

**495—8.5(97B) Additional information, procedures and limitations.****8.5(1) Information required for service purchase cost quotes.**

*a. Active and inactive members.* For active and inactive members, a service purchase cost quote must include the following information: member's date of birth, the applicable occupation class code, total years of current unused IPERS service credit, highest calendar year of covered wages on file, member's current investment, and the total number of quarters available to purchase on this cost quote.

*b. Retired members.* For retired members, a service purchase cost quote must include the following information: member's date of birth, the applicable occupation class code, average of the highest three calendar years of covered wages, the option the member selected at retirement, the total number of quarters available to purchase on this cost quote, and a calculation of the member's new benefit amount if the member actually purchases all of the quarters in this service purchase cost quote.

If the member retired under Option 4 or 6, IPERS must be provided with either the date of death or the date of birth, as applicable, for the contingent annuitant, and the percent selected by the member for continuation of benefits to the contingent annuitant upon the member's death. If the member retired under Option 6, IPERS shall calculate how the member's benefits will change under Option 2 upon the contingent annuitant's death. In preparing cost quotes for retired members who selected Option 4 or 6, IPERS shall use for beneficiary mortality assumption the reverse of the assumption used for benefit mortality.

If the member retired under Option 5, a service purchase cost quote shall also include information on how many months are remaining on the guaranteed ten-year payout.

*c. Reemployment.* If the member is retired and subsequently reemployed in IPERS covered employment and then requests a service purchase cost quote, IPERS shall apply the service to be purchased to the member's original annuity. IPERS shall use the same information as described in paragraphs "a" and "b" of this subrule, and IPERS shall appropriately calculate the service purchase cost quote.

*d. Wage records restored.* When buy-back quarters are purchased based on cost quotes requested prior to January 14, 2004, the member's wage record shall be restored, beginning with the lowest wage quarter and restoring additional quarters in ascending order based on the covered wages reported for such quarters. Wage records shall not be created or restored for any other type of service purchase.

*e. Wage records not restored.* For members who submit requests for buy-back cost quotes and make purchases based on those quotes after January 14, 2004, IPERS shall not restore the wage records for the purchased quarters. After January 14, 2004, such buy-backs shall be treated like all other service purchases, and IPERS will only restore service credit.

**8.5(2) Additional service purchase procedures.**

*a.* Service purchase cost quotes for members currently in special service positions shall be prepared as special service credit.

*b.* Service purchase cost quotes for a member with a combination of currently unused regular service credit and special service credit shall be prepared reflecting purchase as regular service credit and alternatively as special service credit, regardless of the member's current occupation classification code. The member may choose whether to purchase the service as regular service credit or as special service credit, but not as a combination of both.

*c.* Members covered under another retirement plan. Members who wish to buy service credit for all employment that is covered by another retirement plan qualified under IRC Section 401 (or would qualify if submitted to the IRS under IRC Section 401), IRC Section 403 or 457 and similar plans and retirement pay from the United States government for active duty in the armed forces (except retirement pay for nonregular service pursuant to 10 U.S.C. Sections 12731-12739) must waive their right to benefits based on the service credit that is being purchased under IPERS. If a waiver is not obtained, however, service purchases for such employment may still be made, but shall be limited to 20 quarters.

*d.* Members retired under IPERS' disability formula. A retired member receiving IPERS benefits as a result of a disability shall receive a service purchase cost quote which reflects no penalty for early age reduction.

*e.* Effective January 1, 2007, IPERS may, notwithstanding certain provisions of Iowa Code section 97B.82 adopted in order to comply with prior rollover provisions of the Internal Revenue Code, utilize forms and procedures permitting direct rollover service purchases to include after-tax amounts as provided under the applicable rollover provisions of the Internal Revenue Code as amended subsequent to the enactment of Iowa Code section 97B.82.

**8.5(3) Additional service purchase limitations.**

*a.* Under no circumstances shall service purchases be allowed for quarters already on file with IPERS as covered quarters.

