



Employer Resource Toolkit Guide

Use this toolkit to help Virginia Retirement System (VRS) members understand the changes to purchase of prior service provisions that will be effective January 1, 2017. We have packed the toolkit with resources for employers and members that will help reinforce the importance of reviewing the changes and making an informed decision about purchasing prior service.

Inside Your Toolkit:

- **Resource Sheet:** Need a quick overview to provide your members? This sheet includes links to the Purchase of Prior Service section of the VRS website, publications and educational opportunities.
- **Flyers:** Pending PPS provision changes provide a great opportunity to talk with VRS members about the difference that purchasing prior service can make to a retirement benefit, and the impact that provision changes may have on the cost of purchasing service.

These flyers illustrate key points related to the changes. You can choose which to use and how you'd like to use them. Be as creative as you like! Print these flyers and place around the office (break rooms, elevators, community boards) to spotlight how purchasing prior service now can provide long-term benefits. Consider attaching flyers to emails you send to your members, or use them in a newsletter or intranet.

- **Flyer #1: Infographic: How Will My Plan Change?**
- **Flyer #2: Robert's Question: Purchase Service Now or Later?**
- **Flyer #3: Sara's Question: Purchase Service Now or Later?**
- **Flyer #4: Register Today for a PPS Provision Changes Webinar**
- **Flyer #5: What's Happening to PPS Provisions?**
- **Flyer #6: Key Dates to Remember for PPS**

Plus New Toolkit Features:

- **Sample Messaging:** You may cut and paste these messages into emails to your employees or use the messages in your employee newsletter or intranet.
- **PPS Checklist:** Use this checklist to help employees determine if changes to the PPS program effective January 1, 2017, will affect them.
- **Payment Procedures and Considerations When Purchasing Prior Service:** Information about obtaining an official cost letter, timing and cost considerations and selecting a payment method.
- **Purchasing Multiple Periods of Prior Service:** The sequence requirement for purchasing periods of prior service will change January 1, 2017. "Sylvia's Purchase" illustrates how this impacts a fictional VRS member's timing and purchase.
- **Estimating the Cost of Your Refunded Service:** How to use features of the Refunded Service Comparison Estimator in *myVRS*.



PURCHASE OF PRIOR SERVICE (PPS) PROVISION CHANGES EFFECTIVE JANUARY 1, 2017

Purchase of Prior Service Resources

The following resources are available on the VRS website: www.varetire.org/pps and the Hybrid Retirement Plan site: www.varetire.org/hybrid (see Plan Info)

Purchase of Prior Service: General Information	
Resource	Description
Purchase of Prior Service	Overview and general information
Types of Prior Service	Explains types of eligible prior service
Prior Service Cost and Eligibility Periods	Cost and eligibility for different plans and types of service
Payment Methods	Payment methods and when they may be used
How to Apply	Application, employer certification and cost letter information
Purchase of Prior Service Provisions to Change in 2017	Information on PPS provision changes effective January 1, 2017
Changes to Purchase of Prior Service Provisions Webinar	Recorded webinar outlining PPS provision changes effective in 2017
Preview of PPS Changes Chart (PDF)	High-level overview of PPS changes effective in 2017
Purchase of Prior Service Rate Charts (PDF)	PPS rates for VRS members in different categories
Purchase of Prior Service Quick Facts (PDF)	Key facts to know about current PPS provisions
Purchase of Prior Service Forms	Forms listed by number and searchable by topic (select from a drop-down menu)
Purchasing Prior Service Under Severance Programs	Procedures to follow regarding PPS if you are involuntarily separated from employment
Leaving Employment	Procedures to follow regarding PPS when you voluntarily leave employment
VRS Retirement Plans	General summaries of plan information and benefits
Member Handbooks and Guides	Member handbooks and publications
Purchase of Prior Service VRS Plan 1 and Plan 2 Actuarial Estimator	Calculate the estimated actuarial equivalent cost of purchasing prior service
myVRS Refunded Service Comparison Estimator	Calculate and compare estimated costs of refunded service with this new feature coming in late September 2015



Virginia Retirement System

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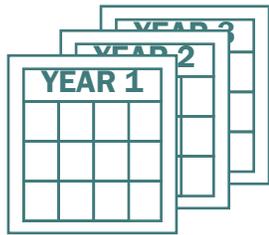


PURCHASE OF PRIOR SERVICE (PPS) PROVISION CHANGES EFFECTIVE JANUARY 1, 2017

How Will Your Plan Change?

