

FPPA Application Packet Cover Sheet

Fire & Police Pension Association of Colorado

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(303) 770-3772 in the Denver Metro area • (800) 332-3772 toll free nationwide • (303) 771-7622 fax

<i>For Members of the</i>	FPPA Defined Benefit System (Statewide Defined Benefit Plan or the Statewide Hybrid Plan - Defined Benefit Component)				
<i>Wanting to</i>	Purchase Service Credit				
	<p>This Packet Applies To: Members who are interested in purchasing service credit in the Statewide Defined Benefit Plan or the Statewide Hybrid Plan - Defined Benefit Component.</p> <p>Please Remember To: Submit the appropriate supporting documentation with your application.</p> <p>Questions? Contact an FPPA Retirement Coordinator at the phone numbers listed above.</p> <p>Send all completed forms to: FPPA Retirement Coordinator at the address listed above.</p> <p><i>Please make copies for your files of the forms you fill out prior to submitting them to FPPA.</i></p>				
Forms & Publications	In this application packet you will find the following forms and information needed to process your application. <i>Check the box to the LEFT as you complete each of the forms.</i>				
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Purchasing Service Credit

When planning for your retirement, you may decide that you would like to begin receiving your retirement benefit from FPPA as soon as possible or that you want to increase the amount of your benefit. Purchasing service credit may help you achieve these goals.

By purchasing service credit, you increase the amount of service FPPA will use to determine your eligibility for retirement and calculate your benefit amount under the Statewide Defined Benefit (SWDB) Plan or the Defined Benefit Component of the Statewide Hybrid (SWH) Plan. We evaluate your purchased service credit in the same way that FPPA covered employment is evaluated for earned service credit.

Purchasing service credit may or may not be helpful to you depending on your situation. The information contained in this brochure may help you determine if purchasing service credit will be beneficial to you.

FPPA members who elected a refund from the SWDB Plan or SWH Plan when leaving a former employer, who are now re-employed by an affiliated FPPA employer, and who wish to reinstate the forfeited service credit should contact FPPA's Retirement Coordinator at the numbers below for information on "reinstatement of forfeited service credit". The information supplied in this packet and the attached form is not intended for reinstatement of forfeited service credit.

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(303) 770-3772

(800) 332-3772 toll free outside the Denver metro area

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Who is Eligible to Purchase Service Credit?

Active FPPA members covered by the SWDB Plan or SWH Plan may purchase service credit based on any period of verifiable private or public employment not covered by FPPA or another pension plan. Social Security coverage and military pension coverage do not disqualify you from purchasing service credit for the employment period.

Please read the section on *Terms and Conditions* on page 5 for details.

Questions to Ask Yourself

Before you decide to purchase service credit, you should compare the value of using your savings or other funds to purchase service credit against other uses of your assets. Consider the following questions:

- ? Can I afford to make the purchase?
- ? Should I use tax-paid or tax-deferred dollars to make the purchase?
- ? Would it be more beneficial for me to invest the amount of the purchase in another way?
- ? Would these other investments allow my money to remain tax-deferred?
- ? How does the rate of return on the service credit purchase compare to the returns on my other investments (by how much is my benefit increased) and is it safe?
- ? What would the earning be after tax?

✓ In comparing the value of your service credit purchase, you should also ask yourself the following questions:

- ? How much earlier can I retire if I purchase service credit? (Consider Vested Separation, Early, Normal Retirement and Deferred Retirement Option Plan (DROP)).
- ? How much will my defined benefit increase if I purchase service and for how many years will I benefit from the purchase? (Consider average life expectancy for your gender, family longevity history, your health, etc.)
- ? If I am vested in another pension plan, what will that benefit be? If I close that account to use the money to purchase service credit, what will the refund be, and as a result, how much will my benefit be from the SWDB Plan or the DB Component of the SWH Plan? Is that amount greater than the benefit I would receive from both FPPA and the other plan?
- ? Benefits under the SWDB Plan or the DB Component of the SWH Plan may be eligible for an annual benefit adjustment. However, benefit adjustments are not guaranteed. If you do not purchase service and you invest this money elsewhere, will it have an increase attached to it after retirement?

