

GOVERNMENT SERVICE BUYBACK INFORMATION SHEET - Tier 3

What is the Government Service Buyback (GSB) program?

The GSB program allows **Active** LACERS Members to increase their retirement benefit by purchasing Service Credit for periods of:

- Full-time service with other Governmental Entities¹; or
- Uncompensated maternity leave with the City of Los Angeles.

What makes you eligible to purchase Service Credit under the GSB program?

You may be eligible to purchase Service Credit under the GSB program if you are an Active Member of LACERS, and:

- You have at least six months² of uninterrupted, full-time service with a single Governmental Entity; or
- You were on an uncompensated leave of absence from City Service for maternity reasons. The amount of time you can purchase for any one pregnancy is a minimum of one whole month and a maximum of twelve months².

What periods of time are ineligible for purchase?

You will not be able to purchase Service Credit for any periods of time when:

- You received Service Credit from the City for the same period of time.
- You were a government contractor, grantee, or Hiring Hall employee.
- Your previous service is with an agency with which LACERS has a Reciprocal agreement and you would be entitled to participate in the Reciprocity program (please see the Reciprocity Information Sheet).
- You qualified for Reciprocity on the date you were hired by the City, but subsequently lost your qualification because you withdrew your contributions from your previous retirement plan.
- You withdrew your contributions from your previous retirement plan after your membership with LACERS and did not deposit the entire gross withdrawn contributions and interest with LACERS within 90 days of such withdrawal.
- You are receiving a Retirement Benefit from the other entity for the same period of time.
- If you were not an active employee with the City before and after the maternity leave of absence.
- If the purchase would result in a benefit more than the IRC 415(b) limitations, as a qualified defined benefit plan, LACERS will not be able to allow service purchases.

What does the GSB Service Credit you purchase count toward?

The GSB purchase will:

- Increase your monthly retirement allowance (if you retire from the City).
- Qualify you for, or increase your, retiree health and dental insurance premium subsidies.

In what ways would your GSB not assist you?

The GSB purchase:

- Will NOT count toward any period of time required to establish eligibility for a Service Retirement, Vested Retirement, or Disability Retirement.
- Will NOT increase your employment seniority or lay-off seniority.
- Will NOT increase your vacation, sick time, or service pin accrual rates.

What does it cost to purchase Service Credit under the GSB program?

The cost to purchase GSB shall be determined as follows:

- The Member's contribution rate shall be combined with the "City Contribution Rate" to establish the total percent of the Member's compensation³, at the time of purchase, that is to be paid for the total length of the period of Service Credit that the Member agrees to purchase.

Example: Assuming the Member's compensation at the time of purchase is \$100,000 per year, and assuming the Member's contribution rate is eleven percent (11%), the City's Contribution Rate is nine percent (9%), and the period of Service Credit to be purchased is two years, the cost will be determined as follows:

The eleven percent (11%) Member Contribution rate plus the nine percent (9%) City Contribution Rate results in a total Contribution Rate of twenty percent (20%). Thus, to purchase two years of Service Credit would cost the Member a total of \$40,000.00: twenty percent (20%) of the Member's \$100,000.00 compensation for each year of service purchased.

How can you pay for a GSB purchase?

The following payment options are available for eligible GSB purchases, subject to Internal Revenue Code (IRC) limitations:

- **Post-tax:** You can make a lump-sum payment via check, a transfer from an eligible post-tax retirement fund, or in biweekly installments deducted from your payroll check.
- **Pre-tax:** Pre-tax installment payments are not available for GSB purchases; however, you may be able to transfer funds from an eligible pre-tax retirement fund, such as Deferred Compensation.

Note: Transfers or rollovers from Roth Plan or Roth IRAs are prohibited pursuant to IRC regulations and will not be accepted by LACERS.

What are the rules for purchasing GSB with a biweekly payroll deduction agreement?

- Interest will be applied to the total cost for the term of the agreement based on the published assumed rate of return for LACERS' investments.
- Minimum allowable payroll deduction is \$25.00.
- Maximum allowable agreement length is fifteen years (390 payroll periods).
- Deductions will appear on your pay stub the pay period following the execution of the agreement and will stop one pay period after the last purchase payment.
- If you plan to retire before your agreement has been completed, you may make a lump sum payment sufficient to complete the total payment covered by the agreement or receive prorated Service Credit for the period you have paid for and forfeit the remainder of the Service Credit.
- The GSB payments made to LACERS will **only** be refunded upon the earlier of death, termination of employment or retirement.

How can you apply for a GSB purchase?

To apply to purchase GSB Service Credit for service other than uncompensated maternity leaves, complete a Certification of Service form and return it to LACERS. For purchases of military time, you will need to submit an original Form DD214, or a copy certified by the Department of Veterans Affairs.

For purchases of uncompensated maternity leaves, complete a Certification of Uncompensated Maternity Leave form and return it to LACERS. You will need to submit a copy of the corresponding birth certificate for each maternity leave of absence.

These forms are available on our website at www.LACERS.org.

Questions?

If you have any questions or need any assistance in completing the forms, please contact us at (800) 779-8328.

¹ The Los Angeles Administrative Code (LAAC) defines a Governmental Entity as "...the United States Government including its territories; Indian tribal governments, including subdivisions, agencies, or instrumentalities of Indian tribal governments, in accordance with Internal Revenue Code section 414(d); any agency of the United States Government; the United States Postal Service; any branch of the United States military service; any State or political subdivision thereof; any local government or special district within any State in the United States..."

² Purchases made pursuant to the GSB program are in whole month increments only. Partial months will be rounded down to the nearest whole month pursuant to Division 4, Chapter 10 of the Los Angeles Administrative Code.

³ If you receive a retroactive increase in your salary or retirement contribution rate after you enter into the purchase agreement, your cost will be recalculated to reflect your new salary and/or retirement contribution rate.

NOTES:

- **A GSB purchase shall not allow a Member to establish an earlier membership date with LACERS for purpose of excluding him or her from membership in Tier 3.**
- **If the purchased service credit at the time of retirement would cause the Member's service retirement allowance to exceed eighty percent (80%) of final compensation, the purchase cost, including interest thereon, shall be refunded or may be applied by the Member to purchase a larger annuity if doing so does not cause the retirement allowance to exceed any applicable federal limitations.**
- **A Member may elect to terminate an after-tax GSB agreement prior to its completion or at the time of retirement. The Member shall forfeit the associated service credit and may elect to receive a cash refund of the buyback contributions and interest payable upon the earlier of death, termination of employment, or retirement.**

LACERS benefits are governed by the Los Angeles Administrative Code, Los Angeles City Charter, the Rules of LACERS Board of Administration, and the Internal Revenue Code. These Codes and Rules are subject to change. If there are any discrepancies between those governing authorities and the information in this sheet, the governing authorities have precedence.

To comply with the Internal Revenue Code, LACERS will evaluate your request for a GSB purchase to determine whether it complies with federal law limits. A GSB purchase that does not comply may be disallowed in whole or in part by LACERS.