

Title 27: Personnel

Part 210: PERS, Regulations for Retirement Plans Administered by the Board of Trustees

Chapter 64: Purchase of Service Credit in the Public Employees' Retirement System at Actuarial Cost

100 Purpose

The purpose of this regulation is to specify the terms, conditions, and cost of purchasing service credit as allowed by law at actuarial cost as provided in Miss. Code Ann. § 25-11-103(z) and § 25-11-109 (1972, as amended).

101 Eligibility to purchase allowable service credit

A vested member of the Public Employees' Retirement System of Mississippi (PERS), whether active or inactive, may purchase eligible service at actuarial cost, provided the member has entered or reentered state service after completion of the service to be purchased. A member is vested if he or she has the required number of years of membership service to receive a service retirement allowance at age 60.

102 Purchasing eligible out-of-state service

1. Public service that qualifies as eligible out-of-state service includes service as a public employee in (i) another state, (ii) political subdivision of another state, (iii) public education system of another state, (iv) governmental instrumentality of another state, or (v) service rendered as a teacher in American overseas dependent schools conducted by the Armed Forces of the United States for children of citizens of the United States residing in areas outside the continental United States.
2. The service in an eligible governmental entity must satisfy the requirements for membership in PERS as outlined in PERS Board Regulation 36, *Eligibility for Membership in PERS*, except for the requirement that the employment be in the state of Mississippi or a public education system of the state or a governmental instrumentality of the state.
3. A member may not establish out-of-state service for any period of time that the member has previously been awarded service credit under PERS.
4. Service credit for out-of-state service is awarded in the same manner that it would have been awarded if the service had been covered under PERS.
5. To be eligible to purchase out-of-state service, the member must have entered or reentered state service after completion of the out-of-state service to be purchased. Out-of-state service performed after the member withdraws from covered public service or retires does not qualify for purchase under this section. In no case shall out-of-state service be eligible for purchase for any period in which the member was drawing a retirement allowance.
6. To be eligible to purchase out-of-state service, the member must furnish the following from the out-of-state public employer and out-of-state public

retirement system: (i) documentation from the employer showing the position held, the employment classification of the position held, and the dates of service performed and (ii) certification from the out-of-state public retirement system that the member is not receiving nor will be entitled to receive benefits from the out-of-state public retirement system on the basis of the out-of-state service being certified to PERS.

7. The member must have received a full refund of all contributions, if any, to his or her credit in the out-of-state public retirement system to be eligible to establish out-of-state service, including distributions from an optional retirement plan, for which the member is seeking to purchase service.
8. A maximum of five years of creditable service may be purchased based on out-of-state public employment.

103 Purchasing eligible professional leave

1. An eligible employee who has received professional leave without compensation for professional purposes directly related to his or her employment in state service may be eligible to purchase such service at actuarial cost.
2. The professional leave must be or have been performed with a public institution or public agency of this state, or another state or federal agency.
3. A member may not establish credit for professional leave for any period of time that the member has previously been awarded service credit under PERS.
4. Service credit for professional leave is awarded in the same manner that it would have been awarded if the service had been covered under PERS.
5. The employee must provide documentation from the employer showing (i) the reason the employer had for granting the leave and (ii) that a determination has been made by the employer that the professional leave will benefit the employee and employer.
6. Professional leave granted after the member withdraws from covered public service or retires does not qualify for purchase under this section. In no case shall professional leave be eligible for purchase for any period in which the member was drawing a retirement allowance.
7. To be eligible for purchase, (i) the professional leave may not have exceeded two years within any 10-year period of state service and (ii) immediately following the termination of the professional leave, the employee must have served the employer on a full-time basis for a period of time equivalent to the professional leave period granted.

104 Purchasing eligible non-covered service

1. An eligible employee may purchase certain non-covered service with a public entity of the state. Service that may be purchased includes: (i) any service rendered as an employee of any political subdivision of the state, or any instrumentality thereof, that does not participate in PERS; (ii) any service rendered as an employee of any political subdivision of the state, or any instrumentality thereof, that participates in PERS but did not elect retroactive coverage; or (iii) any service rendered as an employee of any political

