

## **Employee's Pension System (EPS) - Purchasing Service from the Maryland State Retirement Agency (SRA)**

### *What does it mean to purchase service?*

Purchasing service is when you add service credit to your record by direct payment for certain types of previous employment. A minimum of one month and up to a maximum of ten years of service may be purchased.

### *What is a full cost purchase?*

A full cost purchase is applied for the following types of employment: Federal government, out-of-state municipality, non-participating Maryland municipality, and school (teaching positions). The State determines how much the increased benefit will cost the State. This cost is how much you have to pay for the service credit.

### *Who is eligible for a reduced (50%) purchase under the bill passed by the General Assembly effective July, 2001?*

EPS members may purchase service credit for periods of *State* employment when they were not EPS members. This includes contractual service. EPS members may purchase a minimum of one month and up to ten years of service at a cost equal to 50% of the Full Cost Purchase price.

### *What is the process for purchasing service?*

EPS members may obtain an estimate of the cost and make the purchase not earlier than the 12 months preceding retirement.

To purchase service, a member must complete:

- form 26 – Request to Purchase Service ([http://www.sra.state.md.us/forms/sramd\\_forms/sramd\\_form26.pdf](http://www.sra.state.md.us/forms/sramd_forms/sramd_form26.pdf))
- form 9 – Estimate of Benefits ([http://www.sra.state.md.us/forms/sramd\\_forms/Form9-3Aug06.pdf](http://www.sra.state.md.us/forms/sramd_forms/Form9-3Aug06.pdf)), and

submit both forms to the Retirement Coordinator at the agency where the previous service took place. The Retirement Coordinator will confirm the service and forward the completed forms to the SRA. The SRA will send the member an invoice for the purchase and an estimate of benefits based on the projected service purchase. Submittal of forms 26 and 9 are only *requests* and the member is under no obligation to purchase any service.

purpose of recording your service with the SRA, even though you are not yet eligible to purchase. As it is sometimes difficult for the Retirement Coordinator to confirm previous state service from decades past, it is recommended that you have your service recorded with the SRA at a time early in your state career when those employment records are readily available. To do this, the member may submit the form 26-Request to Purchase Service to the Retirement Coordinator, who will confirm the service and forward the completed forms to the SRA. The member can expect a response from the SRA stating that the service time has been recorded and will be eligible for purchase within one year of retirement. Thus, when the member nears retirement, the service is already confirmed. Please note that if employment records of the previous service are unavailable and the Retirement Coordinator is unable to confirm the service time, the member may be asked to provide copies of contracts or other records that may assist in the confirmation of the service time.

*I am not eligible to retire yet, thus not eligible to purchase service yet. However, for planning purposes, can I obtain an estimate of how much my purchase will cost when I am eligible to make the purchase?*

Unfortunately, it is not possible to obtain an estimate of your purchase until you are ready to retire. The reason is that cost of purchased service credit is calculated actuarially (based on investment performance over the years). Thus, the SRA cannot calculate ahead.

*Can an employee use money from a savings plan to buy back time?*

An EPS member may use money from a qualified savings plan to purchase the previous state service. The Nationwide/PEBSCO plan maintained by the State (401k, 401a, and 457) is a qualified savings plan from which you can rollover money to purchase previous service.

*Why would an employee want to consider purchasing service credit for their years spent as a contractual employee? Does purchasing service significantly impact retirement income?*

The purchase of previous state service can benefit you in two possible ways. For one, it can make you eligible for a benefit or reduce any applicable early service retirement reduction. Secondly, it increases the amount of your retirement benefit. An employee may use the attached worksheet to roughly estimate the increased benefit (in today's dollars) of purchasing service. (<http://www.sra.state.md.us/worksheets/cps-3.pdf>)