

Estimating the Cost of Purchasing Service Credit

Police and Firemen's Retirement System

The cost of purchasing service credit is based on your nearest age at the time the Division of Pensions and Benefits receives your purchase application and the higher of your current annual base salary or highest fiscal year (July 1 to June 30) base salary as a member of the retirement system. For most members, the cost of the purchase will normally increase with an increase in your age and/or salary.

You may purchase service credit:

- in one lump-sum payment; or
- by having extra payroll deductions withheld from your pay (the minimum deduction is 4.25 percent of base salary over a maximum of 10 years and includes interest of 8.25 percent); or
- by paying a single down payment and paying the remainder through payroll deductions.

See Fact Sheet #1, *Purchasing Service Credit*, for a detailed explanation of the various types of service eligible for purchase. You do not have to purchase all of the eligible service. Partial purchases are permitted.

Before you submit your application to purchase service credit, you may want to estimate the cost yourself. Please follow the instructions below to determine the cost of your purchase. You can receive an *estimate* of the cost of purchasing service credit by calling our Automated Information System at (609) 777-1777 or by using the online purchase calculator on the Division of Pensions and Benefits Web site: www.state.nj.us/treasury/pensions

DETERMINING THE COST OF PURCHASING SERVICE CREDIT

Using the chart on page 3, locate your nearest age and the corresponding purchase factor for that age.

Nearest age is determined from a date 6 months from your birthday.

- If you are 35 years and 5 (or fewer) months of age at the time of your request, your nearest age would be 35 years of age and the corresponding

factor is .077.

- However, if you are 35 years and 6 (or more) months of age at the time of your request, your nearest age is 36 years of age and the corresponding factor is .079.

Example: You wish to buy 3 years and 6 months of former membership service.

- You are 35 years and 8 months of age at the time of your request so your nearest age is 36.
- Your current annual base salary is \$40,000. (This is the highest salary you have earned during your membership in the retirement system.)

To calculate the cost of this purchase, multiply the factor corresponding to the age of 36 (.079) times the annual salary (\$40,000). This equals \$3,160. Multiply \$3,160 times the number of years being purchased (3.5). The estimated total lump-sum cost of this purchase is \$11,060.

Shared Cost Purchases

The procedure described above can be used to calculate the cost of the following *shared cost* purchases: Temporary Service, Former Membership in a New Jersey State-administered retirement system, Leaves of Absence, Out-of-State Service, and Uncredited Service.

Full Cost Purchases

To calculate the purchase cost of Military Service, U.S. Government Civilian Service, Layoff*, Employment with Other Agencies, and Local Retirement System Service you use the same procedure **except you must double the resulting cost**. In the example used, the full cost would be \$22,120 ($0.079 \times \$40,000 \times 3.5 \times 2$).

*The cost of a Layoff purchase is calculated using the salary for the 12 months prior to the layoff, not the current or highest salary.

SUBMITTING A REQUEST TO PURCHASE SERVICE CREDIT

All purchase requests must be submitted using the Purchase Application program of the Member Benefits Online System (MBOS).

In order to obtain a quotation of the service credit, you must be a registered MBOS user and submit an *Application to Purchase Service Credit* to the Division of Pensions and Benefits. Once your application has been submitted through MBOS, you can track the status of your purchase request. Additional information on using MBOS can be found in the *MBOS Users' Guide* at:

www.state.nj.us/treasury/pensions

Exceptions to the MBOS Purchase Application

While you are required to process purchase requests through MBOS you will not be able to use MBOS purchase application for the following types of purchase:

- If applying for the purchase of Military Service After Enrollment under the provisions USER-RA. To purchase this service, the employer must submit the Request for USERRA Eligible Service form with the time frames required under the law.
- If a PERS or TPAF member applies for a purchase of Leave of Absence for Union Representation — this type of leave must be purchased quarterly and within 30 days of the end of each fiscal quarter. See the *Application to Purchase Service Credit for Union Representation* for additional information and instructions.

Please note that these are the **only** circumstances where paper purchase requests are permitted.

Limited access to a computer or a reluctance to use MBOS are not considered sufficient circumstances for accepting a paper purchase request for processing. Any paper *Application to Purchase Service Credit* received by mail will be returned with instructions on submitting the request through MBOS.

Cancelling your Request

When you agree to purchase service credit through payroll deductions, the Division of Pensions and Benefits assumes that you will complete the purchase and credits your account with the entire amount of service. Once you have given authorization to purchase service credit to the Division, you cannot rescind a purchase and receive a refund of any payments. You may cancel future deductions and have your service credit prorated for the amount previously purchased.

Cancellation requests must be made in writing to the Adjustment Section, Division of Pensions and Benefits, PO Box 295, Trenton, NJ 08625-0295. Your cancellation and prorate will automatically be projected into the next payroll certification date (approximately one month for employees whose contributions are reported monthly to the Division or three pay periods for employees whose contributions are reported to the Division on a biweekly basis).

Only members who have applied for retirement can request a prorate for a *future* date. Otherwise, if you retire before completing all required payments, you will automatically receive prorated credit for the amount of service actually purchased or you can pay the balance and receive full credit.

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WORKSHEET

SHARED COST PURCHASES

To estimate the cost of purchasing Temporary Service, Former Membership in a New Jersey State-administered retirement system, Leaves of Absence, Out-of-State Service, or Uncredited Service use the worksheet below:

$$\frac{\text{Age factor} \times \text{Highest Annual Salary}}{\text{Cost of 1 Year}} \times \text{Number of Years Purchased} = \text{Total Cost}$$

FULL COST PURCHASES

To estimate the cost of purchasing Military Service, U.S. Government Civilian Service, Local Retirement System Service, Employment with Other Agencies, or Layoff¹, use the worksheet below:

$$\frac{\text{Age factor} \times \text{Highest Annual Salary}}{\text{Cost of 1 Year}} \times \text{Number of Years Purchased} \times 2 = \text{Total Cost}$$

Age at Purchase	Purchase Factor ²	Age at Purchase	Purchase Factor ²	Age at Purchase	Purchase Factor ²
33 and under	0.075	46	0.106	59	0.127
34	0.076	47	0.109	60	0.128
35	0.077	48	0.113	61	0.130
36	0.079	49	0.116	62	0.131
37	0.081	50	0.120	63	0.132
38	0.083	51	0.121	64	0.134
39	0.085	52	0.121	65 and over	0.135
40	0.088	53	0.122		
41	0.090	54	0.123		
42	0.093	55	0.123		
43	0.096	56	0.124		
44	0.099	57	0.125		
45	0.102	58	0.126		

1 The cost of a Layoff purchase is calculated using the salary for the 12 months prior to the layoff, not the highest annual salary.

2 The cost factors have been rounded, your actual cost may vary.

This fact sheet has been produced and distributed by:
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