

# 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](http://www.state.nj.us/treasury/pensions)

## DETERMINING THE COST OF PURCHASING SERVICE CREDIT

Using the chart, on page 3 of this fact sheet, locate your **nearest age** and the corresponding purchase factor for that age. For example, if you are 35 years and 5 months of age at the time of your request, your nearest age is 35 years of age and the corresponding factor is .077. If you are 35 years and 6 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 6 months of age at the time of your request and 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: Former Membership in a New Jersey State-administered retirement system, Leaves of Absence, and Out-of-State service.

## Full Cost Purchases

To calculate the purchase cost of Military service, U.S. Government Civilian Service, Layoff (police only)\*, employment with certain other agencies (PFRS only), 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

In order to purchase service credit, you must submit an *Application to Purchase Service Credit* to the

Division of Pensions and Benefits. If eligible, you will receive a *Purchase Quotation Letter*.

**An online *Application to Purchase Service Credit* is available through the Member Benefits Online System (MBOS)** where registered MBOS users can submit or track a purchase request. Using MBOS provides the fastest processing of purchase requests. Additional information on using MBOS can be found in the *MBOS Users' Guide*, available on MBOS and on the Division's Web site at:

[www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions)

Members may also choose to submit a paper *Application to Purchase Service Credit* to the Division of Pensions and Benefits. (If you apply using MBOS, **do not** send in a duplicate paper application, as it will delay the process.)

#### **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 pur-

chase 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, or Out-of-State Service, use the worksheet below:

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

**FULL COST PURCHASES**

To estimate the cost of purchasing military service, U.S. Government Civilian service, employment with certain other agencies, or Layoff<sup>1</sup>, use the worksheet below:

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

Age at Purchase	Purchase Factor <sup>2</sup>	Age at Purchase	Purchase Factor <sup>2</sup>	Age at Purchase	Purchase Factor <sup>2</sup>
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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