CURRENT PROVISIONS

EFFECTIVE 1/1/2017



PLAN 1: 3 YEARS

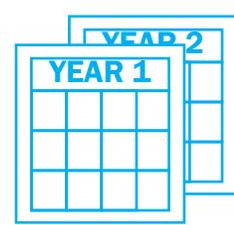
Cost Window



PLAN 2: 1 YEAR



HYBRID: 1 YEAR



ALL PLANS: 2 YEARS

Purchase Cost

(if purchased within cost window)



5% of Compensation*



Approximate Normal Cost*



Approximate Normal Cost*



Approximate Normal Cost**

* Refunded service cost: Plan 1 and Plan 2 = 5% of compensation; Hybrid Retirement Plan = 4% of compensation.

** Refunded service cost is the refunded amount plus interest from date of refund to the purchase date, using 7% interest compounded annually.

Months Eligible for Purchase



*** Purchases of military leave, military service, workers' compensation leave, sick leave conversion or superintendent service will not count against the 48-month cap.

Months Eligible for Purchase



**** 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.

Purchase Most Recent Service First



No Sequence Required





Robert's question:

Should I purchase prior service now or later?

Robert began working for a VRS-participating employer on January 1, 2012. He is eligible to purchase military service, but as a VRS Plan 2 member, his one-year initial cost window expired December 31, 2012.

Robert is now outside of his cost window, but he has time to buy his service before purchase of prior service (PPS) provisions change January 1, 2017. Under current PPS provisions, **his only option is to purchase his military service at the actuarial rate in a lump sum.**

If he waits until 2017, he will still have to pay the actuarial rate as he is outside the cost window, **but he can choose to have a salary-reduction agreement** rather than purchase service in a lump sum.

Robert has two options, but *waiting* will give him the ability to purchase service through both an agreement or a lump sum.

If you have prior service that you wish to purchase, consider now whether you should act before or after the PPS provisions change in 2017:

- View the online resources available to you, including estimators and a preview of provision changes.
- See your employer's human resource office for help assessing your situation and deciding when to purchase your prior service.



- To learn more about purchasing prior service under current provisions, visit www.varetire.org/pps
- Review the **Key Topics** and **Resources**.
- Visit the online **Purchase of Prior Service estimators** to estimate costs of purchase under current provisions.
- See your **human resource office**, which can help you with your purchase of service.
- For an **overview of the 2017 changes** to purchase of prior service provisions, see the **Preview of Changes to Come Chart**.

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PURCHASE OF PRIOR SERVICE (PPS) PROVISION CHANGES EFFECTIVE JANUARY 1, 2017



Sara's question:

Should I purchase prior service now or later?

Sara began working for a state agency in January 2008 and left in January 2009, taking a refund of \$1,500. She returned to the agency in 2015 as a Hybrid Retirement Plan member and is considering a purchase of her prior service.

If Sara purchases her refunded service now, it will cost 4 percent of her creditable compensation. If her creditable compensation is \$50,000, her purchase would cost **about \$2,000**. She could pay through a purchase agreement, lump sum or a combination of the two.

However, if Sara waits to purchase her service in January 2017, the cost will be the original refund amount plus interest from the date of refund to the purchase date, using 7 percent interest compounded annually.

Sara could expect to pay \$2,577.28 to purchase her one year of service — **more than a 25 percent cost increase** if she waits to purchase in January 2017.

Sara will save money by purchasing refunded service in 2015 or 2016 before the provisions change.

If you have prior service that you wish to purchase, consider now whether you should act before or after the PPS provisions change in 2017:

- View the online resources available to you, including estimators and a preview of provision changes.
- See your employer's human resource office for help assessing your situation and deciding when to purchase your prior service.

- To learn more about purchasing prior service under current provisions, visit www.varetire.org/pps
- Review the **Key Topics** and **Resources**.
- Visit the online **Purchase of Prior Service estimators** to estimate costs of purchase under current provisions.
- See your **human resource office**, which can help you with your purchase of service.
- For an **overview of the 2017 changes** to purchase of prior service provisions, see the **Preview of Changes to Come Chart**.

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PURCHASE OF PRIOR SERVICE (PPS) PROVISION CHANGES EFFECTIVE JANUARY 1, 2017

Want to learn more about changes to purchase of prior service provisions?

Attend a VRS webinar covering changes in types of service, eligibility windows, cost, payment methods and purchase payment agreement requirements.

It will also address the implications of purchasing service before or after January 1, 2017.



It's important to understand these changes since they may impact the options available to you if you choose to purchase prior service credit.

