

City of Ann Arbor Employees' Retirement System

Temporary Service Retirement Buy-Back Policy

Adopted: March 19, 2020

Purpose

The purpose of this policy is to provide guidelines for the calculation and administration of Temporary Service Retirement Buy-Back program.

Statement of Intent and Statutory Support

The Board of Trustees of the City of Ann Arbor Employees' Retirement System ("Board of Trustees") is vested with the authority for the proper administration, management, and operation of the Retirement System, and has a fiduciary obligation to ensure that members and beneficiaries receive only those benefits to which they are entitled under the provisions of the Retirement System. Section 1:555(h) of Chapter 18 of the City Code Service Credit for Retirement addresses the eligibility and benefit of the program.

Service—Temporary Employment. A Member may elect to receive Service for periods of temporary employment leading directly to permanent employment with the City by agreeing to pay into Annuity Savings Fund an amount equal to the Accumulated Contributions that would have been required and accrued as if such person had been a Member of the Retirement System during the period of temporary employment. The election must be made within **60 days** after (a) obtaining permanent status and (b) being notified by the Board of the right to make such election. Temporary service in a student training or student intern program or on a contractual basis is not eligible for Service credit under this section. This provision shall be effective for periods of temporary employment beginning after July 1, 1979.

In accordance with the foregoing the Board acknowledges the following policy guidelines to calculate and administer the Temporary Service Retirement Buy-back program.

Policy Guidelines

Upon permanent hire, the employee will meet with the Pension Analyst to complete the retirement new hire packet. At the meeting, the employee will be informed of the Temporary Service Retirement Buy-Back program and will sign the notification form acknowledging said notification (Buy-Back Notification – Form 1).

The Pension Analyst will forward a copy of the completed notification form to the Pension Accountant to complete the Buy-Back calculation.

Upon completion of the employee's first pay period, the Pension Accountant will use the payroll transmittal information along with the employee's temporary payroll history that led directly to the permanent position to calculate the terms of the buy-back service period and payment options.

Payment options will consist of the following:

1. A post-tax lump sum payment which will be based upon 3% of base wages plus quarterly interest payments as applicable to the temporary service period through the lump sum payment date.

-or-

2. A pre-tax lump sum payment via a 457 account rollover which will be based upon 3% of base wages plus quarterly interest payments as applicable to the temporary service period through the lump sum payment date.

-or-

3. An irrevocable monthly pre-tax payroll deduction of the above total plus monthly accrued interest payments based on the above quarterly interest rate.

The Pension Accountant will forward the above calculations, payment schedules and an explanation letter to the employee within 30 days of notification of the completion of the employee's first pay period (Buy-Back Option Letter – Form 2).

The employee will then have **60 days** to inform the Pension Accountant of the payment option they wish to use to complete their selection (Buy-Back Selection – Form 3) or their decision to decline the purchase. A lack of notification to the Pension Accountant within the **60 day time** period will result in forfeiture of the right to purchase the service time.

The employee must complete payment prior to their last date of employment. If at the time of the termination of employment, the balance for the purchase of service time will not be completely paid off, they will be required to complete the purchase in a lump sum on or before their last payroll period, or they will forfeit the portion of service attributable to the unpaid balance. In such event, they may have several options available to them to complete the purchase prior to termination or retirement including a lump sum payment, a rollover from your 457 account or an additional pre-tax payroll deduction. If they anticipate an unpaid balance and wish to complete their purchase of service credit, they must contact the Retirement Office well in advance of their termination/retirement date to discuss their options.

In the event that the employee chooses the irrevocable pre-tax payroll deduction the employee must read and complete the ***“Irrevocable Payroll Deduction Authorization for Pick-up of Employee Contributions for Service Credit Purchase”***.

IRREVOCABLE PAYROLL DEDUCTION AUTHORIZATION FOR PICK-UP OF EMPLOYEE CONTRIBUTIONS FOR SERVICE CREDIT PURCHASE

The undersigned employee of the City of Ann Arbor knowingly and voluntarily elects to purchase ____ years and ____ months of temporary service credit with the City of Ann Arbor Employees' Retirement System ("Retirement System") via this binding irrevocable pre-tax payroll deduction pursuant to the "pick-up" feature of Section 1:565(c) of the Retirement System Ordinance. The undersigned further understands that neither the City of Ann Arbor, or the Retirement System will accept direct payment from the undersigned after execution of this form, and that the contributions to the Retirement System that are being deducted, although designated as employee contributions, are being paid by the employer in lieu of contributions by the employee. By completing this form, the undersigned employee is prohibited from receiving the contributed amounts directly rather than having them paid to the Retirement System and is precluded from revoking this payroll authorization and making direct payments to the Retirement System. This payroll deduction authorization form shall remain in full force and effect until the required payroll deductions are completed, or termination of employment, whichever occurs first.

Upon receipt of all completed Temporary Service Retirement Buy-Back forms the Pension Accountant will advise payroll of any applicable payroll deductions and track applicable payments to completion. The Ann Arbor Retirement System staff will maintain purchased service records for appropriate calculation upon retirement estimate requests or application.