*b.* If a member has requested a service purchase cost quote and, before the six-month expiration has passed, submits another request for a service purchase cost quote for the same or different employer, the new service purchase cost quote will be based on a combination of the two service purchase cost quotes. The latest service purchase cost quote shall supersede all prior cost quotes provided to the member for the quarters that the member purchases after the issuance of the second cost quote.

*c.* If before the six-month expiration has passed a member has made a partial purchase under a service purchase cost quote and requests another service purchase cost quote, the quarters covered by the original cost quote will be added to the new request. IPERS will prepare a new service purchase cost quote. The latest service purchase cost quote shall supersede all prior quotes provided to the member for quarters that the member purchases after the issuance of the second cost quote. For example, if the member receives a cost quote of \$300 per quarter for 6 quarters of Illinois public employment and, three months later, after buying 3 Illinois quarters, requests a service purchase cost quote for 8 quarters of military service, the second quote would be prepared using 11 quarters as the basis for the cost quote. The per-quarter cost quote prepared using the 11 quarters would supersede the \$300 per-quarter cost previously quoted. This superseding cost principle will apply regardless of whether the recalculated cost is greater or less than the superseded quote. Thus, in the above example, if the second cost quote is \$350 per quarter, that would be the price for all 11 quarters for the next six months. However, if the second quote comes in at \$250 per quarter, that would be the cost for all 11 quarters for the next six months.

*d.* Self-employed members. Because of the difficulty in documenting what portion of the amounts paid are actually related to the performance of services, including amounts reported to the federal and state tax authorities, members shall not be permitted to purchase service credit for periods of self-employment.

**8.5(4) “Buy up” of service credit through service purchase.** Effective July 1, 2008, IPERS members may be allowed to “buy up” service credit. The term “buy up” means to convert regular service credit to special service credit by payment of the actuarial cost. In calculating the actuarial cost, IPERS shall apply the same actuarial assumptions and cost methods as those in paragraph 8.1(2) “*f*,” except as modified according to the actuary’s recommendations.

*a. Active, retired and inactive members.* A member must have at least one quarter of available or retired special service wages on file and must be vested at the time of the buy-up. A service purchase cost quote must include the following information:

|   | Active and Inactive Members   | Retired Members   |
|---|-------------------------------|---|
| Member ID or social security account number | X                             | X   |
| Date of birth                               | X                             | X   |
| Occupation code                             | Current                       | At retirement   |
| Wage  | Highest year of calendar wage | Average of the highest three calendar years of wages used at retirement |
| Years of service – regular                  | X                             | X   |
| Years of service – sheriffs/deputies        | X                             | X   |
| Years of service – protection occupation    | X                             | X   |

|   |         |               |
|---|---------|---------------|
| Number of quarters available to buy up                          | X       | X             |
| Type of conversion – sheriffs/deputies or protection occupation | X       | X             |
| Investment (employee’s contributions and interest)              | Current | At retirement |

*b. Mixture of service time.* If a member’s service time contains a mixture of regular, protection and sheriff service credit, IPERS shall prepare buy-up cost quotes as follows:

(1) If the member is currently employed in the sheriff class or retired as a sheriff, the cost quote shall be prepared reflecting a buy-up to sheriff service credit.

(2) If the member is not currently employed in the sheriff class or did not retire as a sheriff, the cost quote shall be prepared reflecting a buy-up to protection occupation service credit.

*c. Wage adjustment after a buy-up.*

(1) If an employer submits wage adjustments on service credit that has been purchased through a buy-up, the member’s cost quote will not be affected by a wage adjustment that alters the reported wages on file, so long as reported wages for the buy-up quarters are not reduced below \$1.

(2) If an employer wage adjustment completely removes a member’s service credit in a buy-up quarter, IPERS shall correct the service credit, perform the necessary recalculations, and contact the member, if necessary, for any contribution and benefit payment adjustments.

*d. IRS limitations.* Buy-up service purchases will be aggregated with buy-in service purchases during a calendar year and subjected to the applicable limits of Section 415(c) of the Internal Revenue Code. Amounts that are rolled over from other qualified plans for service purchases are excluded from these limits.