



777 Pearl Street
Denver, CO 80203-3717
(303) 839-5419
Fax (303) 839-9525
www.derp.org

PURCHASE OF SERVICE

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Disclaimer

This publication is for informational and educational purposes only. The Denver Employees Retirement Plan (“DERP”) and its administration of the Plan is governed by the Revised Municipal Code of the City and County of Denver, as well as the Internal Revenue Code and its rules and regulations which are complex and subject to change. Though the information and explanations contained in this publication are based on the pertinent laws in effect as of this date, it cannot be relied on as legal authority, and any conflict or inconsistencies between it and the governing laws are resolved and controlled by those governing laws. DERP makes no guarantees pertaining to the information contained within this document.

Purchasing service credits will increase your Denver Employees Retirement Plan benefit by increasing the amount of service used in the calculation of your monthly retirement benefit. If you were employed prior to September 1, 2004, the calculation for your monthly retirement benefit is 2% of your average monthly salary (based on your highest 36 consecutive months of salary) multiplied by your years and months of credited service. If you were hired or re-hired on or after September 1, 2004, your monthly retirement benefit is 1.5% of your average monthly salary multiplied by your years and months of credited service. If you were first employed on or after July 1, 2011, your monthly retirement benefit calculation is 1.5% of your average monthly salary (based on your highest 60 consecutive months of salary) multiplied by your years and months of credited service. The more service purchased, the more your benefit is increased.

Members who have a minimum of five years of credited service with the Plan may purchase, prior to termination of employment, and subject to procedures by the Plan, unlimited prior governmental service credit and up to five years of non-governmental service credit. Any prior governmental service must be verified by the member's previous employer.

The cost to purchase this service is based upon the member's age, earliest unreduced retirement age, average monthly salary (based on the highest 36 or 60 consecutive months of salary), and certain other actuarial factors.

Service may be purchased in periods of one or more months. The purchase may be made directly, or the member may roll over funds from another qualified retirement plan. Direct payments to purchase service are considered an after-tax contribution. The election to purchase service is irrevocable and the money used to purchase service is non-refundable.

This purchase of service will be used *only* to calculate the member's monthly retirement benefit and will not be used in the calculation of the Rule-of-75, Rule-of-85, or the Plan's health insurance premium reduction benefit.

If you have any questions regarding the information in this brochure, please contact Membership Services at (303) 839-5419 or mbrsvs@derp.org. You may also visit our website at www.derp.org.

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Effect of Purchasing Service

- The additional service will be used in the calculation of the member's retirement benefit.
- Purchase of service credit will not be used in the calculation of the Rule-of-75, Rule-of-85, or the Plan's health insurance premium reduction benefit. However, it will be used in the calculation of the active member death benefit and the disability benefit.

Eligible Non-Vested Service Credit Includes:

- Service in the United States Armed Forces (not covered by USERRA)
- Employment in a public school, college, or university in the United States
- Public employment with a federal, state, or local government agency or office
- Five years of "non-qualified" or Private Sector service

Documentation

The Plan requires verification of all prior governmental employment that is purchased by the member.

U.S. Military Service

Members are eligible to purchase credit for service performed while on active duty. The member must have been honorably discharged and have not received or is not eligible to receive a pension for the service being purchased. Members meeting USERRA requirements receive service credits and therefore may not purchase the credits covered by USERRA.

Form DD-214 is required from the military to verify military service. A legible copy may be submitted. If you do not have a copy of your DD-214, you may obtain one by written request only from:

National Personnel Records Center
1 Archives Drive
St. Louis, MO 63138
Fax: (314)801-9195

Governmental Service

Members may purchase any other governmental service if they have not received or are not eligible to receive a benefit from its retirement plan. Governmental service must be verified by the agency for which the member was employed by completing the attached Employment Verification form.

Non-Governmental Service

Up to five years of non-governmental service may be purchased in addition to prior governmental service.

Certification of Qualified Plan Rollover

The plan or institution holding the tax-deferred amount must complete the attached Qualified Rollover Certification form.

Purchase of Service Terms

- Payments to purchase service must be made in increments of one month or more.
- Payment for all purchased service must be completed while an active member and before retirement.
- Payments made directly by the member will be an after-tax contribution and will be noted as such when distributed, in compliance with the IRS rules.
- Payment may include trustee-to-trustee transfers of tax-deferred money from other qualified plans to the extent permitted by law. This money will be added to the tax-deferred balance of the member's account for purpose of calculating the member's service credit. There are strict requirements of eligibility under the Internal Revenue Code that determine whether a specific retirement account may be moved into another retirement account. Members are responsible for determining the eligibility of the rollover.

