

Service Credit Purchase Guide



Powering Your Future, Together.

A service credit purchase can increase your lifetime monthly DERP Pension Benefit payment in retirement.

At retirement, your monthly DERP Pension Benefit payment is calculated using three factors unique to you and based on your membership tier: your average monthly salary, your multiplier, and your service credit.

Service credit is a key factor in your retirement benefit calculation. The more service credit you accumulate while working for the city, the higher your monthly DERP Pension Benefit will be when you retire.

If you want more money when you retire, one way to increase your DERP Pension Benefit is to purchase service credit.

When you purchase service credit with DERP, you increase the amount of service credit used in the calculation of your DERP Pension Benefit which increases your monthly DERP Pension Benefit when you retire.

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What Types of Service Credit Can I Purchase?

Service Credit Based On Employment History

There are three different types of service credit you can purchase based on your employment history.

1. Governmental Service Credit

When you're vested with DERP, you're eligible to purchase prior governmental service credit if you haven't received, or aren't eligible to receive, a retirement benefit from that period of employment. This service credit is considered qualified, meaning we require employment verification from your previous employer.

Prior governmental service includes:

- U.S. military service
- Employment in a U.S. public or private K-12 school, college, or university
- Employment with federal, state, or local government in the U.S. or its territories

2. Non-Governmental Service Credit

When you're vested with DERP, you're eligible to purchase up to 60 months of non-governmental service credit in addition to prior governmental service credit. This service credit is considered non-qualified, meaning it doesn't require the same employer verification as governmental service credit.

3. U.S. Military Leave

When you report back to work at the city after a U.S. military leave, you're eligible to purchase service credit for the time you were on active duty.

Other Types of Service Credit

There are two other types of service credit you can purchase.

1. Refund of Contributions

When you're rehired in a DERP-eligible position after receiving a refund of your employee contributions, you're eligible to reinstate the service credit you lost by repaying the refund.

2. Authorized Leave Without Pay

When you return to work from an authorized leave without pay, you're eligible to purchase service credit for the time you were away.



Learn About Types of Service Credit Purchases in Our Video

Our video *Purchasing Service Credit* explains the three types of service credit you can purchase based on your employment history and the two other types of service credit.

Click or scan the QR code to watch.



How Does Purchasing Service Credit Affect My DERP Pension Benefit?

When you purchase service credit with DERP, you increase the amount of the monthly DERP Pension Benefit paid to you in retirement. The benefit calculation is based on your membership tier, or when you were hired, and years and months of service credit.

Membership Tier 1 - Hired Before September 1, 2004

- Average Monthly Salary = Highest 36 consecutive months of salary
- Multiplier = 2%

Average Monthly Salary	X	2%	X	Service Credit
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Membership Tier 2 - Hired On or After September 1, 2004

- Average Monthly Salary = Highest 36 consecutive months of salary
- Multiplier = 1.5%

Average Monthly Salary	X	1.5%	X	Service Credit
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Membership Tier 3 - Hired On or After July 1, 2011

- Average Monthly Salary = Highest consecutive 60 months of salary
- Multiplier = 1.5%

Average Monthly Salary	X	1.5%	X	Service Credit
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See How It Works in Our Video

Our video Purchasing Service Credit clarifies how a service credit purchase may increase your DERP Pension Benefit in retirement.

Click or scan the QR code to watch.

How Much Does It Cost to Purchase Service Credit?

Service Credit Purchase Cost

The service credit purchase cost depends on the type of service credit you purchase.

Governmental and Non-Governmental Service Credit

Email Help@DERP.org to request an official calculation.

We'll calculate your exact governmental and non-governmental service credit purchase cost using your salary records. The cost calculation you receive from DERP will be good until your next birthday. However, if the actuarial assumed rate of return changes prior to your birthday, the cost to purchase service credit will change and be recalculated.

U.S Military Leave

The cost to purchase military leave is based on the employee contribution rate at the time of the missed salary. The cost is the amount you would have contributed had you been working in a DERP-eligible position.

The purchase must be made within your date of reemployment up to three times the length of your most recent period of uniformed service, not to exceed five years.

Email Help@DERP.org to request an official calculation.

Refund of Contributions

The cost to pay back a refund of your employee contributions is based on when you make the purchase.

- Within 24 months of rehire date

If you make the purchase within 24 months from your rehire date, the cost is the amount of your refund, plus interest. Interest at the rate of 3% is compounded every year on June 30.

- After 24 months of rehire date

If you make the purchase after 24 months from your rehire date, the cost is the full actuarial cost based on factors including your hire date, current age, earned service credit, and average monthly salary.

