

VRS Quick Facts

Purchasing 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 this service as credit in your plan.

Prior service credit counts toward the five years needed to become vested and eligibility for retirement, 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. This a tax-free benefit in retirement that helps defray the cost of health insurance premiums for single coverage under qualifying health plans.

Example

Burt came to covered state employment on February 1, 1985 after two years with the FBI. His unreduced retirement eligibility date is February 1, 2015 when he will be age 55 and have 30 years of service credit. The following scenarios show how Burt could retire earlier or increase his benefit if he purchased his prior federal service:

Qualifying for Retirement Earlier	<i>Without the purchase</i>	<i>With the purchase</i>
Average final compensation	\$45,000	\$45,000
Service credit earned under VRS	30 years	28 years
Purchased prior service credit	0 years	2 years
Total service credit	30 years	30 years
Unreduced retirement date	02/01/2015	02/01/2013
Monthly benefit	\$1,912.50	\$1,912.50
Age	55	53

Increasing the Retirement Benefit	<i>Without the purchase</i>	<i>With the purchase</i>
Average final compensation	\$45,000	\$45,000
Service credit earned under VRS	30 years	30 years
Purchased prior service credit	0 years	2 years
Total service credit	30 years	32 years
Retirement date	02/01/2015	02/01/2015
Monthly benefit	\$1,912.50	\$2,040.00
Age	55	55

What is Service?

Service is the period of time you are working in a covered position. You accrue credit for service at the rate of one month of service credit for each month you are on the job.

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 Mean?

Service credit is a retirement asset. It has monetary value when it is used to calculate your retirement benefit or if you take a refund of your member contributions and interest. When you purchase prior service, you are converting eligible prior service into a retirement asset in your plan under VRS.



What Are the Rules?

- 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 to qualify you for a benefit under another retirement plan.
- If you apply for and are approved to purchase multiple service periods, you must purchase the most recent period first.

Eligibility Periods and Cost

Plan 1. If you purchase prior service within three years of becoming eligible, your cost will be based on 5 percent of your compensation or average final compensation at the time of purchase, whichever is higher. If you purchase service through a payroll contract, your cost will be based on your compensation, even if your average final compensation is higher.

Plan 2. If you purchase prior service within one year of becoming eligible, your cost will be based on an approximate normal cost rate as a percentage of your compensation or average final compensation at the time of purchase, whichever is higher. If you purchase service through a payroll contract, your cost will be based on

your compensation, even if your average final compensation is higher. Approximate normal cost is the average cost of one year of VRS service credit; rates vary depending on your retirement plan.

After Your Eligibility Period - Plan 1 and Plan 2. 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.

Have Eligible Prior Service?

- Compare the enhancement to your retirement against the cost to purchase prior service. For benefit estimates, contact your human resource office or call VRS toll free at 1-888-VARETIR (1-888-827-3847). If you are in Plan 1, you also can create estimates through *myVRS*. To log in or create a secure online account, select *myVRS Access* from www.varetire.org.
- Learn more about purchase of prior service and how to apply at www.varetire.org (select the Member homepage) or by referring to your *Handbook for Members*, also available at www.varetire.org.

Eligible Types of Prior Service and Payment Methods

If you have the following prior service, you may purchase up to 48 months of each type:

- Active duty military service
- Full-time salaried federal service
- Full-time salaried public service other than previous VRS service
- Non-covered service with a VRS-participating employer
- Approved leave for the birth or adoption of a child
- Approved educational leave
- Non-ported service

You also can purchase up to the full amount of VRS refunded service, apply for no-cost military leave or convert unused sick leave at

retirement to service credit, if you are eligible. Contact your human resource office for more information.

Payment Methods:

- Lump-sum payment through a personal check, trustee-to-trustee transfer of funds or pre-tax rollover of funds
- After-tax payroll deduction contract or pre-tax salary reduction contract, if you are within your eligibility period
- Combination lump-sum and contract methods