

QUICK FACTS

Purchase of Prior Service

If you have eligible service from previous public employment, active duty military service, certain types of authorized leave or VRS refunded service, you may be able to purchase a portion of this service as credit in your plan.

Prior service credit counts toward time needed to become vested, and may increase your future benefit or allow you to qualify for retirement at an earlier date. Prior service credit also counts toward the health insurance credit, if offered by your employer. The health insurance credit is a tax-free benefit in retirement that provides you with a reimbursement to assist with the cost of your health insurance premiums. Please see www.varetire.org for additional information regarding the impact of purchase of prior service on benefits.

Question	Answer
What is Service?	Service is the period of time you are working in a covered position. You earn service credit for each month you are reported in a covered position.
What is Prior Service?	Prior service is a period of previous public employment, active duty military service or certain types of authorized leave. If you were previously employed in a covered position and took a refund of your member contributions and interest, the service represented by the refund also is considered prior service.
What Does Purchasing Prior Service Credit Mean?	Service credit is a retirement asset. When you purchase prior service, you are converting eligible prior service into a retirement asset in your plan under VRS.
What Are the Rules for Purchasing Prior Service?	<ul style="list-style-type: none"> • You must be an active member to purchase prior service. If you are on leave without pay, you also may be eligible; contact your human resource office for more information. • Except for some types of active duty military service, the service you purchase must not be used toward eligibility for or in the calculation of a retirement benefit from another system. The former retirement system must certify that you have no account balance or are otherwise no longer eligible for a benefit under their system. • If you apply for and are approved to purchase multiple service periods, you must purchase the most recent period first. VRS cannot make any exceptions to this policy.
What Are Portability Agreements?	If you are a VRS Plan 1 or VRS Plan 2 member and have service credit in the local defined benefit plan with the County of Fairfax, City of Charlottesville, City of Danville, City of Newport News, City of Norfolk, City of Richmond or City of Roanoke, you may be eligible to transfer your assets in that plan to the VRS. You must be employed in a VRS Plan 1- or VRS Plan 2-covered position and you must be vested to a retirement benefit in your former plan. The amount of actual service that will transfer is determined based on actuarial formulas. Your previous employer will determine the amount of assets eligible for transfer. VRS will determine the amount of prior service credit the transferred assets will purchase. In some cases, not all of your service with your prior plan will port into VRS. If not, you may be eligible to purchase up to eight years of the unconverted (non-ported) service. Hybrid Retirement Plan members are ineligible for ported service.

Question

Answer

What Types of Prior Service May Be Purchased?

You can purchase the following types of prior service:

Active duty military service. You can purchase up to 48 months of active duty military service. Active duty military service means full-time service of at least 180 consecutive days in the Army, Navy, Air Force, Marines, Coast Guard or reserve components. Except in cases where the service was with the Armed Forces Reserves or the National Guard you may not purchase the service if it will qualify you for a military pension or will be used to qualify you for a benefit under another retirement plan.

Full-time salaried federal service. This is service in a civilian position with the federal government. You may purchase up to 48 months of service.

Full-time salaried public service other than previous VRS service. This is service with a public employer or a school system of another state or United States territory, or with a Virginia public employer that does not participate in VRS. You may purchase up to 48 months of service.

Non-covered service with a VRS-participating employer. If you worked in a temporary, part-time or other non-covered position for an employer that participates in VRS, you may be eligible to purchase this service. You may purchase up to 48 months of service.

Approved leave for the birth, adoption or death of a child. You must be on leave from a VRS-covered position. If your spouse is also an active VRS member and was also granted leave for birth, adoption or death of a child, he or she also may purchase this leave. You may purchase up to 12 months of leave taken per birth, adoption or death of a child, up to 48 months total.

Approved educational leave. You must be on leave from a VRS-covered position. You may purchase up to 48 months of service.

VRS refunded service. If you leave covered employment and take a refund of your defined benefit member contributions and interest, your VRS membership and eligibility for any future VRS benefits will be canceled. If you return to covered employment, you can purchase up to the full amount of the service represented by the refund.

No-cost military leave. You can receive prior service credit at no cost for each occurrence of leave from a covered position for active duty military service. You can apply for no-cost military leave at any time, provided your discharge is other than dishonorable and you return to covered employment within one year of discharge.

Workers' compensation. If you are on disability receiving only a workers' compensation benefit and retirement contributions are not being withheld from this payment, you may be eligible to purchase service credit for this period.

Question

Answer

What Are the Eligibility Periods and Cost?

Please note that all eligibility and cost calculations are governed by the *Code of Virginia* and are subject to change.

Refunded Service. The cost for VRS Plan 1 and 2 members who are eligible to purchase VRS refunded service is the higher of 5 percent of creditable compensation or average final compensation. For Hybrid Retirement Plan members, it is the higher of 4 percent of creditable compensation or average final compensation.

VRS Plan 1. You have a three-year window from the date of hire or return from leave to purchase service at the higher of 5 percent of your creditable compensation or average final compensation. If you purchase service through a payroll deduction agreement, your cost will be based on your creditable compensation, even if your average final compensation is higher.

VRS Plan 2. You have a one-year window from the date of hire or return from leave to purchase service at the approximate normal cost rate. The cost rate is applied to the higher of your compensation or average final compensation. If you purchase service through a payroll deduction agreement, your cost will be based on your creditable compensation, even if your average final compensation is higher.

Hybrid Retirement Plan. You have one year from your date of hire or return from leave to arrange to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.

VRS Plan 1, VRS Plan 2 and Hybrid Retirement Plan: After Your Eligibility Period. If you purchase prior service after your eligibility period, your cost will be based on an actuarial equivalent rate. This rate represents the amount of money needed in today's dollars to fund the increase in your future retirement benefit or earlier retirement eligibility date resulting from purchasing prior service.

Question

Answer

How Can I Apply?

If you are interested in purchasing prior service, begin the process with your current employer's human resource office. For most types of service, no application to VRS is necessary. For certain types of service an application to VRS will be necessary. Your human resource office will be your best source of information on how to apply for purchase of prior service.

Application Requirements: You may generate an estimate of your cost of prior service online at www.varetire.org/calculators. If you are a VRS Plan 1, VRS Plan 2 or Hybrid Retirement Plan member and wish to obtain an official cost letter, you may request one from your employer's human resource office.

- The previous employer with which you earned the following types of service must certify your prior service:
 - No-cost military leave (a copy of your DD214 or a copy of your orders for National Guard service may be required)
 - Full-time salaried federal service or other public service (certification from your previous retirement system also is required)
 - Non-covered service with a VRS-participating employer
 - Leave for the birth, adoption or death of a child
 - Educational leave
- Certification from your previous employer is not required for active duty military service. However, you must provide a copy of your DD214 or a copy of your orders for National Guard service to your current employer.
- Your current employer will certify VRS-refunded service or periods of workers' compensation.

7-2016

Changes to Purchase of Prior Service Requirements *effective January 1, 2017*

Legislation passed in the 2015 Virginia General Assembly will change purchase of prior service provisions, beginning January 1, 2017. The changes will simplify the purchase of prior service provisions for all members and ensure that the purchase cost more closely reflects the actual cost of providing the benefit in retirement.

If you have periods of eligible prior service that you can buy back, you may want to determine if you want to make the purchase before January 1, 2017. Prior service credit counts toward the years needed to become vested, eligibility for retirement and the health insurance credit.

In some cases, the cost of purchasing service credit may increase for some members and the number of months eligible for purchase for some types of service may be limited. For more information about purchasing prior service, visit www.varetire.org/pps or contact your human resource office.