



PURCHASE OF PUBLIC SERVICE POLICY

Purpose

1. This Board Policy is intended to set out the manner in which the Retirement System will consider applications for the purchase of credit in the Retirement System for public service.
2. The Retirement Board of the City and County of San Francisco shall exercise its authority, functions, powers, and duties in accordance with Charter Sections 4.100 – 4.104 and 12.100 through 12.103 and with applicable provisions of the Administrative Code of the City and County of San Francisco as enacted by ordinances of the Board of Supervisors, and in accordance with board rules, resolutions, and policies as it may adopt from time to time.

Board Authority

3. Authority for the granting of credit in the Retirement System for public service shall be as provided in Charter Sections A8.509(g), A8.584.7, and A8.587.7 and Administrative Code Sections 16.55-1 through 16.55-4, inclusive, and Administrative Code Sections 16.61-4 and 16.61-5.

Members Eligible to Purchase Public Service

4. Members who have membership status rights under the provisions of the SFERS Miscellaneous Plans – Charter Sections A8.509, A8.584 and A8.587 – may elect to receive credit in these plans for eligible service rendered for other public agencies prior to their becoming members of SFERS Miscellaneous Plans. The eligible SFERS members include: a) active and vested members of the SFERS Miscellaneous Plans who maintain a member account under the provisions of Charter Sections A8.509, A8.584 and A8.587 and b) active members of SFERS safety plans who maintain a member account under the provisions of Charter Sections A8.509, A8.584 and A8.587.

Public Service Eligible for Purchase

5. Only public service rendered prior to SFERS Miscellaneous Plan membership for which the member received compensation as an employee or officer of the public agency and which meets all requirements of Administrative Code Sections 16.55-1 through 16.55-4 is eligible for purchase.

“Public service” eligible for purchase under the provisions of Charter Sections A8.509, A8.584 and A8.587 means:

- a) Civilian service rendered as an employee or officer of an agency of the U.S. government;
- b) Civilian service rendered as an employee or officer of the State of California; and

- c) Service rendered as an employee or officer of a public agency in the State of California.
6. "Public service" does not include service with respect to which the member became a member of a defined contribution plan or a public defined benefit plan for which the member continues to receive credit for said service or with respect to which the member is entitled to receive a retirement allowance from such public defined benefit plan.
7. Service rendered under 5(c) above is limited to service with respect to which the California public agency maintained a locally administered defined benefit retirement system or was entitled to participate in CalPERS under contract as a public agency at the time the service was rendered.
8. The amount of public service rendered and the fact that said service is not credited in another retirement system must be certified by the public agency or the retirement system under which the service rendered was eligible to be credited or must be otherwise established to the satisfaction of the Retirement Board. In the event of a dispute as to eligible service, the Retirement Board's decision shall be final.
9. Eligible public service must be purchased in increments of no less than six months or the entire period where the total period of eligible public service is less than six months.

Application, Election and Payment Procedures

10. An eligible member shall file an application providing the employment details of the public service that he or she wishes to purchase along with certification from the public employer or retirement system of 1) the period of public service; 2) the hours worked (full-time or part-time) and pay received for the public service rendered, 3) the eligibility of the public service for coverage under a public defined benefit plan, and 4) the fact that the public service rendered is not entitled to receive credit in another defined benefit retirement system.
11. Once the public service has been verified by SFERS as eligible for purchase, a member shall make an election to purchase all or part of the eligible public service either through a lump sum after-tax payment, a direct rollover from another qualified plan, or by pre-tax or after-tax payroll deductions.
12. The application and election to purchase public service under the provisions of Charter Sections A8.509, A8.584 and A8.587 can be filed with SFERS at any time prior to retirement. The purchase of public service must be completed prior to a member's effective date of retirement.
13. A member who elects to purchase public service can pay the required contributions either by lump-sum (over the counter) payment, direct rollover from another qualified plan, or by installment payments over a period equal to the length of public service the member has elected to purchase, provided that the installment payment period shall not exceed three years or extend beyond the member's effective retirement date. A lump-sum (over the counter) payment for the purchase of public service is not eligible for pre-tax treatment under the Internal Revenue

Code. Installment agreements may be for either pre-tax or after-tax treatment of payments under the Internal Revenue Code.

