



A Guide to Service Purchases

Purchasing service for additional retirement credit

Members of the San Francisco Employees' Retirement System (SFERS) can purchase certain periods of eligible service for additional credit toward retirement. This is a service purchase. You are eligible to purchase service if you are a:

- Current active SFERS member;
- Former SFERS member who is vested, but not yet receiving a benefit; or
- Former SFERS member who has left City employment ("City" includes SFUSD, SFCCD, and Superior Court), elected reciprocity, maintains reciprocal service on account with SFERS and a reciprocal plan, and is not yet receiving benefit payments from either plan.

Service that may be purchased for retirement credit with SFERS

- 1) **Prior Service with the City as a Temporary/Provisional Employee:** eligible time when you worked for the City before becoming a SFERS member. Periods of unpaid employment, e.g., unpaid leave, are not eligible for purchase as prior service, and Safety members must be enrolled in a Miscellaneous plan to purchase Prior Service. Purchasing periods of prior service may jeopardize reciprocal benefits if such service is concurrent with service with the prior reciprocal agency. If you purchase this service, the retirement benefit that you receive for it is based on Miscellaneous Plan benefit provisions – San Francisco Administrative Code Section 16.29-15.11.
- 2) **Redeposited Plan Service:** replacement of retirement funds previously withdrawn from SFERS for periods of prior membership. You have a maximum of three (3) years to complete a redeposit – San Francisco Administrative Code Sections 16.47 and 16.48. Safety members must redeposit contributions for periods of prior Safety service.
- 3) **Unpaid Parental Leave:** service for periods of unpaid parental leave before July 1, 2003, while a member of SFERS, up to a maximum of four (4) months if you returned to work for at least six months immediately after the expiration of your unpaid parental leave – San Francisco Charter Sections A8.523 through A8.523-5.
- 4) **Qualifying Public Service:** service rendered with the federal government (both civilian and military), the State of California, or other California public agency before SFERS membership – San Francisco Administrative Code Sections 16.55-1 through 16.55-4.
- 5) **Military Service During City Employment:** service with the armed forces during times of war or conflicts: (i) while a member of SFERS; or (ii) after you were reached for certification off a San Francisco civil service eligible list for a Permanent Civil Service (PCS) appointment and entered into City employment within one year of discharge from military service – San Francisco Charter Sections A8.520 and A8.521.
- 6) **Union Representative Service:** service as a full-time employee representative for a recognized City employee organization while a member of SFERS on a leave of absence from a City position – San Francisco Charter Section A8.519. (SFERS cannot accept direct payments from labor organizations to purchase union representative service on behalf of one of its employees.)
- 7) **P103 Per Diem Nurse (RN) Service:** Qualifying time as a P103 Per Diem Nurse (Registered Nurse) before becoming a SFERS member (up to three years) – San Francisco Charter Section A8.524

Working today for a secure tomorrow...Discover the benefits of SFERS!

This guide is not a substitute for the law and is not legal advice. In the case of a conflict between this guide and the law, the law takes precedence.



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Frequently Asked Questions

1. How will purchasing eligible service benefit me?

Your service purchase is added to your total years of credited service under your membership plan. Your total years of credited service are used to calculate your monthly pension amount at retirement. As a general rule, if you retire for service, increasing your years of credited service will increase your retirement allowance.

Purchasing service will not change your membership date. Please visit the SFERS website at www.mySFERS.org and log in to mySFERS for your Plan and membership details.

Your service purchase payments are credited to your SFERS member account balance. If you separate from City employment and elect a vesting allowance, your monthly benefit will be based on your SFERS member account balance. As a general rule, the contributions you make to your SFERS member account from the service you purchase will increase the vesting allowance payable to you when you retire.

2. When am I eligible to purchase service?

You may purchase eligible service at any time before you retire, however, the purchase must be completed before your retirement date.

3. How long do I have to complete my service purchase?

Most types of eligible service may be purchased in fiscal year increments. Service must be purchased in reverse chronological order, starting with your most recent period of purchasable service and continuing through the oldest period. The term of the purchase agreement is governed by the Charter and Administrative Code provisions applicable to the particular service being purchased.

Please note that purchase agreements using pre-tax payroll deductions cannot exceed 78 pay periods or three years. If you require more than 78 pay periods to complete the purchase, then you must enter into a new agreement for the additional time, and SFERS will recalculate the cost of the purchase for each new agreement.

4. How is the cost of my service purchase calculated?

- Your service purchase cost is the amount of contributions equal to the years of service being purchased plus interest.
- If you purchase **Prior City Service**, your cost is the amount of contributions you would have paid, plus interest earned on those contributions, had you been eligible to participate as a SFERS member. The full balance of the contributions you purchase for each year of prior service.
- In the case of **Redeposited Plan Service**, interest accrues from the date you withdrew your contributions through the date such contributions are fully repaid to SFERS.
- For the cost of purchasing Union Representative Service, you must pay your contributions, plus interest, plus the City's contributions.

You have two ways to purchase additional service if you served in the Military. Please refer to the *Application to Purchase Military Service* (During City Employment or After Being Reached for Certification of a Civil Service Eligible List) and the *Application to Purchase Public Service* (Including Military Service Before City Employment) for an explanation of the cost.

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5. What are my payment options?