VRS members are strongly encouraged to register for this webinar.

Register online at www.varetire.org!



PURCHASE OF PRIOR SERVICE (PPS) PROVISION CHANGES EFFECTIVE JANUARY 1, 2017

Purchase of Prior Service: What's Happening?

What do the changes mean?

- Members will no longer need to purchase most recent service first
- Purchases from most categories of service will be at approximate normal cost during a two-year window from hire date, then cost will increase to actuarial equivalent cost
- Purchase of service under one-year contracts will be allowed even outside of the two-year window from hire date
- Certain Family and Medical Leave Act (FMLA) leave periods will be added to eligible service category
- Maximum purchase of 48 total months of prior service (except for refunded, military service, no-cost military leave, workers' compensation leave, sick leave or school superintendent service)

- Simplify process to purchase service for all members
- Ensure that the purchase cost more closely reflects the actual cost of providing the additional benefit in retirement
- May increase the cost of purchasing service in some instances
- Limit the number of months eligible for purchase for some types of service

How will these changes affect you?

See www.varetire.org/pps-provisions or contact your human resource office for more information.



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PURCHASE OF PRIOR SERVICE (PPS) PROVISION CHANGES EFFECTIVE JANUARY 1, 2017

Key Dates: Purchase of Prior Service

If you are eligible to purchase prior service, you may want to consider it now and mark your calendar with these key dates.

2016
OCTOBER
1

If you decide to purchase service under the **current purchase of service provisions**, VRS strongly recommends that you apply **no later than October 1, 2016**.

2016
DECEMBER
30

If you use a **lump-sum payment** method, the full payment must arrive at VRS **no later than December 30, 2016**.

2016
DECEMBER

S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

If you are considering a **trustee-to-trustee transfer or rollover of funds** from another retirement plan to purchase the service, it may take 90 days or longer for the plan provider to process the payment and send it to VRS. You will want to **request a VRS cost letter** as soon as possible to ensure payment arrives at VRS **no later than December 30, 2016**.

If your purchase requires **certification from a former employer**, allow ample time to obtain certification so that you can obtain the VRS cost letter and initiate the purchase agreement by **December 2016**.

2017
JANUARY
1

If you purchase through a **salary-reduction agreement**, you must have deductions taken **for the month of December 2016, or earlier**.

Effective January 1, 2017, your cost to purchase **refunded service** will be based on the refunded amount, plus interest from the date of refund to the purchase date, using 7 percent interest compounded annually.



Sample Messages

Employers may cut and paste these messages into emails to your employees or use the messages in your employee newsletter or intranet.

ARTICLE 1

Prepare Now for Tomorrow: Changes Coming to Purchase of Prior Service (PPS)

Been putting off buying back service from that refund you took in 2000? You may want to purchase it soon. Beginning January 1, 2017, purchase of prior service provisions will change, simplifying the purchase process and ensuring that the purchase cost more closely reflects the actual cost of providing the additional benefit in retirement.

What does that mean for you?

- Purchasing service now may save you money.
- Changes may increase the cost of purchasing service credit for some types of service.
- There will be limits on the number of months eligible for purchase of some types of service.

If you decide to purchase service before January 1, 2017, keep in mind:

- VRS recommends that you apply to purchase your service no later than October 1, 2016.
- If you purchase through a salary-reduction agreement, you must have deductions taken for the month of December 2016, or earlier.
- If you use a lump-sum payment method, the full payment must arrive at VRS no later than December 30, 2016.

Prior service credit counts toward the years needed to become vested, eligibility for retirement and the health insurance credit.

Use the Refunded Service Comparison Estimator in your *myVRS* account to compare the cost of purchasing refunded service before December 30, 2016, versus after January 1, 2017, when the provisions change.

[Find out if you are eligible to purchase prior service and estimate costs under current provisions.](#)

[View prior service cost and eligibility periods under current provisions.](#)

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ARTICLE 2

Learn More About Purchase of Prior Service Changes Through VRS Webinars

Do you want to learn more about the changes to purchase of prior service provisions? VRS is offering a webinar covering changes in types of service, eligibility windows, cost, payment methods and purchase payment agreement requirements. It will also address the implications of purchasing service before or after January 1, 2017.

It's important that members understand these changes since they may impact the options available to those who choose to purchase prior service credit. VRS members are strongly encouraged to register for this webinar.

If you are interested, register online at www.varetire.org.