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Purchase of Service Terms, cont.

Members must provide documentation of the source of any tax-deferred rollover and certification of the qualified status of that source. A Rollover Certification Form is attached and must be completed by the institution holding the tax-deferred account. The current custodian should provide any required federal tax information.

Denver Employees Retirement Plan is not responsible for any taxes or penalties charged to the member by the IRS if the Plan receives money that was not a legitimate tax-deferred rollover.

There are strict tax requirements if the tax-deferred retirement funds are sent to the member directly instead of to the Plan. If the tax-deferred money is sent directly to the member, it must be rolled over into a qualified plan within 60 days after the distribution is received. ***A retirement account custodian or other appropriate financial advisor should be consulted concerning requirements or penalties during this rollover process.***

The payment(s) made to purchase service credit is irrevocable and nonrefundable.

Cost

The cost to purchase service credit will be based upon the member's age, earliest unreduced retirement age, average monthly salary (based on the highest 36 or 60 consecutive months of credited service), and certain other actuarial factors.

To estimate your specific cost to purchase service, go to page 5, 6, or 7 of this booklet (depending on your date of hire or re-hire.) Locate your current age along the left side of the table, then find where it intersects with the earliest age at which you could retire with an unreduced retirement benefit. Multiply that percentage by your current monthly salary to estimate the approximate cost to purchase one month of service.

The Plan will assist members in calculating the exact cost of purchasing service, using precise salary history records. The cost calculation a member receives from the Plan will be good until the member's next birthday, when the cost will change. Members may purchase any eligible service credit on a monthly basis as they desire. The purchased service will be credited to the member's account as it is purchased (in monthly increments of one month or more).

When you get your cost calculation, you should meet with an accountant, financial planner, or other financial advisor to evaluate this purchase.

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Important Considerations

There are many factors that should be considered in evaluating the benefit of purchasing additional service. Each member's situation will be different. One way to evaluate the benefit of purchasing additional service credit is to: **Compare the member's estimated retirement benefit as of the projected retirement date, both with and without the additional service, and determine how many months the member must receive a retirement benefit before recovering the cost of additional service. (This can be calculated by dividing the cost of purchase by the increase in benefit which it provides. This will tell the member how many months after retirement the member will recover the cost of purchasing the additional service.)**

A Membership Services Representative can give the member an estimate of the monthly benefit at retirement with and without the additional service.

Questions to Consider

- How many months will it take for the increase in retirement benefits to exceed the cost of purchasing additional service?
- Will purchasing service or an alternative investment provide more retirement income?
- Are there other kinds of investments that I should consider?
- What rate of return do I expect on my investments?
- How much would other investments earn by the time I retire?
- What is my life expectancy? (gender, family history, health)
- If I am using money from another investment, how does its historical return compare with the additional benefit I'll receive from the Plan?

Questions to Consider

- Is the increased Plan benefit more than I would receive upon retirement from my rollover investment?
- Should I use tax-deferred dollars?
- When is the best time for me to make a purchase, considering that the cost to purchase service credit is based on my current average monthly salary and current age?

Next Steps

1. Complete the Purchase of Service Application and submit it to the Plan. (pg. 8)
2. If purchasing prior governmental service, complete the member portion of the Employment Verification form and send it to your previous employer so that they can complete their portion. Once completed, submit it to the Plan. (pg. 9)
3. If purchasing non-governmental service, complete the Non-Governmental Service Purchase Affidavit and submit it to the Plan. (pg. 10)
4. If purchasing service with tax-deferred monies from another qualified retirement plan, complete the member portion of the Rollover Certification Form (pg. 11), send it to the custodian for their completion, and submit it to the Plan. *Please note that the Plan cannot accept rollover funds without this completed form.*
5. If purchasing service with after tax monies, submit cash or check payable to Denver Employees Retirement Plan.
6. All payments must be received before your next birthday. If your birthday passes and payment has not been made, please contact the Plan so that a new cost calculation can be completed.

