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INSTRUCTIONS FOR TIER CONVERSION – UNDERSTANDING YOUR CURRENT COST WORKSHEET

County employees who elected to convert membership in the Sacramento County Employees' Retirement System ("SCERS") to Miscellaneous Tier 3 on a prospective basis may now upgrade past Miscellaneous Tier 2 service as well. This memo explains how to use the personalized worksheets prepared by SCERS to determine the current cost of different upgrades and, if interested, how to obtain a purchase agreement to upgrade past service.

STEP I – Review Worksheet Mailed by SCERS to Find Current Cost

Members who are eligible to upgrade past Miscellaneous Tier 2 can determine the current cost to do so by locating the desired years of service and referencing the dollar amount below it. Please note that the available service is broken down into increments of six months, which is the shortest period that you can upgrade.

1st SCENARIO – Upgrade All Miscellaneous Tier 2 Service

Go to Part II of the personalized worksheet titled "Conversion Calculations for Past Miscellaneous Tier 2 Service." This section shows your total years of Miscellaneous Tier 2 service and the current cost to upgrade all service.

PART II - MEMBER COST FOR TOTAL SERVICE	
Misc. Tier 2 Service Selected/Requested for Conversion (All Service)	14.63812
Present Cost for Conversion to Misc. Tier 3 -> 14.63812 Years of Service (Valid to 12/31/2008)	\$ 30,041.56

In the example above, the present cost for a sample member to upgrade all of his or her past Miscellaneous Tier 2 service is \$30,041.56. This cost is only valid for lump sum payments and/or periodic payment agreements in place by 12/31/2008.

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2nd SCENARIO – Upgrade Some Miscellaneous Tier 2 Service

Go to Part III of the personalized worksheet. Locate the years of service that you want to upgrade and the current cost to do so.

PART III - MEMBER COST FOR PARTIAL SERVICE (1/2 YEAR INCREMENTS)	
Period Ending Date	12/31/2007
Period Beginning Date	07/01/2007
Years of Service to Convert (Current Period)	0.50000
Cost for Current Period Conversion (Valid to 12/31/2008)	\$ 1,013.51
Years of Service to Convert (Cumulative Period) [Period from 07/01/2007 through 12/31/2007]	0.50000
Cost for Cumulative Period Conversion (Valid to 12/31/2008) [Period from 07/01/2007 through 12/31/2007]	\$ 1,013.51
Period Ending Date	06/30/2007
Period Beginning Date	01/01/2007
Years of Service to Convert (Current Period)	0.50000
Cost for Current Period Conversion (Valid to 12/31/2008)	\$ 1,017.16
Years of Service to Convert (Cumulative Period) [Period from 01/01/2007 through 12/31/2007]	1.00000
Cost for Cumulative Period Conversion (Valid to 12/31/2008) [Period from 01/01/2007 through 12/31/2007]	\$ 2,030.67

In the example above, the present cost for a sample member to upgrade one year of his or her past Miscellaneous Tier 2 service is \$2,030.67. This cost is valid for lump sum payments and/or periodic payment agreements in place by 12/31/2008.

As your review this worksheet, please note that **persons who converted to Miscellaneous Tier 3 prospectively can may upgrade past Miscellaneous Tier 2 anytime prior to retiring from SCERS.**

STEP II – Complete & Return “Request for Purchase Agreement” Form

Members who wish to convert all or some of their past Miscellaneous Tier 2 service must return a Request for Purchase Agreement from. This can be accomplished by completing the personalized version of the form included with a direct mailer from SCERS or by completing a blank version, which can be downloaded from www.scers.org.

As illustrated on the following page, members who return a Request for Agreement must specify (a) the number of years for the Current Upgrade Request, (b) the amount of any Lump Sum payment that they plan to make, and (c) the start date and duration of any Payment by Installment plan that they want to set up.

