



## **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?

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  
5290 DTC Parkway, Suite 100  
Greenwood Village, Colorado 80111

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 rate of pay (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.** It is located under the 'Calculators' area on [www.FPPAco.org](http://www.FPPAco.org), and will be moved to [joinFPPA.org](http://joinFPPA.org) in 2018. Be sure to select the appropriate calculator, either the SWDB or SWH Plan Calculator. In addition, remember to estimate what the future salary may be at the time of a future purchase. Current active members can run estimates using their account information and membership data by logging in to the Member Account Portal (MAP).

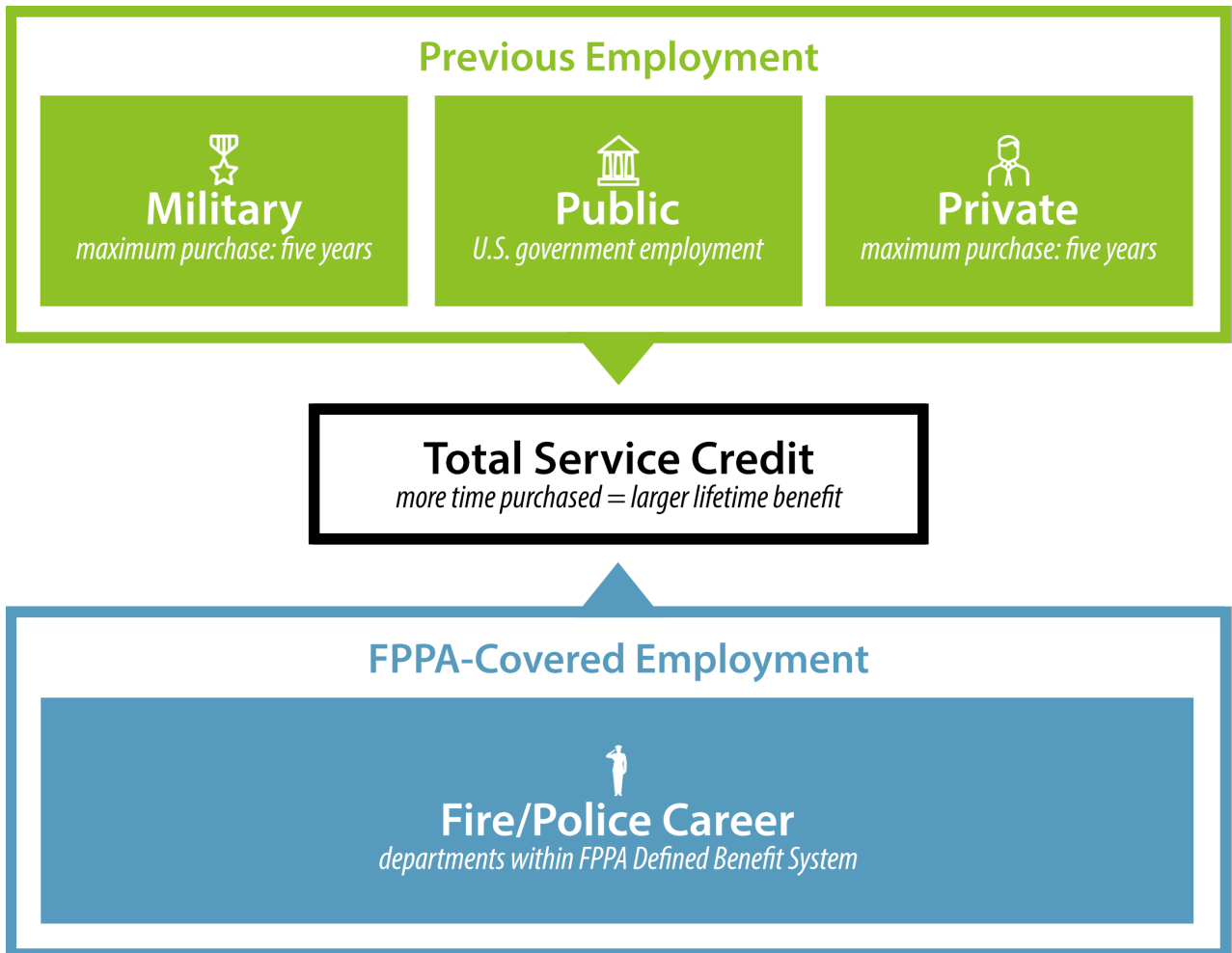
**You are welcome to contact FPPA and speak to a Retirement Coordinator to help assess your service credit purchase options and estimated cost.**

**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.

## 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.
- **Private employment** includes any service or employment within the United States that does not meet the definition of “public employment”, except military service.
- **Military Service** is defined as active duty in the Uniformed Services of the United States and can include reserve service.



### 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 previous years earned in the defined benefit plan.
- Public Employment and Military: Purchase requires 1 year earned in the defined benefit plan.
- Part-time employment: Provide dates of employment and proof of income received plus Social Security summary or W2's.

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

A reentry member is eligible to purchase service credit for previous public 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.

## What documentation is required?

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

- Application to purchase service credit
- A legible copy of the member's driver's license.
- Documentation of the tax-deferred fund source being used, such as a copy of an investment summary statement with the member's name and type of account listed. If the money is coming from the following FPPA/Fidelity accounts, FPPA can pull the statements internally:
  - FPPA 457(b) Deferred Compensation Plan
  - Statewide Hybrid Plan – Money Purchase Component
  - Statewide Money Purchase Plan
- If the purchase is for military service, include:
  - A copy of the Military Discharge Papers (DD Form 214)

## 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)

## **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

5290 DTC Parkway, Suite 100

Greenwood Village, Colorado 80111

[FPPAco.org](http://FPPAco.org) or [JoinFPPA.org](http://JoinFPPA.org)

*September 2017*

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.