



## **FPPA**

### **Service Credit for Previous Employment**

*For members of the FPPA Defined Benefit System*

FPPA members may be granted service credit under the Statewide Defined Benefit (SWDB) Plan, including the Statewide Defined Benefit Plan Supplemental to Social Security (SWDB-SS), the Statewide Hybrid (SWH) Plan, or the Colorado Springs New Hire Pension (CSNHP) Plan, for prior eligible employment with a non-FPPA employer or prior military service if certain conditions are met.





## 5 Questions to Review

1. Why is service credit important?
2. How is the cost of service credit calculated?
3. How much service credit can I purchase?
4. What documentation is required?
5. What funds can be used to purchase service credit?
6. What is the application process?

After reading through this brochure if you have questions call one of our **FPPA Retirement Coordinators - Ext. 6400** at one of the phone numbers below.

## **FPPA** Fire and Police Pension Association of Colorado

(303) 770-3772 in the Denver Metro area

(800) 332-3772 toll free nationwide

Fax (303) 771-7622

FPPAco.org or JoinFPPA.org

## Why is Service Credit important?

A service credit represents one month of employment with an FPPA covered employer. Service credit is important because a member's FPPA defined benefit retirement is based on ALL service credit a member has accumulated – the more service credit, the greater the defined benefit. Service credit can be earned, by working for an FPPA covered employer, or granted by a rollover, transfer, or payment of funds from another source. A service credit purchase allows a member to consolidate multiple retirement assets into one plan.

*This application process is initiated by the member.*

FPPA recommends you speak with a financial advisor if you are unsure if purchasing service credit is right for you. Consider the following:

- How much will your defined benefit increase as a result of being granted service credit for previous employment?
- How long will it take you in retirement to recoup your initial investment?
- What would you forfeit by requesting money out of an old retirement plan?
- What account or source are you planning to use?
- Was the prior employment considered public or private and was it concurrent with any FPPA covered employment?
- Have you contacted an FPPA retirement coordinator to understand what your options are?

## How is the cost of service credit calculated?

Generally speaking, the cost of service credit increases as the member ages (up to age 55) and as the member's salary increases. For the SWDB Plan and the SWH Plan the salary used to calculate the cost of service credit is the highest pensionable earnings (base salary) for any calendar year in the plan. The salary used for members of the CSNHP Plan is the Final Average Salary (FAS) which is basically the average of the member's last 39 payroll periods.

**Please refer to FPPA's website for a calculator to help estimate the cost of service credit.** The estimate calculator is located at [www.JoinFPPA.org](http://www.JoinFPPA.org). Click "What is Partial Entry?" and select the Partial Entry Benefit Calculator. Current active members can run estimates using their account information and membership data by logging in to the Member Account Portal (MAP).

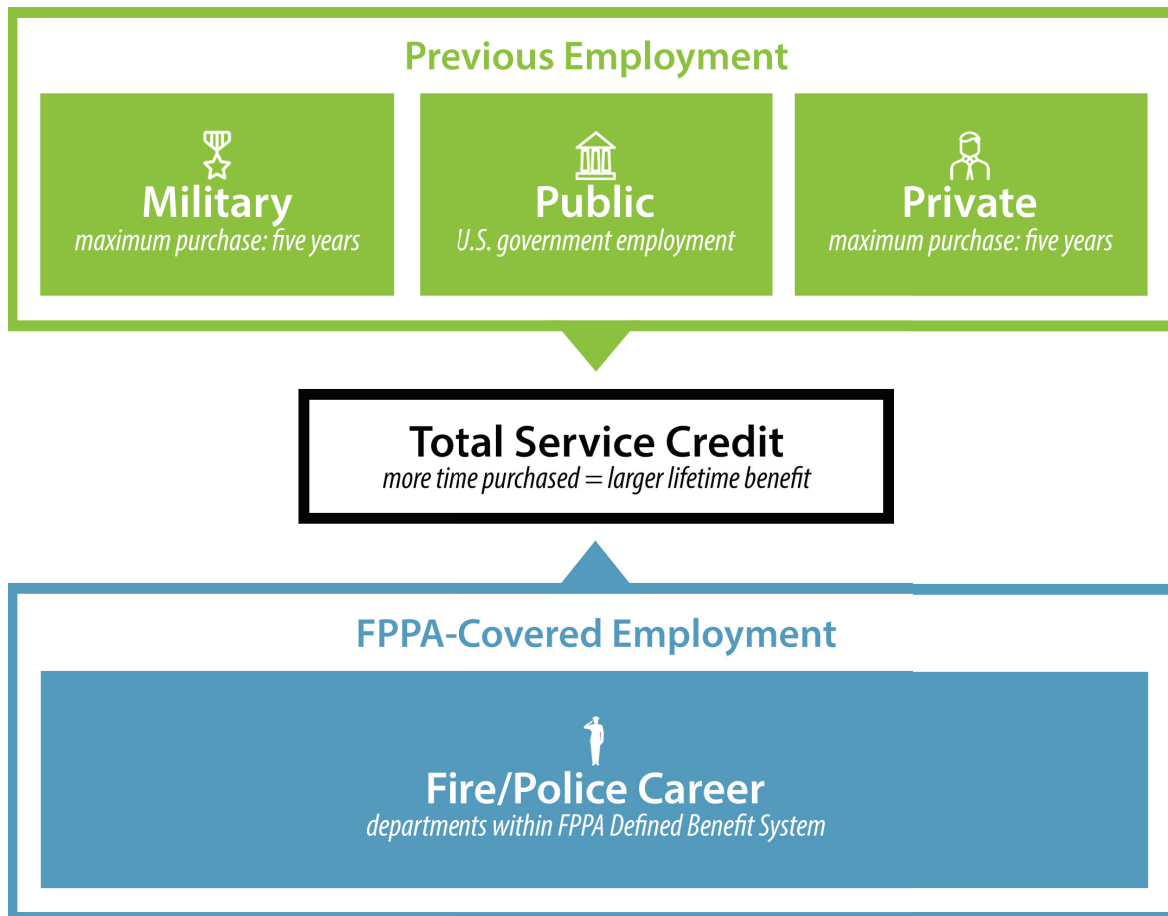
**You are welcome to contact FPPA and speak to a Retirement Coordinator to help assess your service credit purchase options and estimated cost.**