FAE Factor= 1.5% (Active Employees Hired on or After 07/01/2011)

Denver Employees Retirement Plan											
Purchase of Service Cost Factor											
Earliest Unreduced Retirement Age											
Age at Purchase	60	61	62	63	64	65	66	67	68	69	70
20	5.80%										
21	5.82%										
22	5.85%										
23	5.88%										
24	5.91%										
25	5.94%										
26	5.97%										
27	6.02%										
28	6.06%										
29	6.12%										
30	6.18%										
31	6.25%										
32	6.34%										
33	6.44%										
34	6.55%										
35	6.68%										
36	6.81%										
37	6.96%										
38	7.12%										
39	7.28%										
40	7.46%										
41	7.66%										
42	7.87%	7.39%									
43	8.10%	7.61%									
44	8.35%	7.84%	7.35%								
45	8.61%	8.09%	7.59%								
46	8.90%	8.36%	7.84%	7.34%							
47	9.22%	8.66%	8.12%	7.60%							
48	9.56%	8.98%	8.42%	7.88%	7.37%						
49	9.92%	9.32%	8.74%	8.19%	7.65%						
50	10.32%	9.69%	9.09%	8.51%	7.96%	7.42%					
51	10.74%	10.09%	9.46%	8.86%	8.28%	7.73%					
52	11.19%	10.52%	9.86%	9.23%	8.63%	8.05%					
53	11.68%	10.97%	10.29%	9.63%	9.01%	8.40%					
54	12.20%	11.46%	10.75%	10.06%	9.41%	8.78%					
55	12.76%	11.98%	11.24%	10.52%	9.83%	9.18%					
56	13.34%	12.53%	11.75%	11.01%	10.29%	9.60%					
57	13.96%	13.11%	12.30%	11.52%	10.76%	10.04%					
58	14.61%	13.73%	12.87%	12.06%	11.27%	10.51%					
59	15.31%	14.38%	13.48%	12.62%	11.80%	11.01%					
60	16.04%	15.06%	14.13%	13.23%	12.36%	11.54%					
61		15.79%	14.81%	13.87%	12.96%	12.09%					
62			15.54%	14.55%	13.60%	12.69%					
63				15.27%	14.27%	13.32%					
64					15.00%	13.99%					
65						14.72%					
66							14.43%				
67								14.13%			
68									13.83%		
69										13.51%	
70											13.18%

Assumptions:

- 7.75% discount rate
- 2015 valuation salary increases
- Life annuity
- 1.5% final earnings (FAE) multiplier
- Factor applied to current annual five year FAE

Mortality

50/50 blend of the RP-2000 Combined Mortality Table for males projected with Scale AA to 2020 and the RP-2000 Combined Mortality Table for females projected with Scale AA to 2020 with a multiplier of 90%

FAE Factor= 1.5% (Active Employees Hired or Rehired Between 09/01/2004 and 06/30/2011)

Denver Employees Retirement Plan																
Purchase of Service Cost Factor																
Earliest Unreduced Retirement Age																
Age at Purchase	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70
20	7.51%															
21	7.54%															
22	7.58%															
23	7.62%															
24	7.65%															
25	7.69%															
26	7.74%															
27	7.80%															
28	7.88%															
29	7.95%															
30	8.03%															
31	8.14%															
32	8.27%															
33	8.43%															
34	8.59%															
35	8.76%															
36	8.94%															
37	9.15%															
38	9.37%															
39	9.60%															
40	9.83%	9.29%														
41	10.10%	9.54%														
42	10.40%	9.82%	9.28%													
43	10.73%	10.14%	9.57%													
44	11.07%	10.46%	9.88%	9.31%												
45	11.42%	10.80%	10.19%	9.61%												
46	11.82%	11.17%	10.55%	9.95%	9.37%											
47	12.26%	11.59%	10.94%	10.32%	9.72%											
48	12.75%	12.05%	11.37%	10.72%	10.10%	9.50%										
49	13.25%	12.53%	11.82%	11.15%	10.50%	9.88%										
50	13.78%	13.02%	12.30%	11.59%	10.92%	10.27%	9.65%									
51	14.35%	13.57%	12.81%	12.08%	11.37%	10.70%	10.05%									
52	14.98%	14.16%	13.36%	12.60%	11.87%	11.16%	10.49%	9.83%								
53	15.66%	14.80%	13.97%	13.17%	12.41%	11.67%	10.96%	10.28%								
54	16.37%	15.47%	14.60%	13.77%	12.97%	12.20%	11.46%	10.75%	10.06%							
55	17.11%	16.17%	15.27%	14.40%	13.56%	12.76%	11.98%	11.24%	10.52%							
56		16.92%	15.97%	15.06%	14.18%	13.34%	12.53%	11.75%	11.01%	10.29%						
57			16.71%	15.76%	14.84%	13.96%	13.11%	12.30%	11.52%	10.76%						
58				16.50%	15.54%	14.61%	13.73%	12.87%	12.06%	11.27%	10.51%					
59					16.27%	15.31%	14.38%	13.48%	12.62%	11.80%	11.01%					
60						16.04%	15.06%	14.13%	13.23%	12.36%	11.54%					
61							15.79%	14.81%	13.87%	12.96%	12.09%					
62								15.54%	14.55%	13.60%	12.69%					
63									15.27%	14.27%	13.32%					
64										15.00%	13.99%					
65											14.72%					
66												14.43%				
67													14.13%			
68														13.83%		
69															13.51%	
70																13.18%