14. In accordance with San Francisco Administrative Code Section 16.61-4 and 16.61-5, the Retirement System can accept pre-tax rollovers from eligible retirement plans as defined in Internal Revenue Code Section 402(c)(8)(B) and pre-tax transfers from Code Section 457 or 403(b) plans as payment for the purchase of public service.
15. In the event the member elects to purchase public service through an installment agreement, interest will be charged to the member on the unpaid balance commencing on the effective date of the installment through the date of completion of the installment payments, at the credited interest rate in effect for SFERS. A member who elects to purchase using an after-tax installment payment agreement may, at any time during the period for making installment payments, complete payment for the purchase of public service by after-tax lump-sum payment. The terms of a pre-tax installment payment agreement may not be changed during the term of the agreement except through retirement or termination of employment. Upon retirement or termination of employment, the member may complete payment for the purchase of public service by after-tax lump-sum payment or direct rollover at any time prior to the effective date of retirement. The installment agreement may be impacted by a change in the credited interest rate during the term of the agreement or retroactive salary adjustments paid after the effective date of the installment agreement.

Cost of Public Service

16. A member who files an election to purchase eligible public service shall be required to pay contributions in an amount equal to the product of:
 - a) the normal cost percentage for the Miscellaneous Plan in effect as of the date of the member's election to purchase as published in the SFERS actuarial valuation;
 - b) the monthly compensation earnable by the member as of the date of the member's election to purchase; and
 - c) the number of months of public service which the member is electing to purchase.

Crediting of Contributions

17. Contributions, together with required interest, if any, paid by a member to purchase public service shall be credited to the member's individual accumulated contribution account as they are received by the Retirement System and segregated as contributions received to purchase public service. Said contributions shall be entitled to receive plan interest credited thereon in the same manner and at the same rate as for other accumulated member contributions. In the event the member's accumulated contributions are refunded either upon the member's termination of employment or death, all contributions paid for the purchase of public service, plus interest, will be included in the refund.
18. In calculating retirement benefits payable, the contributions segregated as contributions received to purchase public service will not be matched with an equal amount of City contributions.

Crediting of Public Service

19. Upon completion of the purchase of public service in accordance with the provisions of San Francisco Charter Sections A8.509, A8.584.7, and A8.587.7 and Administrative Code Sections 16.55-1 through 16.55-4, inclusive, the purchased public service shall be credited as current service in the SFERS Miscellaneous Plan under which the member has membership rights. Public service so credited may be used to qualify for vesting, disability and service retirements under the SFERS Miscellaneous Plans.

Severability

20. If any policy, section, paragraph, sentence, clause, or phrase of this policy is declared unconstitutional or void for any reason, such declaration shall not affect the validity of the remaining portions of the policy. The Board hereby declares that it would have prescribed and adopted this policy, and each section, paragraph, sentence, clause and phrases hereof, irrespective of the fact that any one or more sections, paragraphs, sentences, clauses, or phrases shall be declared unconstitutional or void. The titles assigned to policies and sections are for reference purposes only, and shall not be considered a substantive part of this policy. If there is any conflict between the provisions of this policy and the Charter, or the Administrative Code of the City and County of San Francisco, the Charter or the Administrative Code language shall govern.
21. For purposes of Charter Section 4.104 (1), this Purchase of Public Service Policy shall be deemed to constitute a board rules. The Board may amend this Credit in Retirement System for Public Service Policy at any time. Any proposed amendment shall be posted for at least ten (10) days and calendared for board hearing at least one week prior to a board meeting in accordance with Charter Section 4.104.

Policy Review

22. The Board shall review this policy at least every three years to ensure that it remains relevant and appropriate.

Policy History

23. This policy was adopted by the Board on February 10, 2009.