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PURCHASE OF PRIOR SERVICE (PPS) PROVISION CHANGES EFFECTIVE JANUARY 1, 2017

Sample Messages (continued)

ARTICLE 3

Look for Purchase of Prior Service Changes Starting January 1, 2017

Changes are coming to purchase of prior service provisions and they may affect you. If you have eligible prior service from a previous job, certain types of leave, a refund or military service, you may wish to look into purchasing it before January 1, 2017.

A recent legislative change simplifies the rules for purchase of prior service and ensures that the purchase cost more closely reflects the actual cost of providing the increased benefit in retirement. However, some types of service may cost more to purchase and there will be limits on the number of months eligible for purchase of some types of service.

What You Need to Know

- To learn more about purchasing prior service under current provisions, visit the VRS website at www.varetire.org/pps.
- If you decide to purchase prior service under current provisions, apply no later than October 1, 2016.
- You may purchase a maximum of 48 total months of prior service, with the following exceptions:
 - If eligible, you may purchase an additional 48 months of active duty military service or 120 months of school superintendent service.
 - Purchases of workers' compensation leave and sick leave conversion are unlimited, as is no-cost military leave.
- If the purchase requires certification from a former employer, allow time to receive certification so that you can initiate your purchase agreement by December 2016, or earlier.
- If you purchase through a salary-reduction agreement, you must have deductions taken for the month of December 2016, or earlier.
- If you use a lump-sum payment method, you must have the full payment to VRS no later than December 30, 2016.
- Starting in 2017, purchases from most categories of service will be at approximate normal cost, which is the average cost to purchase one year of service; then after a two-year window, cost increases to actuarial equivalent cost, which is the amount of money needed in today's dollars to pay for the increase in your future retirement benefit.
- Under the new provisions, the cost to purchase refunded service will be the return of the refunded amount plus interest from the date of refund to the purchase date using 7 percent interest compounded annually.

Why purchase prior service? Service counts toward the five years needed for vesting, which is the minimum length of service needed to qualify for retirement. It counts toward eligibility for the health insurance credit and it may enable you to qualify for retirement earlier or may give you a higher benefit in retirement.

Visit your myVRS account to access the Refunded Service Comparison Estimator to estimate to estimate the cost to purchase any refunded service on record.

Visit the online Purchase of Prior Service estimators to estimate the costs of purchase under current rules:
www.varetire.org/calculators/index.asp



PURCHASE OF PRIOR SERVICE (PPS) PROVISION CHANGES EFFECTIVE JANUARY 1, 2017

Purchase of Prior Service Checklist

Use this checklist to help you determine if changes to the Purchase of Prior Service program effective January 1, 2017, will affect you. Read more about the [legislative changes](#).

Do you have service to purchase?

✓	
	If you have service to purchase, determine what type and whether the changes affect the purchase price. Please note that under current law, you must purchase your most recent service first.
	If you're still within your window to purchase certain types of service at a lower price, determine if the window will end before January 1, 2017.
	Example: Jane is a Plan 1 member with a three-year window from hire date to purchase certain types of service at a lower price. On December 31, 2016, she will have six months left in the window under current law. However, on January 1, 2017, her window will end since there is only a two-year window under the new law.
	If you have refunded service available for purchase, use the Refunded Service Comparison Estimator in <i>myVRS</i> to calculate the purchase cost now and after January 1, 2017.
	Determine if it is more cost-effective for you to purchase service now or after January 1, 2017.

If you decide to purchase service now...

✓	
	Does your purchase require certification from a former employer? If so, use the Application for Purchase of Prior Service (VRS-26) to obtain certification and submit it to your human resource office in time to meet the purchase deadlines. See deadlines below. No-cost military leave, full-time salaried federal service, non-covered service with a VRS-participating employer, educational leave and leave for the birth, adoption or death of a child require employer certification.
	Determine if you are eligible for a salary-reduction agreement to make monthly payments, or if you must make a lump-sum payment.
	If your purchase does not require certification from a former employer, see your human resource office to obtain a cost letter for purchasing service.
	If you have periods of leave or prior service that you decide to purchase, VRS recommends that you apply no later than October 1, 2016.
	If you are eligible to purchase through a salary-reduction agreement, you must have deductions taken for the month of December 2016, or earlier.
	If you use a lump-sum payment method, the full payment must arrive at VRS no later than December 30, 2016. This includes payments from a trustee-to-trustee transfer or rollover of funds. Please keep in mind that it may take 90 days or longer for plan providers to process this type of payment.



