

## Full-Cost Purchases: Questions & Answers

### 1. What are the full-cost purchases?

The full-cost purchases are:

- Out-of-state teaching time,
- Out-of-state police service,
- Periods of disability retirement,
- Military service prior to Tier One/Tier Two membership, and
- Wild land firefighter service with State Forestry.

### 2. Why are they termed “full-cost” purchases?

Purchasing retirement credit requires the member to pay the full cost of the increased monthly retirement benefit he/she will receive.

If the purchase allows a member to retire before reaching earliest retirement age, the member must pay PERS the full cost of the monthly retirement benefits and cost-of-living increases that will be paid before he/she reaches earliest retirement age.

### 3. How is the full-cost purchase calculated?

If you are already eligible to retire, the full-cost to make the purchase is calculated based on an actuarial factor for your age multiplied by the difference between your monthly retirement benefit after the full-cost purchase and your monthly retirement benefit before the full cost purchase.

If you are not eligible to retire by age or service, but will be eligible by service if you make the full-cost purchase, the purchase cost is calculated based on the same information used for a member who is eligible to retire. However, it also includes additional actuarial factors to cover the value of the additional retirement benefits and cost-of-living adjustments you will receive in the months/years before reaching your earliest retirement age.

### 4. What is the average cost for a full-cost purchase?

PERS can only give a general range because every member’s situation is unique.

Generally, for a member who is eligible to retire, the purchase cost ranges from \$150- \$175 for each \$1 increase to a monthly retirement benefit.

For a member who is not eligible to retire and is using the purchased service time to establish retirement eligibility, the cost can range from \$20,000 to more than \$100,000.

### 5. When will I know how much it will cost to make a full-cost purchase?

You may request a retirement benefit estimate within two years of your retirement eligibility and request an estimated cost for a full-cost purchase. However, the exact cost to make the purchase cannot be calculated until you retire and your actual, not estimated, retirement benefit is calculated. The exact cost may be **significantly higher** than the estimated purchase cost you paid to PERS before you retired.

**6. Why could the exact cost to make a full-cost purchase be significantly higher than the estimated cost?**

PERS generally uses two methods to calculate every member's estimated and actual monthly retirement benefit: Money Match and Full Formula. The Formula Plus Annuity method is also used to calculate the benefit of members who made contributions before August 21, 1981. You are entitled to the monthly retirement benefit calculated by the method producing the highest amount.

The Money Match method uses your account balance to estimate your monthly retirement benefit. PERS must make certain assumptions about the future earnings of your regular member account and, if applicable, the earnings of your variable member account to estimate your account balance at retirement. PERS uses this estimated account balance to estimate your monthly benefit before and after a full cost purchase. You pay the difference. Your account balance at retirement may be greater or smaller than the estimated account balance depending on the actual annual Tier One or Tier Two regular earnings and variable earnings credited to your account at your effective date of retirement.

The Full Formula calculation method uses your final average salary to estimate your monthly retirement benefit. PERS estimates your final average salary based on PERS records and the information you provide about the number of hours of unused sick leave, vacation, and compensatory time you will have at retirement. Your final average salary at retirement may be greater or smaller than the estimated amount depending on several factors including the actual number of unused sick leave hours and the amount of pay-off you received from your employer for your accrued vacation and compensatory time.

The actual difference between your monthly benefit before and after the purchase will often not be the same as the estimated difference. Even a small change in the difference, when applied over the period you are expected to receive benefits can significantly increase the cost.

**7. What happens at retirement if the actual cost to make a full-cost purchase is different than the estimated cost?**

PERS will invoice you for any additional amount required to pay your full-cost purchase. If you have not reached earliest retirement age and are using the purchase to establish retirement eligibility, you will not be eligible to retire unless you remit to PERS the additional amount required to purchase the additional service time needed. If the actual cost is less than estimated, PERS will send you a check for the difference.