Payment Options Using Pre-Tax Dollars Include:

- An agreement for pre-tax payroll deductions for the entire amount specified under the purchase agreement (Pre-tax payroll deductions cannot be used to pay for unpaid parental leave or union representative service)
- A direct rollover of pre-tax dollars into SFERS from another tax-qualified retirement plan

Payment Options Using After-Tax Dollars Include:

- A lump sum payment of the total amount using after-tax dollars
- A partial lump sum payment using after-tax dollars
- An agreement for after-tax payroll deductions for the entire amount

Tax-Deferred Rollovers:

- For most service purchase payments, SFERS accepts tax-deferred rollovers from other tax-qualified retirement plans (e.g., 401(a), 403(b), 401(k) and traditional IRAs, etc.), including a transfer of funds from the City's Deferred Compensation Plan.
- Ongoing pre-tax payroll deduction agreements cannot be discontinued or changed to take advantage of these payment methods. Once an existing pre-tax payroll deduction agreement is completed, however, you can pay off any remaining balance through a tax-deferred rollover or transfer from another tax-qualified plan.

You can use a combination of the payment options listed above, subject to the purchase restrictions described on the following page.

6. Are there restrictions on Service Purchases?

You can establish a purchase agreement using pre-tax or after-tax dollars for:

- Prior Service with the City as a Temporary/Provisional Employee
- Redeposited Plan Service
- Qualifying Public Service
- Military Service
- P103 Per Diem Nurse (RN) Service

You cannot establish an agreement for pre-tax payroll deductions to purchase Unpaid Parental Leave or Union Representative Service.

You can purchase Unpaid Parental Leave or Union Representative Service using after-tax dollars or a direct rollover from another tax-qualified plan.



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7. How do I pay for a Service Purchase?

- When purchasing service in lump sum, the adjustment is posted to your retirement account immediately.
- When purchasing service through payroll deductions, the service will be credited to your retirement account once the purchase agreement is completed. However, the contributions you pay toward service will be credited to your SFERS account as they are paid.
- If you terminate City employment, elect to retire, or die before completing your service purchase agreement, the portion of service purchased through the date of your termination, retirement, or death will be credited to your SFERS account.
- Safety members must complete the redeposit of withdrawn safety contributions before electing retirement.
- For both pre-tax and after-tax purchase agreements, the minimum payroll deduction is \$50.00 biweekly, or \$108 per month. In cases where the periodic interest under the agreement exceeds the minimum payment, the payroll deduction will equal at least the periodic interest plus \$5.00. In addition, the minimum term of a payroll deduction agreement is six pay periods.
- For pre-tax or after-tax purchase agreements, SFERS must approve, on a case-by-case basis, any request for a payroll deduction greater than 25% of your regular pay.
- If you go on unpaid leave and are paying under an agreement using after-tax dollars through payroll deductions, you may continue your agreement by making direct payments to SFERS while on unpaid leave. If you are making payments using pre-tax dollars through payroll deductions, your payments will be suspended until you return to paid status. Under the terms of the pre-tax agreement, you cannot make direct payments to SFERS during a period of unpaid leave.

8. What are the differences between pre-tax and after-tax service purchases?

Purchasing service using **pre-tax payroll deductions** reduces your reportable taxable income. Like other pre-tax payroll deductions, pre-tax service purchase deductions are taken out from your gross income before federal and state taxes. Your pre-tax contributions will be taxed when they are paid out in retirement benefits or in a refund upon separation from City employment. However, you can defer the taxability of your refund if you elect to have your refund rolled over directly to another tax-qualified plan.

To qualify for pre-tax payroll deductions, you must enter into an agreement with SFERS subject to the following:

- All payments must be made through payroll deductions;
- ***The service purchase agreement using pre-tax payroll deductions is irrevocable.*** You cannot start the service purchase agreement with pre-tax payments and later switch to after-tax payments. You also cannot change or terminate your service purchase agreement if you have elected to make payments through pre-tax payroll deductions, even if you have a family illness or financial hardship. As long as you are receiving a paycheck from the City, pre-tax deductions will be taken during the term of the purchase agreement.; and
- You cannot start a pre-tax purchase agreement and later change the amount, term, or timing of the payments, or stop the payments altogether regardless of personal or financial hardship.

Purchasing service with **after-tax dollars** allows for greater flexibility under federal tax laws and SFERS policies. You can start an after-tax purchase agreement and later change the amount, term, or timing of the payments, switch the agreement to a pre-tax purchase agreement, or stop the purchase agreement altogether.

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Please note that payments made under a service purchase agreement cannot be refunded. If you terminate an after-tax purchase agreement before the agreement is paid in full, the portion of service purchased through the date of your cancellation of the after-tax agreement will be credited to your SFERS account. SFERS may set limitations on changes to after-tax purchase agreements.

Starting your service purchase:

- 1) Log in to mySFERS secure member portal on the SFERS website.
- 2) Select the “Service Purchase” tab. If you have Prior Service or Redeposit of Withdrawn Contributions that is purchasable, the years of service available for purchase and the cost to purchase that service will be displayed. Select the box for the type of service you want to purchase to access the applicable application form.
- 3) To initiate a service purchase, schedule an appointment with a Retirement Counselor. During your appointment, the counselor will review the legal provisions and limitations of the purchase agreement.

If you have purchasable service for **Unpaid Parental Leave, Public Service, Military Service, Union Representative Service, or P103 Per Diem Nurse Service**, you must first submit the applicable Service Purchase Request Form to verify the service is eligible for purchase. To purchase this service:

- 1) Log in to mySFERS secure member portal on the SFERS website;
- 2) Select the Service Purchase tab;
- 3) Select the box for the type of service you want to purchase to access the applicable application form; and
- 4) Download, complete, and submit the application according to the instructions specified.

For complete provisions regarding SFERS service purchases, please refer to the applicable San Francisco Charter and Administrative Code sections referenced on page 1 of this Guide to Service Purchases.