- subdivision of the state, or any instrumentality thereof, for which coverage of the employee's position was or is excluded.
2. Service with an eligible governmental entity must satisfy the requirements for membership in PERS as outlined in PERS Board Regulation 36.
 3. A member may not establish credit for non-covered service for any period of time that the member has previously been awarded service credit under PERS.
 4. Service credit for non-covered service is awarded in the same manner that it would have been awarded if the service had been covered under PERS.
 5. To be eligible to purchase non-covered service, the member must have entered or reentered state service after completion of the non-covered service to be purchased. Non-covered service performed after the member withdraws from covered public service or retires does not qualify for purchase under this section. In no case shall non-covered service be eligible for purchase for any period in which the member was drawing a retirement allowance.
 6. To establish eligibility to purchase non-covered service, the employee must:
 - a. Provide documentation to demonstrate that the employment would have been eligible for coverage under PERS had the position been covered at the time by a joinder agreement and
 - b. Provide documentation of the employment including the dates of service, the salary or wages earned, and the number of hours worked per week or per month.
 7. A maximum of 10 years of creditable service may be purchased based on non-covered public service in the state, except in the case of retroactive coverage where either a joinder agreement or retirement law [Reference Miss. Code Ann. § 25-11-103(z) (1972, as amended)] allows for the purchase of more than 10 years.

105 Calculation of the cost of purchasing eligible service

1. The member shall pay to PERS on the date he or she is eligible for credit for such service or at any time thereafter prior to the date of retirement the actuarial cost as determined by the actuary for each year of creditable service.
2. The cost is a "point in time" determination using an actuarial calculation based on the member's service credit before the purchase, the member's service after the purchase, the member's age, and the greater of the member's current annual salary or the average of the highest four years of compensation.
 - a. Computation of cost for **active** members
 - i. An active member is an individual who is currently employed in covered employment.
 - ii. PERS will determine the member's average compensation and current annual salary based on his or her membership account.
 - iii. Using the actuarial factors for active members as provided by the actuary, PERS will determine the actuarial factor based on the member's current age and years of service and the actuarial factor based on the member's current age and years of service including the service eligible for purchase.

- iv. The difference between the two actuarial factors will be multiplied by the higher of the active member's average compensation or current annual salary as determined by PERS. The result is the total cost for the service.
- b. Computation of cost for **inactive** members
 - i. An inactive member is an individual who is no longer employed in covered employment and who has not retired or received a refund of his or her contributions.
 - ii. PERS will determine the member's average compensation from his or her membership account.
 - iii. Using the actuarial factors for inactive members as provided by the actuary, PERS will determine the actuarial factor based on the member's current age and years of service and the actuarial factor based on the member's current age and years of service including the service eligible for purchase.
 - iv. The difference between the two actuarial factors will be multiplied by the inactive member's average compensation. The result is the total cost for the service.
- 3. The cost schedule will reflect the total cost of all eligible service, as well as the cost of the individual quarter years of service credit. The member may purchase all or any part of the service prior to his or her effective retirement date with PERS. All purchases must be in not less than quarter-year increments.
- 4. If a member does not purchase the service before the date stated on the cost schedule, the cost of any remaining eligible service not purchased by the stated date will be recalculated. The cost will change as the member's age and service credited to the member's account change.

106 Subject to IRC Section 415 Limitations

Payments for the purchase of service credit at actuarial cost shall be paid in a manner consistent with any applicable limitations of 26 United States Code, § 415. For any member of PERS who became a member on or after July 1, 1999, Code § 415(c)(1) limits employee after-tax contributions to the lesser of (i) an applicable annual dollar limit or (ii) 100 percent of compensation. A member may be precluded from purchasing some or all years of service credit at actuarial cost if payments exceed applicable annual limitations on after-tax contributions.

107 Expiration of time to purchase eligible service

The purchase of all eligible service at actuarial cost must be completed by the member prior to the member's death or retirement.

108 Funds used to purchase service

Service credit at actuarial cost can be purchased using after-tax funds received directly from the member. Alternatively, such credit may be purchased using tax-deferred (pre-tax) money from certain retirement plans as allowed by the Internal Revenue Code (IRC).

1. Direct payment of funds by the member

PERS will accept funds remitted directly by the member for purchase of service at actuarial cost. These payments are not tax-deductible at the time of the purchase, but are considered after-tax contributions. These funds will be used in the calculation of the tax exclusion applied to the benefit at retirement. Treatment of the funds as after-tax contributions applies even if the source of the funds is from a retirement plan from which the member could have made a direct rollover or transfer of the funds.

2. Direct transfer or rollover of funds to purchase service

PERS will accept qualifying tax-deferred direct trustee-to-trustee transfers or rollovers from the trustee/custodian of a 401(a) or 401(k) qualified plan, IRC Section 457 deferred compensation plan, qualified 403(a) annuity, IRC Section 403(b) annuity, or distributions from an Individual Retirement Account (IRA) for the purchase of service. These funds will be treated as tax-deferred funds and will be taxed when distributed to the member.

(History: Adopted effective February 1, 2011; amended effective August 1, 2012)

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