Email Help@DERP.org to request an official calculation.

Leave Without Pay

The cost to purchase leave without pay is based on when you make the purchase.

- **Within 24 months of leave without pay**

The cost is the total amount of employee and employer contributions that would have been contributed had you been working in a DERP-eligible position.

- **After 24 months from leave without pay**

The cost is the full actuarial cost based on factors including your hire date, current age, earned service credit, and average monthly salary.

Email Help@DERP.org to request an official calculation.

What Is Actuarial Information?

The cost to purchase governmental and non-governmental service credit purchase is based on actuarial factors like age, salary, and life expectancy.

- **Age**

Older members usually pay more to purchase service credit since they'll retire sooner.

- **Salary**

The more you earn, the higher your future DERP Pension Benefit will be, so purchasing service credit costs more.

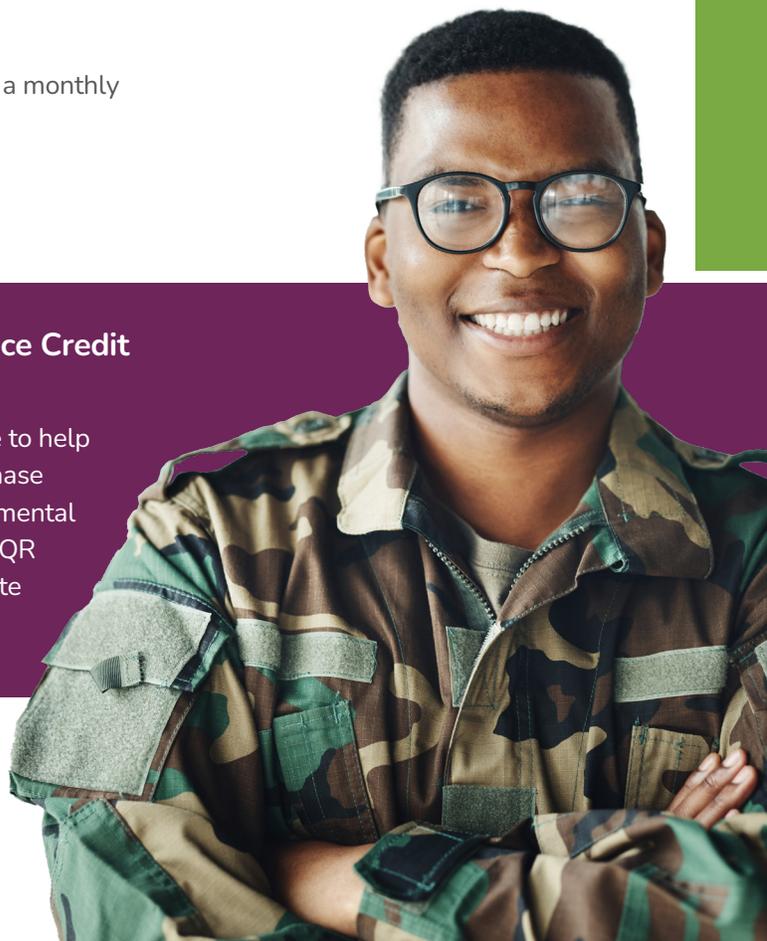
- **Life Expectancy**

This helps estimate how long you'll continue to receive a monthly DERP Pension Benefit payment.



Want to Estimate a Service Credit Purchase Cost Yourself?

We post actuarial tables online to help you estimate your cost to purchase governmental and non-governmental service credit. Scan or click the QR code and refer to the appropriate table based on your hire date.



Is Purchasing Service Credit Right for Me?

You must carefully weigh your options when considering whether to purchase service credit. There are situations where a purchase may be advantageous and other situations where it may be cost prohibitive, depending on your individual circumstances.

One way to evaluate the benefit of a service credit purchase is to compare your estimated DERP Pension Benefit as of the projected retirement date, both with and without the additional service credit, and determine how many months you will receive a benefit before recovering the cost of the service credit purchase.

To determine the number of months it will take you to recover the service credit purchase cost, divide the cost by the estimated increase to your DERP Pension Benefit.

