

Installment Payment Guidelines

What is an installment payment?

Active members can pay for their service credit purchase by electing the installment payment option. Installment payments are deducted from your paycheck each pay period and can be elected up to 180 monthly payroll periods (or the equivalent based on your pay frequency). You may be eligible to make installment payments either as after-tax or pre-tax. It is your responsibility to ensure your installment payments occur on time, and your balance stays current.

After-Tax Payroll Deductions (Taxed)

- are available to active members with payroll being reported to CalPERS.
- are taken after taxes are applied to your earnings, so the amount deducted has been taxed.
- provide the flexibility to apply additional payments towards the balance, or to payoff the balance at any time.

Pre-Tax Payroll Deductions (tax deferred)

- are available to all active state and school members with payroll being reported to CalPERS, or to those active public agency members whose employer has a **Tax-Deferred Service Credit Purchase** resolution with CalPERS.
- are taken before taxes are applied to your earnings.
- require you make the authorized scheduled reoccurring payments only. The Internal Revenue Code (IRC) Title 26, subsection 414 (h)(2) does not allow additional payments or alteration to the number and/or amount of the payments.

What happens if I separate from employment or retire?

If you change employers while making after-tax or pre-tax payroll deductions, the deductions will continue if you are subsequently employed by another CalPERS-covered employer within 30 days. If the new employer does not participate in the **Tax Deferred Payroll Deduction Plan**, the deductions will continue as after-tax payroll deductions. If you separate from CalPERS-covered employment, you must pay the remaining balance of your service credit purchase in full. Upon your employer keying your separation date, you'll receive a Permanent Separation Payoff packet which will explain your payoff options.

The payment options that will be available to you at retirement are dependent upon the date that CalPERS receives your completed Election to Purchase Service Credit. If you retire while making after-tax or pre-tax payroll deductions, the payment options at retirement are as follows:

Service Credit Purchases Elected on or after January 1, 2020:

- You must pay any remaining balance in full at retirement.
- In lieu of paying the balance in full, Actuarial Equivalent Reduction (AER) is available as a payment method for all service credit types at retirement. (Refer to the *AER Guidelines* for additional information)
- Any balance remaining unpaid at the time of retirement will convert to an AER.

Service Credit Purchases Elected before January 1, 2020

- You can pay the remaining balance through a lump sum, or installment payments from your retirement benefit.
- In lieu of a lump sum payment or installment payments, AER is available as a payment method at retirement. (Refer to the *AER Guidelines* for additional information)
- Any balance remaining unpaid at the time of retirement will be set up as installment payments from your retirement benefit.