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<u>Tier 3 Upgrade Request & Payment Plan</u>		
Current Upgrade Request (years):	_____ ←	<i>[Specify all years of past Misc. Tier 2 service or half-year increments, .i.e. .5, 1, 1.5, etc.]</i>
Payment by Lump Sum (amount):	_____ ←	<i>[Indicate "Total" cost or specific dollar amount. Note that 457 assets are accepted.]</i>
Payment by Installment (start date):	_____ ←	<i>[Indicate "N/A" or 1st paycheck deduction date, which must begin before 12/31/2008.]</i>
Payment by Installment (duration):	_____ ←	<i>[Indicate number of Bi-Weekly pay periods, which cannot exceed requested service upgrade or 10 years, whichever is less.]</i>

In completing a Request for Purchase Agreement, members may also want to consider the Frequently Asked Questions prepared for Conversion from Miscellaneous Tier 2 to Miscellaneous Tier 3, which offer the following information:

- 11.Q. What payment options are available for upgrading Miscellaneous Tier 2 service?
- A. Members have three payment options for upgrading Miscellaneous Tier 2 time: (1) make a lump sum payment, (2) effect an irrevocable payroll deduction agreement, or (3) agree to pay a portion of the cost by lump sum and the remainder through an irrevocable payroll deduction agreement.
- 12.Q. What payment sources are acceptable for upgrading Miscellaneous Tier 2 service?
- A. Members have three payment sources for upgrading Miscellaneous Tier 2 time: (1) post-tax dollars held in personal savings or investment accounts, (2) pre-tax dollars transferred or rolled over from 403(b) plans or governmental 457 plans, and (3) pre-tax dollars deducted directly from wages paid by the County.
- 13.Q. Can members who are purchasing other service credit from SCERS also upgrade Miscellaneous Tier 2 service through payroll deduction?
- A. Yes. Members who are already purchasing other service credit under an irrevocable payroll deduction agreement may enter into another irrevocable payroll deduction agreement to upgrade Miscellaneous Tier 2 service. However, members may not effect payroll deduction agreements for more than one upgrade of Miscellaneous Tier 2 service at any time.
- 14.Q. What is the maximum payment period of upgrading Miscellaneous Tier 2 service?
- A. Members who upgrade Miscellaneous Tier 2 service through irrevocable payroll deduction agreements can request payment periods as long as the lesser of (a) the upgrade period or (b) 10 years. For example, a member who wishes to upgrade 5 years of Miscellaneous Tier 2 service may take up to 5 years to complete the purchase, while a member who wishes to upgrade 20 years of Miscellaneous Tier 2 service may take up to 10 years to complete the purchase. Please note that a member who requests payroll deduction to purchase a service upgrade cannot request payroll deduction to purchase another service upgrade until the original agreement is completed.

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- 15.Q. What happens if members retire or separate from service prior to completing an upgrade of Miscellaneous Tier 2 service?
- A. Members who are in the process of upgrading Miscellaneous Tier 2 service must pay-off outstanding payroll deduction agreements as soon as they retire or separate from service for any other reason. Otherwise, members who do not pay-off their agreements will receive credit for the portion of the upgrade already purchased.

STEP III – Review Purchasable Service Agreement provided by SCERS and Attend Mandatory Meeting with SCERS Benefits Staff

Upon receipt of a Request for Purchase Agreement, SCERS staff will prepare a corresponding Purchasable Service Agreement for the member to consider. This Purchasable Service Agreement will review the years and current cost of the past Miscellaneous Tier 2 service that the member wishes to upgrade, as well as the requested terms of payment, i.e. Payment by Lump Sum, Payment by Installment, and/or Payment by Lump Sum and Installment.

Staff will generally prepare and mail the required Purchasable Service Agreement within three weeks of receiving a member's completed Request for Purchase Agreement. To ensure that members review these agreements prior to signature and are aware of the benefits and limitations associated with their upgrades, **SCERS will not accept any Purchasable Service Agreement unless and until the member attends a mandatory meeting with Benefits staff.**

If you have questions regarding the upgrade process outlined in this memo or any items provided with the recent mailer from SCERS, please call our office at (916) 874-9119 and ask to speak with the staff person assigned to and responsible for your cost calculations.