- Assumptions:
- 7.75% discount rate
 - 2015 valuation salary increases
 - Life annuity
 - 1.5% final earnings (FAE) multiplier
 - Factor applied to current annual FAE

Mortality

50/50 blend of the RP-2000 Combined Mortality Table for males projected with Scale AA to 2020 and the RP-2000 Combined Mortality Table for females projected with Scale AA to 2020 with a multiplier of 90%

FAE Factor= 2.0% (Active Employees Hired Prior to 09/01/2004)

Denver Employees Retirement Plan																
Purchase of Service Cost Factor																
Earliest Unreduced Retirement Age																
Age at Purchase	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70
20	10.01%															
21	10.06%															
22	10.10%															
23	10.15%															
24	10.20%															
25	10.25%															
26	10.32%															
27	10.40%															
28	10.50%															
29	10.61%															
30	10.71%															
31	10.85%															
32	11.02%															
33	11.24%															
34	11.45%															
35	11.68%															
36	11.92%															
37	12.19%															
38	12.49%															
39	12.80%															
40	13.11%	12.39%														
41	13.46%	12.72%														
42	13.86%	13.10%	12.37%													
43	14.30%	13.52%	12.76%													
44	14.76%	13.95%	13.17%	12.42%												
45	15.23%	14.40%	13.59%	12.82%												
46	15.76%	14.90%	14.06%	13.26%	12.49%											
47	16.35%	15.45%	14.59%	13.75%	12.95%											
48	17.00%	16.06%	15.16%	14.30%	13.47%	12.67%										
49	17.67%	16.70%	15.77%	14.87%	14.00%	13.17%										
50	18.37%	17.36%	16.39%	15.46%	14.56%	13.70%	12.86%									
51	19.14%	18.09%	17.08%	16.10%	15.17%	14.27%	13.40%									
52	19.97%	18.87%	17.82%	16.80%	15.83%	14.89%	13.98%	13.11%								
53	20.87%	19.73%	18.62%	17.56%	16.54%	15.56%	14.61%	13.71%								
54	21.82%	20.62%	19.47%	18.36%	17.29%	16.27%	15.28%	14.33%	13.42%							
55	22.82%	21.56%	20.36%	19.20%	18.08%	17.01%	15.98%	14.98%	14.03%							
56		22.56%	21.29%	20.08%	18.91%	17.79%	16.71%	15.67%	14.67%	13.72%						
57			22.28%	21.01%	19.79%	18.62%	17.48%	16.40%	15.35%	14.35%						
58				22.00%	20.72%	19.49%	18.30%	17.17%	16.07%	15.02%	14.02%					
59					21.70%	20.41%	19.17%	17.98%	16.83%	15.73%	14.68%					
60						21.38%	20.08%	18.84%	17.64%	16.49%	15.38%					
61							21.05%	19.75%	18.49%	17.28%	16.12%					
62								20.71%	19.40%	18.13%	16.91%					
63									20.36%	19.03%	17.76%					
64										20.00%	18.66%					
65											19.63%					
66												19.24%				
67													18.84%			
68														18.44%		
69															18.01%	
70																17.57%

- Assumptions:
- 7.75% discount rate
 - 2015 valuation salary increases
 - Life annuity
 - 2.0% final earnings (FAE) multiplier
 - Factor applied to current annual FAE

Mortality
 50/50 blend of the RP-2000 Combined Mortality Table for males projected with Scale AA to 2020
 and the RP-2000 Combined Mortality Table for females projected with Scale AA to 2020 with a multiplier of 90%



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PURCHASE OF SERVICE APPLICATION

Print name: _____ DERP ID #: _____
 (First Name, Middle Initial, Last Name)

City ID #: _____

Home Address: _____
 (Street, Avenue, Road, P.O. Box, etc.)

 (City, State, ZIP)

Telephone Number: Home: _____ **Social Security Number:** _____
 (Area Code, Number) (Last four digits)

I am an active and vested member of the Denver Employees Retirement Plan and an employee of the City and County of Denver, DHHA, or other covered agency and elect to purchase service credit as provided in Section 18-415 of the Revised Municipal Code of the City and County of Denver. I have read the Purchase of Service brochure and understand this additional service will only be used in the calculation of my monthly retirement benefit. I further understand that I cannot purchase service to meet the Rule-of-75 or Rule-of-85 sooner, nor will purchased service be used in the calculation of the Insurance Premium Reduction Benefit.