Employment Eligible For Purchase Of FPPA Service Credit

If you wish to purchase service credit, your previous employment must fall into one of the following three categories:

- **Other Public Employment** in the United States that is not covered by the SWDB Plan or the DB Component of the SWH Plan,
- **Private Employment**, or
- **Military Service** (Uniformed Services of the United States).

Read the section on Terms and Conditions (Page 4) for specific qualifications under each category.

- ✓ **Other Public Employment** *not* covered under the SWDB Plan or SWH Plan includes:
 - Service as an employee of the federal, state, or local government;
 - Service as an employee of a public secondary or elementary education organization; or
 - Service as an employee of an association of government employees.
- ✓ **Private Employment** includes any service or employment that does not meet the definition of “other public employment”, except military service.
- ✓ **Military Service** is defined as acting duty in the Uniformed Services of the United States.

Employment Not Eligible For Purchase Of FPPA Service Credit

Listed below are certain situations in which you would not be eligible to purchase service credit under the SWDB Plan or SWH Plan:

- ✓ Period of employment for which you are eligible for benefits under another retirement or annuity plan (except Social Security), payable at the time of purchase or in the future;
- ✓ Public or private employment concurrent with full-time FPPA-covered employment;
- ✓ Employment by a foreign government or by any foreign employer;
- ✓ Any period of employment for which no pay was received; or
- ✓ Service credit that would result in a benefit that exceeds the annual benefit limitation for defined benefit plans as determined under Section 415 of the Internal Revenue Code.

Cost to Purchase / Sample Service Purchase Calculation

Service Credit Purchase Information

The following is general information that may help you to estimate the cost of purchasing service credit. The cost to purchase service increases as you age (up to age 55) and as your salary increases. The salary used to calculate the service credit purchase cost is the highest rate of pay (base salary) for any calendar year in the plan. Typically this is a member's current base salary at the time of purchase. If you plan to purchase at some date in the future, you can estimate what your highest future annual base salary may be at the time of a future purchase. **For this reason, this is only for estimate purposes.**

Service Purchase Factors

Multiply annual salary by factor, by number of years purchased. The factors change as you age.

Annual Salary x Age Factor x Years of Service You Want to Purchase = Cost

Statewide Defined Benefit Plan

Age <i>(at time of purchase)</i>	Factor
20	.08842
25	.10705
30	.12968
35	.15718
40	.19058
45	.23150
50	.28199
55	.34549
60	.31281

Example

A 35 year old member with a highest annual salary of \$48,000, wants to purchase 5 years of service credit in the SWDB Plan. The cost would be calculated as follows: $\$48,000.00 \times .15718 \times 5 = \$37,723$.

Statewide Hybrid Plan

Age <i>(at time of purchase)</i>	Factor
20	.05305
25	.06423
30	.07781
35	.09431
40	.11435
45	.13890
50	.16919
55	.20729
60	.18768

Example

A 35 year old member with a highest annual salary of \$48,000, wants to purchase 5 years of service credit in the SWH Plan. The cost would be calculated as follows: $\$48,000.00 \times .09431 \times 5 = \$22,634$.

The above charts is a sample of the factors used. There is a separate factor used for each age, specific to both the year and month. These factors include an additional margin for anticipated future benefit adjustments and/or adverse experience in order to protect the plan.

Terms and Conditions

The terms and conditions that apply to the purchase of service credit for each category of employment are explained below.

