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# Purchasing Service Credit **Fact Sheet**

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## Teaching and Public Service — University

### Section 3307.74, Ohio Revised Code

STRS Ohio members may purchase service credit for certain past employment, known as purchasable service credit. This credit can be used to increase a member's service credit for retirement or allow a member to meet the age and service requirements for an earlier retirement date. Most types of private or public teaching or public employment for which the member did not contribute to an Ohio public retirement system are purchasable. Certain eligibility requirements must be met for each type of purchasable service.

STRS Ohio requires that the *Employer Certification* and *Retirement System Certification* forms be completed and submitted to certify service rendered in public colleges or universities in another state and teaching service in private colleges or universities in the United States. If this is not the type of service you want to certify, please call STRS Ohio toll-free at 888-227-7877 or visit [www.strsoh.org](http://www.strsoh.org) for a different certification form and fact sheet.

Because records are sometimes difficult to obtain, service should be certified as soon as possible. All of the information requested on the form is required so that eligibility for purchasing service can be determined accurately. If you are certifying service with more than one employer, a separate form must be completed by each employer.

The rest of this fact sheet gives important information about this type of purchasable service credit, such as how the cost is calculated and how much the purchase may increase your benefit at retirement.

### Eligibility requirements

1. Public teaching service must be such that, if rendered in Ohio, it would have been covered by STRS Ohio.
2. To purchase private teaching service, both the school and the position must qualify.

#### **The school, college or university must:**

- Be recognized by an established accrediting association or governmental agency.
- Have educational credits that are recognized by a public college or university in Ohio.
- Be primarily oriented toward an advanced degree in higher education or an advanced certification in higher education. (*Preschools, day care centers, community organizations, private schools oriented primarily to trades and occupations, and self-improvement schools do not qualify.*)



### The position must:

- Be matched by a position in a public school in Ohio during the time the service was performed.
  - Have had faculty rank or status and the institution must have been accredited at the time the service was performed.
3. Credit can be purchased for full-time or regular part-time employment. All service must be at least 12 consecutive weeks with the same employer.
  4. Credit may not be purchased for any service that was already used in the calculation or payment of a retirement benefit, or that is used in the calculation of a benefit currently being paid or payable in the future under any retirement program. A benefit from Social Security is permissible.
    - If participation was in a **defined benefit plan**, qualifying service may be purchased following certification by the plan administrator that there was a total withdrawal of funds and cancellation of all credit.
    - If participation was in a **defined contribution plan**, otherwise qualifying service may be purchased upon certification by the plan administrator that **the member received a total withdrawal of the account, including member contributions and any employer contributions to which the member was entitled, and is no longer eligible for benefits now or in the future.**
    - If the plan is a noncontributory plan where only employer contributions were paid to the retirement plan, the member is not eligible to purchase the service.
  5. If the annual retirement benefit will exceed the limits stated in Internal Revenue Code 415(b) and 415(c), the member will be eligible to purchase service credit only with pretax funds rolled in from a traditional IRA; SEP-IRA or SIMPLE IRA; or a 403(b) plan, 457(b) plan, 401(a) qualified plan, including 401(k) or Keogh plan.

## Service credit

1. The maximum credit purchasable is five years total for any combination of out-of-state public teaching, public service in another state or for the federal government, and any other service permitted by Section 3307.74, R.C. For each year of purchasable credit, the member must have at least one year of service in STRS Ohio.
2. The amount of credit eligible for this service is determined based on the percent of full-time employment. If a percentage of employment is not given, the credit can be based on the number of days worked within a 180-day school year at the institution where the service was rendered.
3. If the school was a for-profit institution that meets the eligibility requirements and there is not at least 5.00 years of earned service credit with STRS Ohio, this service must be purchased with pretax funds.

## Cost information

A purchase of service credit can impact a member's benefit in one of the following three ways:

1. **Increase the retirement benefit** — A member who is already eligible for a retirement benefit without the purchase of credit may purchase credit to increase the amount of that benefit. For example, a member purchases one year of service credit to receive an additional 2.2% of the final average salary (FAS) every year for the member's lifetime.



