

Purchase of Prior Service/ Preview of Changes to Come 2015 – 2017

	PLAN 1		PLAN 2		HYBRID RETIREMENT PLAN	
	NOW	EFFECTIVE 1/1/17	NOW	EFFECTIVE 1/1/17	NOW	EFFECTIVE 1/1/17
Types of Eligible Service <i>Refunded service is discussed separately (see below)</i>	Active duty military service, federal service, other public service, non-covered service, leave of absence for education or birth/adoption/death of child, non-ported service, no-cost military leave, sick leave conversion and workers' compensation leave	Types remain the same, plus Family and Medical Leave Act (FMLA) leave for a serious health condition (as defined in the FMLA) of the member or an immediate family member (also as defined in the FMLA)	Active duty military service, federal service, other public service, non-covered service, leave of absence for education or birth/adoption/death of child, non-ported service, no-cost military leave, sick leave conversion and workers' compensation leave	Types remain the same, plus Family and Medical Leave Act (FMLA) leave for a serious health condition (as defined in the FMLA) of the member or an immediate family member (also as defined in the FMLA)	Active duty military service, federal service, other public service, non-covered service, leave of absence for education or birth/adoption/death of child, no-cost military leave, sick leave conversion and workers' compensation leave	Types remain the same, plus Family and Medical Leave Act (FMLA) leave for a serious health condition (as defined in the FMLA) of the member or an immediate family member (also as defined in the FMLA)
Cost Window	Three years	Two years	One year	Two years	One year	Two years
Purchase Cost (if purchased within cost window) <i>See below for refunded service</i>	5% of compensation ¹	Approximate normal cost ²	Approximate normal cost ¹	Approximate normal cost ²	Approximate normal cost ¹	Approximate normal cost ²
	Sick leave, ported service and workers' compensation are handled differently but not addressed in this chart.					
When Does the Cost to Purchase Turn Actuarial?	After three years	After two years	After one year	After two years	After one year	After two years
Months Eligible for Purchase	48 months per category of service	48 months total ³	48 months per category of service	48 months total ³	48 months per category of service	48 months total ³
Sequence	Most recent first	No sequence	Most recent first	No sequence	Most recent first	No sequence

	REFUNDED SERVICE			
	Cost Window for Purchase	Purchase Cost	Months Eligible for Purchase	Sequence
NOW	Purchase at any time until 12/30/16 if lump sum. (Lump-sum payments if outside the cost window.) For purchase through salary reduction, you must have deductions taken for the month of December 2016, or earlier.	VRS Plans 1 & 2: 5% of compensation Hybrid Retirement Plan: 4% of compensation	Unlimited	Most recent of all prior service eligible for purchase first
EFFECTIVE 1/1/17	Purchase at any time with an agreement; no window	Return of refunded amount plus interest from date of refund to the purchase date, using 7% interest rate compounded annually ⁴	Unlimited	No sequence

¹ The cost to purchase prior service is always at an actuarial equivalent rate for sick leave conversions.

² Applies to any service not purchased or in a payment agreement by 12/31/16.

³ Members may purchase an additional 48 months of active duty military service and 120 months of school superintendent service. Purchases of workers' compensation leave and sick leave conversion are unlimited, as is no-cost military leave.

⁴ The Board-certified assumed rate of return will apply. The current rate is 7%.

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	NOW	EFFECTIVE 1/1/2017
When Eligible for Cost Agreement to Purchase Through Salary Reduction?	Only while within the cost window (i.e., before the cost to purchase service turns actuarial). The window does not apply to refunded service cost; however, members must make a lump-sum payment if outside the window.	At any point while an active member of VRS.
Purchase Agreement Requirements	Require purchase of one month of service for each month of earned retirement service. Employees working less than 12-month contracts will only purchase the number of months equal to the length of their contracts.	Minimum: Require purchase of at least one month of service per month of an agreement. Maximum: Allow a maximum of four months of service per month of an agreement.
Duration of Agreement, Generally	Unlimited duration; VRS recommends no longer than 12 months.	Minimum: Six months or the number of months remaining to purchase, whichever is less. Maximum: 12 months or the number of months remaining to purchase, whichever is less.
Duration of Agreement, Within Window	Unlimited duration; VRS recommends no longer than 12 months.	While within any cost window (i.e., before the cost to purchase service turns actuarial), the duration of an agreement may not extend beyond the window.
Simultaneous Agreements?	No; one agreement at a time.	No; one agreement at a time.
Carry Forward Agreement to New Employer?	If the member informs VRS of the move from one state employer to another within 30 days of separation from the former employer, VRS can continue the agreement. Agreements will end if moving among other employer types. ⁵	The same, except VRS will automatically continue agreements if the employee moves from one state employer to another state employer. ⁵
Renewals?	Yes; a member may renew an agreement an indefinite number of times at the same cost.	No; subsequent agreements require new cost calculations.
Recalculations During Agreement?	Yes; the cost of a purchase is recalculated if a member's salary is adjusted.	No; VRS will not recalculate the cost of a purchase. The cost of a purchase remains the same for the duration of an agreement. No agreement can extend beyond the cost window.

⁵ Carrying forward an agreement will only be allowed when there is no break in state service. State agencies are considered a single employer, the Commonwealth of Virginia; political subdivisions and school divisions, even if located within the same jurisdiction, are considered separate employers. Therefore, the member will need a new agreement if moving outside of state government or to another employer.

10-25-2016

The information contained in this document is governed by Title 51.1 of the *Code of Virginia*. This information is intended to be general. It cannot be complete in all details and cannot supersede or restrict the authority granted by the *Code of Virginia*, which may be amended from time to time.
NOTE: Judges should contact their human resource office for plan provision information.

Watch for more information to come about the changes to the VRS purchase of prior service provisions!