PURCHASE OF PRIOR SERVICE (PPS) PROVISION CHANGES EFFECTIVE JANUARY 1, 2017

Payment Procedures and Considerations When Purchasing Prior Service

OBTAINING AN OFFICIAL COST LETTER

If you decide to purchase prior service, contact your human resource office to obtain an official cost letter.

Under Current Provisions

- Once a cost letter is provided, it creates a record of that service with VRS.
- When purchasing service, you must purchase the most recent period first.

Effective January 1, 2017

- You will no longer need to purchase the most recent service first; you can purchase service credit in any order.
- However, you are encouraged to estimate your costs now to determine if waiting to purchase service is best for you.

TIMING AND COST CONSIDERATIONS

Allow ample time to apply to purchase prior service under current provisions.

Under Current Provisions

- VRS strongly recommends that you apply no later than October 1, 2016.
- Allow sufficient time to initiate your salary-reduction agreement no later than December 2016, **or** ensure your lump-sum payment arrives no later than December 30, 2016.
- Active Plan 1 and Plan 2 members can purchase refunded service by paying 5 percent of their current compensation for each month purchased.
- Hybrid Retirement Plan members can purchase refunded service by paying 4 percent of their current compensation for each month purchased.

Effective January 1, 2017

- You may set up a one-year agreement to purchase prior service at any point you are an active VRS member.
- All plans will offer a two-year window in which you may purchase most categories of service at approximate normal cost. After two years, the cost changes to an actuarial equivalent cost rate.
- The cost to purchase refunded service will be the refunded amount plus interest from the date of refund to the purchase date, using 7 percent interest compounded annually.

SELECTING A PAYMENT METHOD

Under Current Provisions

- Plan 1 members: If fewer than three years from your hire date, you can make payment through a salary-reduction agreement. If more than three years from your hire date, you must make a lump-sum payment.
- Plan 2 and hybrid members: If less than one year from your hire date, you can make payment through a salary-reduction agreement. If more than one year from your hire date, you must make a lump-sum payment.
- If you are outside of these windows, your purchase cost changes to an actuarial equivalent rate.
- If you are considering a trustee-to-trustee transfer or rollover of funds from another retirement plan to purchase the service, it may take 90 days or longer for the plan provider to process the payment and send it to VRS. Be sure to request a VRS cost letter as soon as possible to ensure payment arrives at VRS no later than December 30, 2016.

Effective January 1, 2017

- All plan members may choose salary-reduction agreements or lump-sum payment at any point.
- Each agreement to purchase service is calculated on a stand-alone basis. The agreement cannot be renewed, and the terms and cost in effect at the end of a contract will not carry forward to the next contract.



PURCHASE OF PRIOR SERVICE (PPS) PROVISION CHANGES EFFECTIVE JANUARY 1, 2017

Purchasing Multiple Periods of Prior Service

If you are eligible for and approved to purchase multiple periods of prior service under current provisions, contact your employer’s human resource office. Be aware that informing your employer of your eligible service and requesting an official cost letter to purchase that service creates a record of the service with VRS, **thus requiring you to purchase the most recent service first.**

When the provisions change January 1, 2017, you may purchase service in any order.

Sylvia’s Purchase: Current Provisions in Effect Through December 30, 2016

Sylvia has four periods of prior service eligible for purchase.

Under current provisions, she must purchase the federal service reported in 2014 first, followed by service in 2012, 2009 and 2004.

Because she is outside of her cost window, all purchases must be made with a lump-sum payment, as she is not eligible for a salary-reduction agreement.



DATE OF LEAVE OR REFUND	PRIOR SERVICE CATEGORY	MONTHS OF PRIOR SERVICE	ESTIMATED PURCHASE COST
June 2014	Federal service	18	\$7,578.61
October 2012	VRS-refunded service	12	\$2,250.00
August 2009	Leave for birth of a child	6	\$2,526.20
December 2004	VRS-refunded service	7	\$1,312.50

Beginning January 1, 2017, Sylvia may choose to purchase the above service in any order.



