



## ERI QUESTIONS & ANSWERS

### **PURCHASING SERVICE**

#### ***How is the cost of the ERI program computed?***

The member's monthly salary on June 1 is multiplied by their contribution rate and then multiplied by the number of months of ERI credit purchased.

As an example, a member contributing 4% with a monthly salary on June 1 of \$3,000 purchasing 60 months of ERI credit would pay \$7,200 to participate in the ERI program.

#### ***Can Deferred Compensation be used to pay the employee's cost to participate in the ERI?***

No. The employee's cost is taken from their lump sum benefit for accumulated sick and vacation time. If this amount is insufficient, the balance is deducted from the member's retirement annuity interest-free over a 24-month period.

#### ***If the lump sum payment for sick and vacation time is insufficient to pay the ERI cost, can a direct payment for the balance be made by the member?***

No. Any remaining balance is deducted from the member's retirement annuity interest-free over a 24-month period.

#### ***Does the ERI purchase count towards the 20-year requirement for free group health insurance benefits.***

All creditable service, ERI included, counts toward the 20-year requirement for free health insurance.

#### ***If a SERS member is purchasing optional service credit (military, refund repayment, etc.) under an irrevocable payroll deduction agreement that is not completed at retirement, can the balance be paid off? If so, how?***

The remaining balance can be paid as a post-tax direct payment (personal check), or by a rollover from Deferred Compensation or other tax-sheltered account.

It cannot be paid from the lump sum payment for sick and vacation time.

#### ***If I am already eligible to retire under the "Rule of 85," can I still buy service under the ERI?***

If you are eligible to retire under any provision of the SERS Retirement

Code, you can buy up to five years of ERI service. The only time you would want to buy less than the five years is if you would exceed the 75% maximum for regular employees and 80% for alternative employees.

#### ***Can an SERS member who is purchasing five years of ERI credit and terminating employment, but is not immediately eligible to receive a retirement benefit, also purchase service credit for their accumulated sick and vacation time?***

The member can't purchase their service credit for sick and vacation time unless the retirement benefit will be effective within 90 days from terminating employment.

#### ***If I use my unused sick, vacation and personal time towards purchasing my five years, am I still able to establish service credit for this time? If I can, will it require a contribution in addition to that made for purchasing the five years?***

Yes. The full employee contribution is still required to purchase sick and vacation credit.

***Will the five years of ERI service be used to calculate my final average compensation?***

No. Final average compensation is not affected by the number of months of ERI credit purchased.

## ***ERI REQUIREMENTS***

***Does a member have to be age 50 to begin receiving SERS retirement benefits?***

Alternative formula members must be age 50 without the ERI enhancement to begin receiving benefits. Regular formula members can receive benefits before age 50 if the normal eligibility requirements with the ERI enhancement are met.

***Can a retiring member utilize the Level Income option with the ERI?***

Yes, but actual age is used to calculate benefits.

***To be eligible to participate in the ERI, members must have eight years of total service, and five years of contributing service. What's the difference?***

Total service includes all service credit granted while a SERS member, excluding the ERI enhancement and reciprocal retirement system service.

Contributing service includes actual service credit earned while an active employee, plus free military service granted after being employed by the State, repaid refunds and qualifying periods.

The two-year pre-employment purchased military credit purchase option, leaves of absence, and federal and out-of-state service do not count as contributing service.

## ***MISCELLANEOUS***

***If a member's employment is extended past the December 31, 2002 deadline, will they receive their first 3% cost of living allowance on January 1, 2004?***

SERS members are not eligible for their first 3% increase until January 1 following their first **full year** of retirement.

Therefore, if a member's employment is extended, their initial increase would not be effective until January 1, 2005, assuming the age requirement is met by that date.

***How long will it take to receive the first retirement check?***

Our goal is to make the initial payment six to eight weeks after the effective date of the benefit.

If an extremely large number of employees retire at the beginning of any month during the ERI window, delays may occur. Based on the 1991 ERI, over 70% of our members who retired did so at the end of December.

***If I want to apply for retirement under the ERI, do I have to come to the SERS office?***

No. You may apply by contacting your agency's retirement coordinator, who will then notify SERS.

***Why won't SERS mail the retirement packets now?***

We feel that we must wait until the Governor signs the ERI legislation. Also members should wait to review their ERI estimates, which will be mailed by July 15 before requesting a retirement packet.

***I took a furlough day which affects my final average compensation for retirement purposes. Is there a way to get credit for these lost earnings?***

The ERI legislation also included a provision allowing free service and/or earnings credit for voluntary or involuntary furloughs taken between December 1, 2001 and January 1, 2003. The maximum number of credit days allowed is five.

Employees considering retirement under the ERI should contact their agency's retirement coordinator or payroll clerk for the election form to obtain this credit.

The election forms will be furnished to all retirement coordinators after the ERI legislation is signed by the Governor. ***(We will explain this issue fully in the next issue of the Field Report.)***

***In the last SERS-O-GRAM, it stated that if you want to participate in the ERI purchase service and terminate program (Option 2), you must contact SERS directly to request a purchase service election form. Are these forms available from my agency's retirement coordinator.***

No. The ERI service purchase election form must be obtained from SERS directly.

***I have several years of service under a reciprocal system. Does this time count towards my SERS pension?***

Reciprocal service counts toward eligibility in SERS, such as the Rule of 85. Each system calculates and pays benefits based on their formula and service requirements.