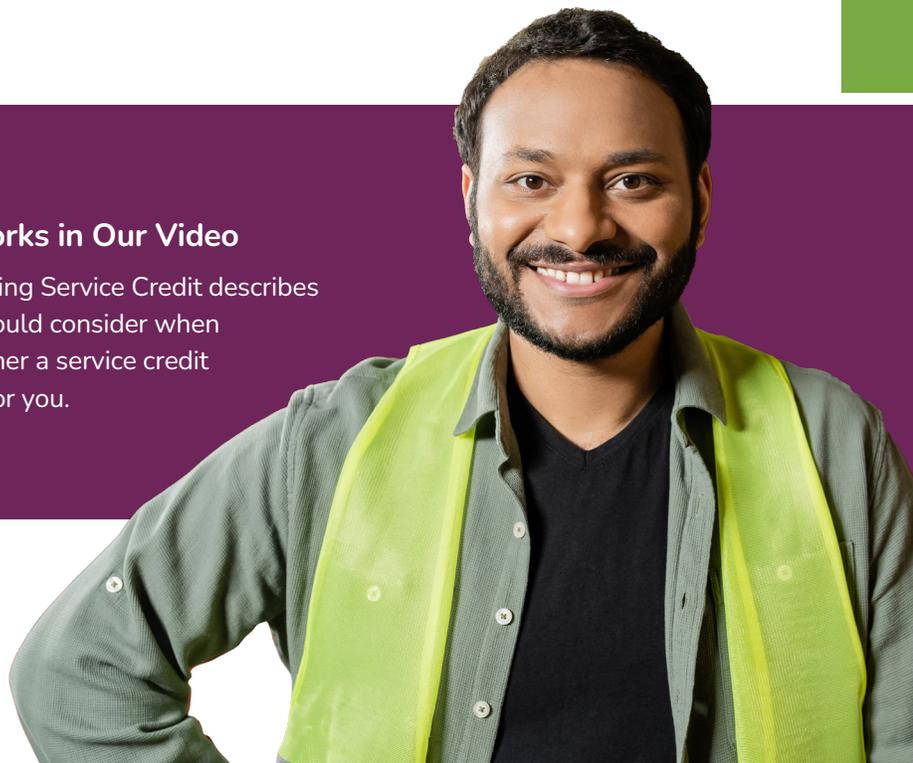
Questions to Ask Before Purchasing Service Credit

- Will a service credit purchase with DERP provide more retirement income than an alternative investment?
- What is my life expectancy (gender, family history, health)?
- Should I use tax-deferred dollars?
- When is the best time for me to make a service credit purchase, considering the cost is based on my current age, service credit, and average monthly salary?



See How It Works in Our Video

Our video Purchasing Service Credit describes the factors you should consider when determining whether a service credit purchase is right for you.



What Are the Steps to Purchase Service Credit?

Purchasing service credit with DERP is a simple process:

1. Email Help@DERP.org to request an official service credit purchase cost calculation. We'll send you the timeline, cost, and required form(s).
2. Complete and return the required forms(s).
3. Look at the cost, then decide if purchasing service credit is right for you.
4. Submit required forms and payment to DERP by cash, check, or rollover, if you decide purchasing service credit is right for you.