**Payment for the service credit purchase:** Must be made in a lump sum, in the amount equal to the actuarial cost of that service. Service credit will not be granted until FPPA has approved the request and full payment has been received. Payment in full must be received by FPPA no later than the member's DROP entry date or the last day of active service in the SWDB Plan, SWH Plan, or CSNHP Plan, whichever is earlier.

### 3 How much service credit can I purchase?

FPPA members are able to purchase service credit for time worked in the following types of previous employment:

- **Public employment** within the United States not covered under the SWDB Plan, the SWH Plan, or CSNHP Plan. *Eligible time to purchase:* as much time as you worked with a previous public employer.
- **Private employment** includes any service or employment within the United States that does not meet the definition of “public employment”, except military service. *Eligible time to purchase:* maximum of 5 years.
- **Military Service** is defined as active duty in the Uniformed Services of the United States and can include reserve service. *Eligible time to purchase:* maximum of 5 years.



**Other requirements:**

- A member cannot purchase the same month twice, even if there is overlap with previous employment.
- Retirement funds associated with previous employers must be exhausted first – before other assets are used.
- Private Employment: Purchase requires 5 years of service in the plan with the same employer.
- Public Employment and Military: Purchase requires 1 year earned in the defined benefit plan with the same employer.

**Special rules for departmental plan conversions (also referred to as Reentry):**

A reentry member is eligible to purchase service credit for previous public & military employment if the member has at least 1 year of service with the same employer prior to reentry, or 1 year with a previous employer covered by the FPPA plan.

## 4 What documentation is required?

The following is the specific documentation required to purchase service credit:

- Application to purchase service credit
- If the purchase is for military service, include:
  - A copy of the Military Discharge Papers (DD Form 214)
- Part-time employment: Provide dates of employment and proof of income received plus Social Security summary or W2's.

## 5 What funds can be used to purchase Service Credit?

FPPA service credit can be purchased using tax-deferred (pre-tax) or post-tax money from certain plans as allowed by the Internal Revenue Code (IRC) or from a member's checking or savings account. If a member has an account in one of the following plans and wants to use it to fund all or part of the service credit cost, the member will need to contact the plan administrator to ensure a distribution can be made from that plan and received by FPPA no later than the due date established by FPPA. If the remaining balance is not paid, the member will be granted service credit based on the dollar amount received by FPPA.

Tax-deferred money from the following plans may be used:

- **401(a) plans:** Many public and private sector defined benefit and defined contribution pension plans are qualified under IRC section 401(a).
- **401(k) plans:** These plans are set up by many private sector employers and a few public sector employers for employees to invest tax-deferred dollars for retirement.
- **457(b) Governmental Deferred Compensation plans:** These plans are set up under IRC section 457 by many public sector employers (usually states or municipalities) for employees to invest tax-deferred dollars for retirement.
- **403(b) Tax Sheltered Annuities:** These plans are set up under IRC section 403(b) by many educational institutions and non-profit employers for employees to invest tax-deferred dollars for retirement.
- **Traditional IRA, SEP-IRA, SIMPLE IRA:** Please consult the Individual Retirement Account (IRA) custodian to ensure eligibility of these funds.

**Post-tax money from a personal checking or savings account:** Funds from a personal checking or savings account may also be used to be granted service credit for previous employment or military time.

The following may not be used:

- Roth IRA
- Designated Roth Account (401(k), 403(b) or 457(b))
- Coverdell Educational Savings Account, 529 Plans, or any other college savings accounts
- Health Savings Accounts (HSA's)

## 6 What is the application process?

- Login to your Member Account Portal. (Available once FPPA receives your first payroll contribution.)
- Locate the Service Credit Purchase Application, located under the Member Accounts Tab
  - If this is your first purchase, you will need to purchase the time with your current employer using your SWH-MP account first
  - If you have already completed a purchase using your SWH-MP transfer account, you can complete another purchase using other funds (457(b), IRA, 401(k), etc) and/or purchase time with another previous employer.
- Complete the online application
- Application is submitted to FPPA Staff for processing
- Once your application has been approved;
  - FPPA staff will request the funds if you are using a FPPA Fidelity account for the purchase (SWH-MP, FPPA 457, SWMP)
  - FPPA will email a Cost Approval Letter to your email address on file. This letter details the cost of your purchase and provides direction to your financial institution to have the funds transferred to FPPA. You must request the funds, FPPA Staff cannot request the funds on your behalf. Funds must be received within 60 days from your purchase date.
- Once the funds are received by FPPA the funds and service credits purchased will be credited to your account.
- FPPA will email a Confirmation letter providing details of the transaction.

This brochure is for informational purposes only and provides plan language information about FPPA's Granting of Service Credit for Previous Employment. More specific information can be found in the Colorado Revised Statutes, the FPPA Rules & Regulations, the Statewide Hybrid Plan Rules & Regulations, and the Colorado Springs New Hire Pension Plan Rules & Regulations. Those documents can be found at [FPPAco.org](http://FPPAco.org) or copies can be obtained by contacting FPPA.

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