✓ Other Public Employment

- You must have at least one year of continuous service credit with the same employer covered by the SWDB Plan or the SWH Plan - DB Component.
- Your first service credit purchased must cover a period of one year or longer.
- You must provide documentation of the dates of employment not covered by the SWDB Plan or the SWH Plan and a record of the salary received.
- You must certify that you will not receive a benefit from any retirement plan covering that employment and that the service credit to be purchased has not vested with that plan.
- Payment must be made in a lump sum, in the amount equal to the actuarial cost of that service. Service credit will not be awarded until FPPA has approved the purchase and full payment has been received.
- Payments may include direct rollovers from certain other retirement plans explained under the *Funds to Purchase Service Credit* on page 6. Such payments are added to the tax deferred (pre-tax) balance of your account. This increases the portion of your retirement benefit that will be treated as taxable income later. Payments made with after-tax money are added to the after-tax balance of your account.
- Payment must be received by FPPA no later than the last day of your active membership in the SWDB Plan or the SWH Plan - DB Component.
- You have the burden of providing the information and documentation necessary to satisfy the requirements of the plan and FPPA's rules.

✓ Private Employment

- You must have at least five years of continuous service with the same employer in the SWDB or the SWH Plan - DB Component in order to be eligible to purchase service.
- You can only purchase up to five years of private employment.
- Your first service credit purchase must cover a period of one year or longer.
- You must provide documentation of the dates of employment not covered by the SWDB Plan or the SWH Plan and a record of the salary received.
- You must certify that you will not receive a benefit from any retirement plan covering that employment and that the service credit to be purchased has not vested with that plan.
- Payment must be made in a lump sum, in the amount equal to the actuarial cost of the service. Service credit will not be awarded until FPPA has approved the purchase and full payment has been received.
- Payments may include direct rollovers from certain other retirement plans explained under the *Funds to Purchase Service Credit* on page 6. Such payments are added to the tax deferred (pre-tax) balance of your account. This increases the portion of your retirement benefit that will be treated as taxable income later. Payments made with after-tax money are added to the after-tax balance of your account.
- Payment must be received by FPPA no later than the last day of your active membership in the SWDB Plan or SWH Plan.

- You have the burden of providing the information and documentation necessary to satisfy the requirements of the plan and FPPA's rules.

✓ **Military Service** (Uniformed Services of the United States)

- You must have at least one year of continuous service credit with the same employer covered by the SWDB Plan or SWH Plan.
- You may purchase up to five years of service credit for periods of active duty in the Military Service subject to all conditions outlined below.
- Your first service credit purchase must cover a period of one year or longer.
- You must provide documentation of the dates of military service and that you were honorably discharged from that service.
- You must provide certification from the employer that the service is not intervening service covered by the federal "Uniformed Services Employment and Reemployment Rights Act of 1994", Chapter 43 of Title 38, U.S.C., as amended.
- You must certify that you will not receive a benefit from any retirement plan covering that service and that the service credit to be purchased has not vested with that plan.
- Payment must be made in a lump sum, in the amount equal to the actuarial cost of the service. Service credit will not be awarded until FPPA has approved the purchase and full payment has been received.
- Payments may include direct rollovers from certain other retirement plans explained under the *Funds to Purchase Service Credit* on page 6. Such payments are added to the tax deferred (pre-tax) balance of your account. This increases the portion of your retirement benefit that will be treated as taxable income later. Payments made with after-tax money are added to the after-tax balance of your account.
- Payment must be received by FPPA no later than the last day of your active membership in the SWDB Plan or SWH Plan DB Component.
- You have the burden of providing the information and documentation necessary to satisfy the requirements of the plan and FPPA's rules.

Funds 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). If you have an account in one of the following plans and want to use it to fund all or part of your purchase cost, you will need to contact that plan administrator to ensure that a distribution can be made from that plan and received by FPPA no later than your due date.

Tax-deferred money from the following plans may be used to purchase service credit:

- ✓ **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.
- ✓ **401(c) Keogh plans** A Keogh is a private sector pension plan set up by self-employed individuals under IRC section 401(c).
- ✓ **457 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.
- ✓ In addition, **tax-deferred money from a Traditional or a Conduit Individual Retirement Account or Annuity (IRA)** may be used to purchase service credit.