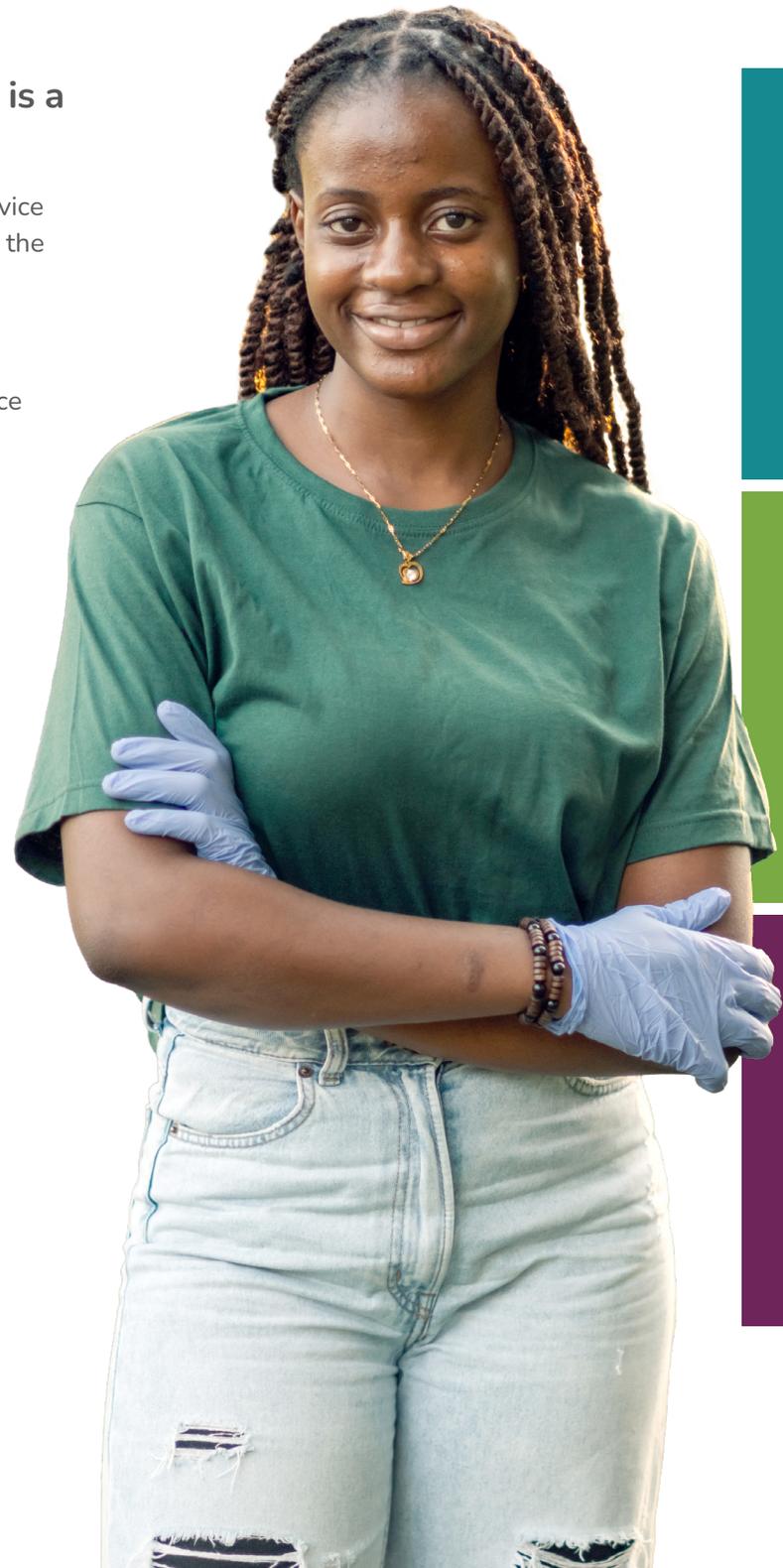


Schedule an Appointment

If you'd like to learn more about purchasing service credit or how a service credit purchase could increase your DERP Pension Benefit in retirement, schedule an appointment.

Our team of membership services representatives can walk you through the service credit purchase process, step by step.

Email Help@DERP.org or call (303) 839-5419 to schedule a one-on-one appointment.



Jessie's Story

Jessie is 30 years old and recently vested. As a vested member, she can purchase additional service credit, increasing her monthly DERP Pension Benefit in retirement. Jessie's heard that purchasing service credit can be advantageous and wants to learn more.

She's wondering:

- How much would it cost me to purchase one month of service credit?
- How much would purchasing a month of service credit increase my benefit payment when I retire?
- How many months would it take for the increased monthly benefit payment to pay me back for what I invest to purchase the additional service credit?

Jessie emails Help@DERP.org and requests an estimate. She learns that if she purchases service credit now, the increase to her DERP Pension Benefit in retirement would mean that she'd recover the cost of the service credit in three and a half years after retiring. She also learns that the cost to purchase service credit increases as she ages. Jessie consults her financial advisor and decides a service credit purchase is advantageous for her.



Service Credit Purchase Terms and Conditions

The terms and conditions of a service credit purchase are:

- You must be an active employee with the city, Denver Health and Hospital Authority, or DERP working in a DERP eligible position.
- You must purchase governmental and non-governmental service credit in increments of one month or more.
- You must purchase U.S. military leave, leave without pay, and paybacks of refunded contributions in full.
- We must receive payment for your service credit purchase prior to your separation from employment.
- You may pay for service credit directly or roll over funds from another qualified retirement plan.
 - Payments made directly are considered an after-tax contribution.
 - Payments made by rollover must be tax-deferred funds from a qualified plan under the Internal Revenue Service.
- You can't purchase service credit in installments or through payroll deduction.
- A service credit purchase is irrevocable and non-refundable.
- A governmental and non-governmental service credit purchase is only used to calculate your retirement benefit and won't help you meet the Rule of 75, Rule of 85, or be used to calculate your health insurance premium reduction benefit. However, it is used in the calculation of the active member death benefit and the disability benefit.

Disclaimer

The DERP Service Credit Purchase Guide is intended primarily for the members of the Denver Employees Retirement Plan (DERP) to provide a general overview. DERP 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. The information contained in this guide can't be relied on as legal authority. In all cases, the provisions of the governing laws, rules, and regulations will apply.

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Retirement Plan