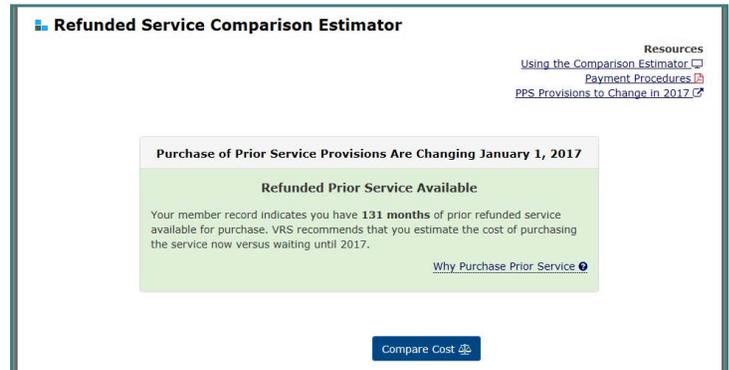
PURCHASE OF PRIOR SERVICE (PPS) PROVISION CHANGES EFFECTIVE JANUARY 1, 2017

Estimating the Cost of Your Refunded Service

Considering a purchase of your refunded service?

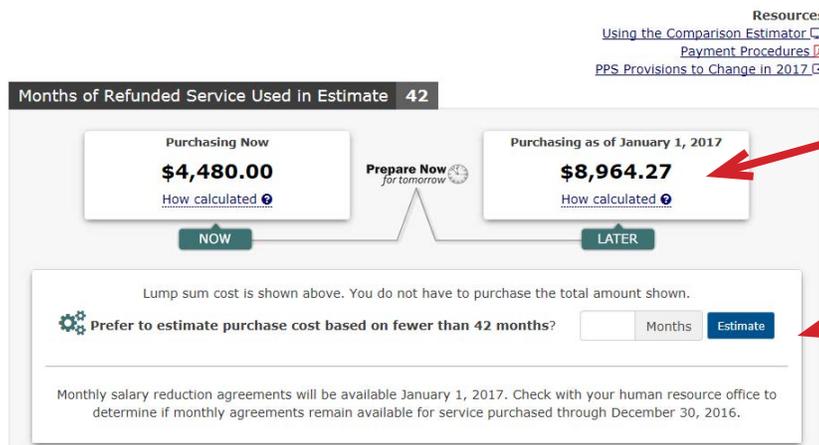
Estimate costs now, using the online estimator in myVRS, to determine if waiting to purchase is best for you. Generally, the longer you wait to purchase service, the higher the cost.

Allow ample time to obtain an official cost letter and apply to purchase prior service under current provisions. **VRS strongly recommends that you apply no later than October 1, 2016.**



How to Use the Estimator

Refunded Service Comparison Estimator



Estimate the cost of your **total** refunded service

Estimate the cost of a **portion** of your refunded service

- See what refunded service is used in your comparison
- Learn what to do if you have other service to purchase
- Choose your next steps

DISCLAIMER: Through December 30, 2016, you must purchase prior service in sequence, starting with the most recent period. If you have other eligible service in your record that is newer than the refunded service you wish to purchase, you are required to purchase the newer service first. Beginning January 1, 2017, you may purchase prior service in any order. **Estimates are not final. If you wish to obtain an official cost letter, you should request one from your employer’s human resource office. Eligibility and cost calculations are governed by the Code of Virginia and are subject to change.**



PURCHASE OF PRIOR SERVICE (PPS) PROVISION CHANGES EFFECTIVE JANUARY 1, 2017

Access Employees' Prior Service Reports

Log into

myVRS Button on the Internal Dashboard

Employer Options Tab

Go to the dropdown menu with the names of all available reports to view the following reports.
Reports can be exported as Excel, CSV or PDF documents.

Refunded Service Eligible for Purchase

This report identifies your employees who have refunded service in their records* eligible for purchase.

It includes the following information:

- **Employee ID**
- **Employee name**
- **Start and end dates when the service occurred**
- **Number of months eligible for purchase**

* The report may not reflect employees who have refunded service before 1989. For research assistance, call VRS at 888-827-3847.

Eligible Service Other Than Refunded

This report identifies your employees who have previously applied to VRS to purchase other types of eligible service (e.g., military service, public service), but who have not made the purchase.*

It includes the following information:

- **Employee ID**
- **Employee name**
- **Type of service (public, military, etc.)**
- **Start and end dates when the service occurred**
- **Number of months eligible for purchase**

* The report does not reflect employees who are in a current agreement to purchase service, or who have prior service not previously reported to VRS.

View these reports and communicate directly with those employees who have service available to purchase, letting them know that they may want to consider making the purchase before the provisions change in 2017.

In addition, make all employees aware that the cost of purchasing service credit may increase in 2017, and the number of months eligible for purchase may be limited for some types of service.

To assist you, VRS has developed a number of sample messages and background materials on PPS in this **Prepare Now for Tomorrow** toolkit.

In addition, employees can log into their myVRS accounts to estimate the costs of purchasing refunded service, using the Refunded Service Comparison Estimator.