Post-tax money from the following may also be used to purchase service credit:

- ✓ Roth IRA
- ✓ Personal checking account or savings account

The following may not be used to purchase service credit:

- ⊗ A Simple IRA
- ⊗ Coverdell Educational Savings Account

Rollover Documentation

Before FPPA can accept your tax-deferred money, you must provide FPPA with documentation of the source of the money. If the money is coming from FPPA's 457 Deferred Compensation Plan or Statewide Hybrid Plan - Money Purchase Component, this is not required. If you plan to use acceptable tax-deferred money, contact FPPA's Retirement Coordinator for a *Purchase of Service Credit Rollover Form* for your plan administrator or IRA custodian to complete and return to FPPA along with or in advance of your distribution check. If FPPA unknowingly receives money that was not from one of these plans or accounts, you are responsible for any taxes assessed or penalties charged to you by the IRS.

When the amount of your "eligible rollover distribution" is less than the cost of your service purchase.

If your cost to purchase service is more than the amount of funds in your eligible rollover account you can rollover the balance of that account. You must then pay the remaining balance prior to your due date in a single lump-sum after-tax payment.

What do I need to do to rollover or transfer my funds?

There are certain steps that need to be taken. Please read the section on *The Process*.

Documentation Required for Purchase of Service Credit

In order to purchase service credit, you will need to provide documentation to FPPA. FPPA prefers to receive documentation from your former employer/pension fund to ensure compliance with state law. If this is not feasible, FPPA may accept Social Security records or income tax returns along with dates and places of employment.

The following is the specific documentation required by FPPA for any member purchasing service credit for **other public or private employment**.

- Driver's license (A legible photo copy is acceptable.)
- Verification of beginning and ending months of former employment. Acceptable verification includes the completion of Section A of the application, or a written statement from you.
- Verification of earnings. Acceptable verification includes the following:
 - completion of Section B of the application (by former employer or pension system)
 - income tax return
 - W-2s
 - a copy of your Earning Records or Social Security Annual Statement of Earnings

In absence of any of the previously listed items, a notarized letter may be accepted from a former employer/supervisor stating dates of employment and confirming the approximate salary amount paid.

Verification that the employment period is not currently vested in another pension plan except for military service. Acceptable documentation includes a written statement from you unless Section B of the application shows otherwise - then verification is needed from the pension fund.

The following is the specific documentation required by FPPA for any member purchasing service credit for **military service**.

- Driver's license (A legible photo copy is acceptable.)
- Military Discharge Papers (DD Form 214)

The Process

If after reading the information contained in this brochure you are interested in purchasing service credit, the process will be as follows:

- ✓ You must complete the attached application in order to purchase service credit. You will need to indicate on your application that you may be interested in paying via a transfer or rollover. FPPA will review your application and determine how much time is eligible for purchase.
- ✓ The application must be completed and signed by you and your former employer or retirement system. Supporting documentation must accompany the application. (You have the burden of providing the information and documentation necessary to satisfy the requirements of the plan and the plan's rules.)
- ✓ Upon receipt of the completed application, FPPA will calculate a cost of purchasing the service.
- ✓ You will be notified of the cost in writing. If you are still interested in pursuing the purchase of service credit, you should submit the full payment to FPPA by the deadline. **If you do not submit payment by the deadline, FPPA must recalculate the cost of purchasing the service.** Payment in full must be submitted no later than or the last day of your active membership in the SWDB Plan or SWH Plan.
- ✓ If you indicated on your application that you might be interested in paying via a transfer or rollover, FPPA will send you a *Purchase of Service Credit Rollover Form*. You and your plan administrator must complete this form and return it to FPPA before we can accept your rollover or transfer.
- ✓ ***It is important that you compare your purchase service cost with your eligible transfer or rollover. The amount of your transfer or rollover must be equal to or less than the amount of your purchase service cost. You may not roll over an amount greater than your purchase service cost. If your rollover is less than the amount of your purchase service cost, you must pay FPPA the balance in a lump-sum payment.***
- ✓ Before you rollover your funds from another plan, you should check with that plan's administrator to understand what rights and or benefits, if any, you may be forfeiting by transferring your funds.
- ✓ ***If you are rolling over or transferring funds, your Plan Administrator must submit your completed Purchase of Service Credit Rollover Form and payment by the due date. FPPA must receive your completed form either before or at the same time that we receive your transfer or rollover of funds.***
- ✓ Payment must be made in a lump sum, in the amount equal to the actuarial cost of that service. Service credit will not be awarded until FPPA has approved the purchase and full payment has been received. In no case will FPPA accept payment later than the last day of your active membership in the SWDB Plan or SWH Plan.
- ✓ When the payment is received, FPPA will record your payment and credit your service record with the purchase. Written notification will be sent to you upon completion of this process.
- ✓ Call FPPA's Retirement Coordinator for assistance at any time during the process.