2. **Eliminate or lower the early retirement reduction** — Members may retire early with an actuarially reduced benefit based on years of service credit and age at retirement. Purchasing additional credit could help the member reach eligibility for unreduced benefits or lessen the actuarial reduction due to an early retirement.
3. **Create retirement eligibility** — A member who is not yet eligible for a retirement benefit may purchase credit to reach eligibility. For example, a member who is one year away from reaching 34 years of service and retirement eligibility buys 1.00 year of credit during the 33rd year of service to become eligible for retirement a year sooner. This type of purchase results in the highest cost.

Because purchasing credit may increase the amount of your retirement income and/or enable you to retire sooner, the amount you pay to purchase the credit reflects the additional liability to STRS Ohio resulting from your purchase.

Purchasable service at 100% liability must be purchased in whole-year increments. If eligible, a member who certifies and purchases a partial year of credit may certify and purchase the balance of that year at a later time for no additional cost.

The cost for service credit is based on your salary multiplied by a factor that is based on your age and years of service credit. The cost is valid for a 12-month period from July 1 through June 30. Requests for costs made in July or August may be delayed waiting on annual reporting from employers. **For a cost estimate, go to [www.strsoh.org](http://www.strsoh.org) and click on “Purchasing Service Credit” under Resources.**

## Calculating the retirement benefit with the purchased credit

1. The benefit formula will be 2.2% for all years of service and the FAS calculation is based on the average of the five highest years of earnings.
2. The retirement benefit cannot exceed 100% of the FAS. Any service credit purchased that is not required for the maximum retirement benefit will be refunded to the member with no payment of interest for the time STRS Ohio held the funds.

## Completing the certification form

Both the employer and retirement system certification forms need to be completed and submitted to STRS Ohio either online or by mail. Directions for submitting online or by mail are detailed in the Certification Form Instructions included with the certification forms.

1. Employer certification
  - **Part 1 must be completed by you.** STRS Ohio requires the most current contact information for our records.
  - **Part 2 must be completed by the official employer or custodian of records.** Ohio statute requires all of this information to determine the eligible amount of service credit and cost. Please ask the official employer or custodian of records to pay special attention to our fiscal year instructions under the Record of Purchasable Service section in order to obtain the maximum service credit available.
2. Retirement system certification
  - **Part 1 must be completed by you.** STRS Ohio requires the most current contact information for our records.
  - **Part 2 must be completed by the retirement system used by this employer at the time this service was rendered.**



## STRS Ohio certification process and cost statement information

1. STRS Ohio will send a confirmation email after receiving the form.
2. If the forms are completed correctly, a reply will be sent to you as outlined below.
  - If the service is eligible for purchase, a cost statement will be mailed. Carefully read the notes that may be printed across the bottom of the cost statement for specific information. You will receive a lump-sum cost unless an installment payment cost is requested.
  - If the service is not eligible for purchase or if additional information is required, you will be notified in writing.
3. The determination of eligibility to purchase service credit can be delayed by any of the following:
  - The certification forms are not completed correctly.
  - STRS Ohio does not receive both forms (one from the former school employer and one from the retirement system) at the same time.
4. The service credit may be purchased within the valid period on the cost statement or another cost statement may be requested at a later date.
5. If the service credit is certified and at least one cost statement is issued before your retirement date, you may purchase service credit up to three months after the retirement effective date, as long as the benefit calculation has not been finalized. For example, if the retirement effective date is July 1, service credit must be purchased by Sept. 30.

### Methods for purchasing service credit

- Lump-sum purchase made by check.
- Lump-sum purchase made with pretax rollovers or direct transfer of funds.
- A lump-sum tax-deferred payment will be accepted from an employer.
- Installment payments may be arranged with your employer. Some schools offer only pretax plans or after-tax plans, and some schools offer both plans.

***More information about the methods to purchase service credit will be mailed to you with the cost statement if the service is eligible for purchase.***

### Contacting STRS Ohio

**By phone: 888-227-7877 (toll-free) | By email: Go to [www.strsoh.org](http://www.strsoh.org) and select "Contact" from the top menu.**

Our benefits counselors can provide more detailed information with one-on-one consultation in our Columbus office, through a teleconference, videoconference or during field counseling sessions.

Call Monday–Friday, 8 a.m.–5 p.m. to schedule an appointment.