

Cost to Purchase Service Credit

The cost to purchase credited service depends upon your age at the time of purchase and is based on an actuarially determined percentage (multiplier) of your current salary or your final average compensation, whichever is higher, for each year to be purchased.

The same formula applies to each class of membership:

Multiplier x Higher of Current Salary or Final Average Compensation x Years to Purchase

Class A		Class B- Public Safety	
Age at Purchase	% of Pay	Age at Purchase	% of Pay
33 and Younger	12.0%	21 and Younger	16.0%
34	12.4%	22	16.1%
35	13.1%	23	17.1%
36	13.9%	24	18.2%
37	14.7%	25	19.3%
38	15.5%	26	20.5%
39	16.4%	27	21.7%
40	17.4%	28	23.1%
41	18.4%	29	24.5%
42	19.4%	30	25.9%
43	20.5%	31	27.5%
44	21.7%	32	29.2%
45	22.9%	33	30.9%
46	24.2%	34	32.7%
47	25.5%	35	34.7%
48	26.9%	36	36.7%
49	28.3%	37	38.9%
50	29.9%	38	41.2%
51	31.5%	39	43.6%
52	33.2%	40	46.1%
53	34.9%	41	48.8%
54	36.8%	42	51.6%
55 and Older	38.7%	43	54.5%
		44	57.6%
		45 and Older	60.8%

Class B- Judicial			
(First 15 Years)		(After 15 Years)	
Age at Purchase	% of Pay	Age at Purchase	% of Pay
26 and Younger	18.0%	34 and Younger	18.0%
27	18.1%	35	18.5%
28	19.2%	36	19.6%
29	20.3%	37	20.7%
30	21.6%	38	21.9%
31	22.9%	39	23.2%
32	24.2%	40	24.5%
33	25.7%	41	26.0%
34	27.2%	42	27.4%
35	28.8%	43	29.0%
36	30.5%	44	30.6%
37	32.3%	45	32.3%
38	34.1%	46	34.1%
39	36.1%	47	36.0%
40	38.2%	48	37.9%
41	40.4%	49	40.0%
42	42.7%	50	42.2%
43	45.1%	51	44.4%
44	47.6%	52	46.8%
45	50.3%	53	49.3%
46	53.0%	54	51.9%
47	56.0%	55 and Older	54.7%
48	59.0%		
49	62.2%		
50	65.6%		
51	69.1%		
52	72.8%		
53	76.7%		
54	80.8%		
55 and Older	85.0%		

Conversion of Class A to Class B- Public Safety

Age at Conversion	% of Pay	Age at Conversion	% of Pay
21 and Younger	4.0%	34	20.3%
22	4.1%	35	21.6%
23	5.1%	36	22.8%
24	6.2%	37	24.2%
25	7.3%	38	25.7%
26	8.5%	39	27.2%
27	9.7%	40	28.7%
28	11.1%	41	30.4%
29	12.5%	42	32.2%
30	13.9%	43	34.0%
31	15.5%	44	35.9%
32	17.2%	45 and Older	37.9%
33	18.9%		



Service Credit Purchase

For Foundation Members
Joining SDRS Prior to July 1, 2017



Note: Compound interest applies to purchases financed over time, as follows:

Prior to July 1, 2005: 8%
July 1, 2005—December 31, 2012: 7.75%
January 1, 2013—June 30, 2017: 7.25%
July 1, 2017, and after: 6.5%

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July 2018

South Dakota Retirement System
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Service Credit Purchase

Eligible members may purchase additional credited service in order to enhance their SDRS benefits at retirement. To be eligible, you must be currently working for an SDRS participating unit and contributing to SDRS.

Purchase Process

If you are interested in purchasing prior service, you should notify SDRS at least 60 days in advance of your interest to purchase. This provides sufficient time for the verification process, if applicable, and consultations as necessary.

The types of credited service that may be purchased include:

Prior Public Employment: Public service includes all prior public employment that has already been rendered.

- To be considered eligible for a purchase of prior public employment, you must not be eligible to receive a retirement benefit from the prior public employment period of service.
- Any prior public employment service you wish to purchase must be verified by your former employer and retirement system, as necessary, via the Service and Retirement System Verification form. It is your full responsibility to secure verification of service and retirement status for this period of service. Once completed, the form must be submitted to SDRS. SDRS must approve submitted documentation before a purchase can be allowed.

- The verification process must be completed before SDRS will provide formal benefit estimates based on the purchase of credited service. Until then, please use the benefit calculator on the SDRS website at www.sdrs.sd.gov.

Nonqualified Permissive Service (Air Time):

- All members must have 5 years of contributory service to be eligible to purchase air time service.
- No more than 5 years of nonqualified service credit may be purchased.
- The verification process is not required for air time purchases.

Purchase Contract

Once the initial steps of the purchase process are complete, SDRS can issue a purchase contract. You must provide SDRS with information on how much service you wish to purchase and over how long a period you wish to pay for the purchase.

A purchase contract is valid for 45 days from date of issue. If a contract is not signed by you as accepted and received in the SDRS office within this timeframe, a new contract must be issued if you wish to proceed with the purchase.

Methods of Purchasing Service

**Check with your employer regarding the type of purchase unit they qualify for under state statute.*

Standard Purchase*: Flexibility in payment options—If your employer is a standard

purchase unit, your purchases are not tax-deferred and are paid with after-tax dollars. You may make a lump-sum cash purchase or you may set up a payment plan and pay SDRS by personal check over a period of up to 10 years, with interest at the valuation interest rate. Ask your employer if they offer automatic deductions from your paycheck (after-tax).

Tax-Efficient Purchase*: Tax-deferred savings—If you are a member of a tax-efficient purchase unit and wish to pay for your purchase in installments over a period of up to 10 years, with interest at the valuation interest rate, you must purchase service on a tax-deferred basis – meaning, your purchase payments will reduce your salary before your income tax is calculated (just like your regular SDRS contributions), resulting in a smaller tax liability. The tax-efficient purchase is an irrevocable contract and the terms and conditions of the agreement cannot be changed in any way. No accelerated payments are allowed.

Trustee-to-Trustee Transfer: Acquisition of service—Members of SDRS are eligible to acquire credited service by transferring funds from the SDRS Supplemental Retirement Plan (SRP) or other 457 or 403(b) plans to SDRS. In this process, the funds transfer directly from the trustee of origin to SDRS and must equal the purchase contract amount. Contact should be made with the trustee prior to the transfer to discuss any fees that may apply. Regardless of your employer's purchase unit type, you may complete a purchase with a trustee-to-trustee transfer.