

SBCERS *** Bulletin**

Santa Barbara County Employees' Retirement System
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Santa Barbara, CA 93105
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www.countyofsb.org/sbcers/

AB 55

Additional Retirement Credit - ARC Government Code Section 31658

In this bulletin: the ABC'S of ARC

Increase Your Retirement Benefit

The Board of Supervisors adopted Assembly Bill 55 which allows active members who have at least five years of SBCERS service credit to purchase up to five years of additional retirement credit. The law requires that the cost of the additional retirement credit at the time of purchase be such that in the opinion of the Board of Retirement does not put an additional financial burden on the Retirement System. Simultaneously with that action, the Board of Supervisors also adopted a provision allowing for the purchase of the benefit to be within 120 days of retirement.

Mellon HRIS, the Retirement System's actuary, developed the model to calculate the cost to the member of purchasing additional retirement credit. In the opinion of the actuary, the retirement credit purchased under this model will not place an increased financial burden on the Retirement System. The model is based on the current actuarial assumptions, and uses the current member mortality tables as the basis for projecting the future value.

In order to estimate the value of the benefit the model makes some general assumptions about the members who purchase the benefit. The assumptions of the model are as follows.

- Members purchasing retirement credit will receive 5% salary increases each year until they retire.
- In their final year of service, the member will convert 40 hours of vacation to cash that will be included in final average salary. (Members who purchase the credit at the time of retirement will have the same final average salary used for purchase of the additional retirement credit as is used for computing their retirement allowance.)
- The member cost will be based on the System's adopted actuarial tables.

Conditions & Procedures

- Members must have 5 years of creditable service with Santa Barbara County to be able to purchase additional retirement credit. Only service actually performed for Santa Barbara County will be considered.
- The contract to purchase service by payroll deduction will be for a maximum of ten years.
- A member will not be allowed to have more than one active contract for additional credit at any time. Purchases in process (extra help, medical leave of absence, etc.) will need to be completed before this purchase contract will be initiated.
- The minimum additional retirement credit purchase is six months. Service credit will be computed in whole month increments.
- Members purchasing the credit prior to retirement are required to commit to a month and year in which they will retire. Should the member not retire at the time agreed as designated in the contract, the purchase cost will be adjusted based only on the actual date of retirement. All initial assumptions will remain. A member owing additional amounts will have the option of receiving reduced service or paying the increased cost. A member who has over-paid will receive a refund of the excess.
- Members using purchase contracts will be given the option, within the limitations of the IRS code, of paying by payroll deduction on a pretax or post tax basis.
- Members who have started a contract and leave County service before completion of the contract must make a lump sum payment to complete the contract, within the provisions of the IRS code and within 120 days of termination from employment.
- Additional retirement credit may not be counted to meet the minimum qualifications for retirement benefit eligibility.
- Payment of retirement allowances for members purchasing additional retirement credit will not be initiated until the account is reviewed and reconciled, if necessary.
- Additional retirement credit is **not** counted for the purposes of ad hoc cost of living benefits based on service credit, health care benefit offsets or any other benefits paid based upon service credit.

Additional Retirement Credit

Q & A's

Here are answers to the most frequently asked questions about the Additional Retirement Credit purchase.

Q&A Who is eligible to purchase this retirement credit?

Active and deferred SBCERS members who have a minimum of five years of earned SBCERS service credit are eligible to purchase Additional Retirement Credit. Members purchasing the benefit must complete the purchase within 120 days after the effective date of his/her retirement.

Q&A What is the minimum amount of retirement credit I can purchase?

The additional retirement credit may be purchased in whole-year or full month increments. The minimum purchase is six months.

Q&A Is there a deadline for purchasing Additional Retirement Credit?

The purchase must be completed prior to retirement or within 120 days after the effective date of your retirement.

Q&A What happens if I change my effective date of retirement?

The service purchase contract you sign will require you to retire on the projected date, or to agree to a recalculation based on the actual retirement date.

Q&A How can I get an estimated cost of purchasing the additional credit?

A calculator is available on our website (www.countyofsb.org/sbcers/) for members to compute the cost of the benefit and project the incremental increase in the monthly allowance at the time of retirement. You will need to provide your date of birth, type of membership with SBCERS, date that you intend to purchase the service, your current bi-weekly salary and the date you intend to retire. APCD members will need to contact the retirement office for a cost estimate, the calculator is not set up for their specific plan.

North County members may go to our office located in Santa Maria at 218 Carmen Lane, Suite 208, to access the model calculator to determine the cost and additional benefits associated with AB55. The office hours are 7:30am to 5:00pm.

South County members may go to our new office located in Santa Barbara at 3916 State Street, Suite 210. The office hours are 8:00am to 5:00 pm.

If you do not have access to our website please fill out and return the last page of this bulletin to the address noted.

Q&A Will I be able to use funds from my Hartford deferred compensation account to pay for the additional service credit?

Not while you are an active member of the Retirement System.

Q&A What funds can I use to purchase this Additional Retirement Credit?

Any qualified pre-tax funds, cash up to the IRS limitation rule set for the year in which the purchase is made and thru bi-weekly pre or post taxed payroll deductions.

Q&A Will using my deferred compensation account affect the starting of my retirement?

Your benefit will be paid based on your effective date of retirement. However, the actual distribution of your benefit allowance will be delayed until all funds are received by Santa Barbara County Employees' Retirement System.

Q&A I have membership in both the General and Safety plans with SBCERS. Can I choose which plan I want to purchase the retirement credit in?

No, your purchase will be calculated using the current plan you are in.

Q&A Can I make more than one purchase of Additional Retirement Credit?

Yes.

Q&A When is the best time to purchase the Additional Retirement Credit?

If purchased at time of retirement you will know with certainty the monthly increase in your retirement allowance. At any other time it is just an estimated projected benefit.

Q&A What happens if I terminate employment prior to retirement and cannot complete my purchase contract?

You will be given credit for the time you have purchased on a pro-rata basis.



If you do not have access to our website please complete this form and send it to our office for an estimate on the cost to purchase the Additional Retirement Credit

ESTIMATE REQUEST or CONTRACT REQUEST (please circle one)

Name (please print): _____

Work Phone Number: _____

Date Of Birth: _____

GENERAL, SAFETY or APCD MEMBER (please circle one)

Your Current Age: _____ years _____ months

Your Estimated Retirement Age: _____ years _____ months

Current Bi-Weekly Salary: _____

Total number of years you would like to purchase: _____ years _____ months

Total repayment period: _____ years

Date I intend to purchase: **NOW** or **AT RETIREMENT** (please circle one)

Method of Purchase: **CASH**, **PAYROLL DEDUCTION** or **ROLLOVER** (please circle one)

MAILING ADDRESS: _____

HOME PHONE: _____

SIGNATURE: _____ DATE: _____

Send interoffice mail to the Retirement Office or mail to: SBCERS-ARC Inquiry
3916 State Street, Suite 210
Santa Barbara, CA 93105