- The Plan has provided me the cost to purchase service
 - I elect to purchase _____ months(s) of service credit.
 - I understand this purchase is voluntary.
 - The Plan will credit my account with the applicable service once full payment has been received.
 - I understand the payment made to purchase service credit is irrevocable and non-refundable.
-
- I elect to purchase this service in a cash payment.
 - I elect to rollover funds from a qualified retirement plan.

Signature: _____

Date: _____



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PRIOR GOVERNMENTAL SERVICE EMPLOYMENT VERIFICATION

Print name: _____ **DERP ID #:** _____
(First Name, Middle Initial, Last Name)

City ID #: _____

Home Address: _____
(Street, Avenue, Road, P.O. Box, etc.)

(City, State, ZIP)

Telephone Number: Home: _____ **Social Security Number:** _____
(Area Code, Number) (Last four digits)

Employment History *(To be completed by the former employer)*

The individual named above is interested in purchasing prior governmental service credit with Denver Employees Retirement Plan based on his/her former employment with your organization. To verify employment, please complete the information below and return the form to the former employee at the address listed above. If a retirement program existed for this employment, please have the form completed by the appropriate retirement organization.

Employer Name: _____

Employer Address: _____

Employee was employed from _____ to _____
(MM/DD/YYYY) (MM/DD/YYYY)

Was a retirement program (other than Social Security) in effect for this employee? Yes No

If yes, provide the name, address, and telephone number for the retirement program:

Is the former employee vested or eligible to receive any retirement benefits from this program?

Yes No

I certify that the above statements are correct according to our records.

Authorized Signature: _____

Date: _____

Title: _____



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NON-GOVERNMENTAL SERVICE PURCHASE AFFIDAVIT

Print name: _____ **DERP ID #:** _____
 (First Name, Middle Initial, Last Name)

City ID #: _____

Home Address: _____
 (Street, Avenue, Road, P.O. Box, etc.)

 (City, State, ZIP)

Telephone Number: Home: _____ **Social Security Number:** _____
 (Area Code, Number) (Last four digits)

I, _____, an active and vested member of the Denver Employees Retirement Plan, hereby declare that I wish to purchase _____ months of non-governmental service credit. I understand that the decision to purchase non-governmental service credit is irrevocable, non-refundable, and that the purchase must be fully completed prior to my termination from employment with the City and County of Denver, DHHA, or other covered agency. I further understand the maximum amount of non-governmental service credit I may purchase is sixty (60) months. By signing this document I hereby swear and affirm that the non-governmental service credit I am purchasing is for service for which I am not and will not be entitled to a pension or retirement benefit from any other employer or pension plan.

I declare under penalty of perjury of the laws of the United States of America and the State of Colorado that the foregoing is true and correct.

Signature: _____ **Date:** _____



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ROLLOVER CERTIFICATION FORM

Print name: _____ DERP ID #: _____
 (First Name, Middle Initial, Last Name)

City ID #: _____

Home Address: _____
 (Street, Avenue, Road, P.O. Box, etc.)

 (City, State, ZIP)

Telephone Number: Home: _____ **Social Security Number:** _____
 (Area Code, Number) (Last four digits)

Complete this form in its entirety and return to the Plan at the above address. The Plan will not process the rollover funds until this completed form is received. The member is advised to seek tax advice prior to completing this form.

I request the Denver Employees Retirement Plan accept a rollover distribution from:

 (Name of Qualified Retirement Plan or IRA)

The amount of the tax-deferred distribution is \$_____ and will be submitted as follows:

- Direct rollover from the qualified plan to Denver Employees Retirement Plan
- Rollover distributed directly to the member (60-day rule applies)

Member Signature: _____

Date: _____

CERTIFICATION OF CURRENT CUSTODIAN

The above participant is requesting that Denver Employees Retirement Plan (the Plan), a defined benefit plan governed under Section 401(a) of the Internal Revenue Code, accept a rollover from your plan. In order to accept the rollover funds, the Denver Employees Retirement Plan requires verification that your plan is a qualified retirement plan under the Internal Revenue Code. Please complete the section below and return this form directly to the member.

Name of Plan: _____

Address: _____
Street or PO Box City State Zip Code

Qualified plan under IRC Section: _____

I am the plan administrator, trustee, custodian, or issuer of the contract with respect to the qualified plan or individual retirement account named above.

 Signature

 Title

 Date