This brochure provides plain language information about FPPA's Service Credit Purchase Program. More specific information can be found in the Colorado Revised Statutes, the FPPA Rules & Regulations and The Statewide Hybrid Plan Rules & Regulations. Those documents can be found on FPPA's web site, or copies can be obtained by contacting FPPA.

FORMER EMPLOYER INFORMATION

Former Employer (_____) Phone _____ - _____

Address City Zip

_____/_____/_____
Employment Began Employment Ended Position Held with Former Employer (Job Title)

Other Names Used with Former Employer Full Time Part Time
If part time, please provide a detailed history of employment dates verified by copies of your W-2's.

Please Check and Complete ALL APPLICABLE Statements Below

- I am requesting to purchase ____/____ of service for other prior **public employment**.
years / months
- I am requesting to purchase ____/____ years of service for prior **private employment**.
years / months
- I am requesting to purchase ____/____ years of service for prior **military service**. (Attach DD Form 214)
years / months

I had a retirement plan when employed with _____
(former employer)
during the period of ____/____ through ____/____.
(mo/yr) (mo/yr)

However, I am not now or in the future eligible for retirement benefits from this plan.

I only contributed to Social Security when employed with _____
(former employer)
during the period ____/____ through ____/____.
(mo/yr) (mo/yr)

Signature Required

Signature Print Name Date ____/____/____

I plan to pay for my purchase with:

- Lump sum payment by personal check.
- Rollover or transfer of acceptable tax-deferred money.
- Transfer from my FPPA/Fidelity 457 Deferred Compensation Account.

Member's Name Member's Social Security Number

Part B - Former Employer or Retirement System Certification

(To be completed by the FPPA Member's former employer or retirement system.)

The individual named above is interested in purchasing service credit in a plan administered by the Fire and Police Pension Association of Colorado based on former employment with you. Please complete Part B of this form. If you are unable to complete all of the information from your records, please contact the appropriate retirement organization for the information.

When complete, please return this form to the former employee at the address listed in Part A.

You may contact FPPA at (800) 332-3772 or (303) 770-3772 if you have questions regarding this form. **Please Note: Completion of this form does not obligate the former employer to purchase service credit for the individual requesting information.**

Employment history by month and year	Salary earned each calendar year
From ____ / ____ through ____ / ____	\$ _____
From ____ / ____ through ____ / ____	\$ _____
From ____ / ____ through ____ / ____	\$ _____
From ____ / ____ through ____ / ____	\$ _____
From ____ / ____ through ____ / ____	\$ _____
Total years of service credit associated with this employment _____	

Was a retirement system other than Social Security in effect for this employee?

Yes No

If yes, provide the name, address and phone number for the retirement system.

Name of Other Retirement System	Address		
City	State	Zip	(____) _____ - _____ Phone Number

Is the former employee vested in this program?
(If you cannot answer this question, please forward to the appropriate organization for completion.)

Yes No If No, date of distribution ____ / ____ / ____

If the former employee took a military leave, was that service covered by the "Uniformed Services Employment and Reemployment Rights Act of 1994", chapter 43 of Title 38, U.S.C., as amended?

Yes No Not applicable

Employer's Signature

I certify that the following statements are correct according to the records I have examined.

Signature of Employer Job Title Date ____/____/____

Printed Name of Employer

Retirement System's Authorizing Signature

I certify that the following statements are correct according to the records I have examined.

Authorized Signature from Retirement System Job Title Date ____/____/____

Printed Name of Authorized Signature