDRS by personal check over a period of up to 10 years, with interest at the valuation interest rate. Ask your employer if they offer to have payments deducted from your paycheck automatically (after-tax).

Tax-Efficient Purchase*: Tax-deferred savings - If you are a member of a tax-efficient purchase unit and wish to pay for your purchase in installments over a period not to exceed 10 years, you must purchase service on a tax-deferred basis – meaning, your purchase payments will reduce your salary before your income tax is calculated (just like your regular SDRS contributions), resulting in a smaller tax liability. The tax-efficient purchase is an irrevocable contract and the terms and conditions of the agreement cannot be changed in any way. No accelerated payments are allowed.

Trustee-to-Trustee Transfer: Acquisition of service - Members of SDRS are eligible to acquire credited service by transferring funds from the SDRS Supplemental Retirement Plan (SRP) or other 457 or 403(b) plans to SDRS. In this process, the funds transfer directly from the trustee of origin to SDRS and must equal the purchase contract amount. Contact should be made with the trustee prior to the transfer to discuss any fees that may apply. Regardless of your employer's purchase unit type, you may complete a purchase with a trustee-to-trustee transfer.



Service and Retirement System Verification

South Dakota Retirement System
 PO Box 1098 Pierre, South Dakota 57501-1098
 Phone (888) 605-SDRS (605) 773-3731 FAX (605) 773-3949

To Past Employers and Retirement System Administrators:

The member listed in Section A intends to purchase additional service credit in the South Dakota Retirement System (SDRS). Before the member can do so, you must verify that the individual has past service as a public employee and that the service does not qualify for a retirement benefit. Please complete the section that applies to you and return the form to the member.

SECTION A: Member Information (To Be Completed by SDRS Member)

Social Security Number	Last Name	First	Middle Initial	Maiden
Telephone ()	Street Address or PO Box	City	State	ZIP Code

SECTION B: Former Employer and Employment Information (To Be Completed by Prior Employer)

Employer Name	Address	Telephone ()
Member's Position	If full-time, dates of employment (mm/yy-mm/yy)	If part-time, total hours worked (mm/yy-mm/yy)*

** Note: If the member worked part-time, you must indicate the number of hours worked (i.e. hours/week, hours/month). An average or percentage is not sufficient.*

If there was no retirement plan associated with this member's period(s) of employment with your organization, check here:
 (By checking this box, Section C will not need to be completed.)

I certify that the information provided in Section B is true and correct to the best of my knowledge.

Signature of Certifying Official	Title	Date
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To the Employer: After completing Section B, please return this form to the member at the address shown in Section A.

SECTION C: Retirement System Information (To Be Completed by Prior Retirement System)

Retirement System Name	Address	Telephone ()
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Was this individual a member of your retirement system? Yes No

Is this individual receiving or entitled to receive a benefit from your retirement system? Yes No

If yes, please explain:

I certify that the information provided in Section C is true and correct to the best of my knowledge.

Signature of Certifying Official	Title	Date
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To the Retirement System: After completing Section C, please return this form to the member at the address shown in Section A.