



## Purchasing Service Credit

Besides the required retirement benefits that a member receives through participation with KRS, employers can elect to provide additional benefits through the retirement systems. An employer may purchase past service credit for their employees. Employers have several methods through which to purchase service credit for employees.

### **Method One**

KRS 78.530 (3) allows an agency to elect the Alternate Participation Plan whereby the agency purchases on behalf of each employee participating in the County Employees Retirement System (CERS), service credit for employment in regular full-time positions between July 1, 1958 and the agency participation date. Employees who rejected participation as of the agency participation date may decide to participate when the agency elects the alternate participation plan, and thereby be included in the group service purchase. The cost of the service shall be determined by our Board's consulting actuary. The expense of the actuarial service shall be paid by the agency. Please contact your Employer Reporting, Compliance and Education reporting team to inquire about the current base fee and additional fees per participant for an actuarial study.

*Please note: This method is not available for employers who begin participation with KRS on or after January 1, 2014.*

### **Method Two**

KRS 61.552(9) allows an agency to purchase current service between July 1, 1958 and the agency participation date for present employees who elected to participate with CERS coverage at the time the agency began participation or for employees who subsequently elected to participate the first day of a month after the agency's participation date. Purchase of the service credit must be made within the same fiscal year in which the agency elected this option; and the agency shall establish a payment schedule subject to approval by our Board. The maximum period allowed in a payment schedule shall be ten (10) years. Payments shall be made at the interest rate set by our Board's consulting actuary. The cost shall be determined by the delayed contribution method at 100% of the cost (100% Actuarial Rate).

*Please note: Employees who participate in the Cash Balance Plan are not eligible for this type of service purchase.*

### **Method Three**

An agency may assist its employees with the purchase of service credit by paying the employee a lump-sum bonus payment. All funds given to the employee which appear on the employee's W-2 form are considered creditable compensation; therefore, employee and employer contributions must be reported to CERS in a separate record, using a payment reason of



## Employer Reporting, Compliance & Education

“Bonus/Severance Payment”. Per KRS 61.510 (13), a payment in excess of \$1,000 will be averaged over the employee’s total service in the system.

*Please note: Employees who participate in the Cash Balance Plan may not purchase Delayed service credit.*

### **Method Four**

KRS 61.552(5) permits a member who was an employee of a participating agency prior to the agency's date of participation, to obtain service credit in CERS for current service between July 1, 1958 and the effective date of participation of his agency by paying a delayed contribution payment. The statute further states, "The delayed contribution payment shall not be picked up, as described in KRS 61.560 (4), by the employer".

*Please note: Employees who participate in the Cash Balance Plan are not eligible for this type of service purchase.*

If you need further information or have any questions, please contact your Employer Reporting, Compliance and Education reporting team at (502) 696-8810.