

Employer Basics 101: Purchasing Service Credit

Why would a member purchase service credit?

Members may purchase service credit for certain types of past employment and leaves of absence. Purchasing service credit may increase retirement income and/or enable earlier retirement.

Types of purchasable service credit

The information provided below pertains to our **Defined Benefit Plan** members. Interested members should contact STRS Ohio directly with questions about eligibility, certification requirements and cost. Some types of purchasable service require employer certification and/or employer contributions:

- Current fiscal year and past leaves of absence from Ohio public schools.
- Regular or substitute teaching in Ohio public schools, colleges and universities for which they did not previously contribute to STRS Ohio. (If the noncontributing service occurred after July 1, 1978, employers must pay the corresponding employer contributions and interest.)
- Other Ohio public service.
- Previously exempted or waived Ohio public service.
- Service as an Ohio public school board member.

Payment options

Members have three choices for payment when purchasing service credit:

1. Lump-sum payment by a check from the member made payable to STRS Ohio;
2. Payroll deduction, which is initiated by the member; or
3. A tax-deferred rollover from a retirement savings plan. Members should contact STRS Ohio directly for information about eligible retirement savings plans and rollover procedures.

Purchasing Service Credit Through Payroll Deduction Checklist

- Ensure member has completed the member portion of *Application to Purchase Credit Through Payroll Deduction* form
- Complete employer portion of *Application to Purchase Credit Through Payroll Deduction* form provided to member
- Send form to STRS Ohio with first month's payroll deduction
- Complete and submit monthly purchase service credit (PSC) report
- Contact STRS Ohio 30–60 days before the final payment month to review final payment details

Purchasing service credit through payroll deduction

The *Application to Purchase Credit Through Payroll Deduction* form is available to members upon request by calling STRS Ohio toll-free at 888-227-7877. The form includes a table showing the minimum monthly payment to purchase service credit over different payment intervals.

The member should complete their portion of the form (Part A) by indicating the amount of monthly deduction he or she has chosen and submit the form to the employer. The employer should complete their portion of the form (Part B), which includes the date deductions will begin and the monthly amount to be withheld.

The form should then be submitted to STRS Ohio with the first month's payroll deduction. STRS Ohio must receive this form either by the end of the month before the deductions begin or with the first month's payroll deduction, provided the payment equals or exceeds the minimum payment specified. Payroll deductions for purchasing service credit must begin **no later than three months after the application is filed with the employer**. A copy of the *Application to Purchase Credit Through Payroll Deduction* form is on Page 3.

Important points to remember:

- **Not all types of purchasable service credit and leaves of absence are available through payroll deduction.**
- Members are eligible for payroll deduction by any one employer for only one type of restoration or purchase at any given time.
- STRS Ohio will prepare a monthly report of participating members and notify employers via email when a purchase service credit (PSC) report is ready to complete in Employer Self Service (ESS). See the ESS Instructions for information on completing this monthly report.
- Deductions made by the employer should be remitted monthly with STRS Ohio no later than the 15th day of the month following the deduction.

Questions regarding purchasing service credit through payroll deduction should be directed to the STRS Ohio accounting department at 888-535-4050. Employers should contact STRS Ohio 30–60 days before the final payment month to review final payment details.

Are payroll deduction plans after-tax or tax-deferred?

Employers may offer both after-tax and tax-deferred payroll deduction plans, or they may elect to offer only one type of plan.

After-tax payroll deduction plan

In an after-tax payroll deduction plan, a member may change the amount of payroll deduction by requesting the change in writing to the employer. A member may also terminate payroll deduction at any time. Termination of employment will discontinue deduction.

Tax-deferred payroll deduction plan

In a tax-deferred payroll deduction plan, all federal and state taxes are deferred. In order to offer a tax-deferred plan, the employer must pass a board resolution agreeing to deduct and remit payments on a pretax basis. The employer must then complete the *Notification of Adoption of a Tax-Deferred Payroll Deduction* form and submit it to STRS Ohio along with a copy of the board resolution before the plan effective date. STRS Ohio will send a confirmation letter upon receipt.

Participating members must irrevocably agree to continue payroll deductions until the purchase is complete or employment is terminated. Members who begin the purchase of credit by tax-deferred payroll deduction cannot make any payments directly to STRS Ohio for the same credit.



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RETIREMENT SYSTEM
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275 East Broad Street
Columbus, OH 43215-3771
888-227-7877
www.strsoh.org

APPLICATION TO PURCHASE CREDIT THROUGH PAYROLL DEDUCTION
For the purchase of Withdrawn Service

JANE CARTER
100 MAIN ST
COLUMBUS, OH 43215

Date: 07/23/2021
Ref # 9999999
Member ID: XX111ZZ
Created by: Kate Johnson

If you want to purchase your credit by payroll deduction, forward pages 1 and 2 to your employer and keep a copy for your records.

Service credit eligible for purchase (years)	1.900000
Assuming payroll deductions begin in	August 2021
Minimum monthly payroll deduction	\$ 149.26

Below are some payment schedule options for purchasing 1.900000 years of service credit by payroll deduction beginning in August 2021.

Payment Period (Months)	Monthly Payment	Final Payment	Total Payment
24	\$ 480.99	\$ 481.08	\$ 11,543.85
36	\$ 332.83	\$ 332.88	\$ 11,981.93
48	\$ 258.97	\$ 258.92	\$ 12,430.51
72	\$ 185.54	\$ 185.71	\$ 13,359.05
96	\$ 149.26	\$ 149.02	\$ 14,328.72

- Terms are based on the assumption that each payment is received every month in the same amount, for the duration of the payment period.
- Any future changes to interest rates will affect the length of time needed to complete the purchase. STRS Ohio will notify you of any changes to the cost calculation.
- If you would like to see payment schedules for a different amount of service credit, payment amount or payment period, please contact our Member Services Center toll-free at 888-227-7877.
- If payments are not completed by your retirement date, you must pay any remaining balance for service you wish to purchase with a lump-sum payment within three months following your retirement date.

Ref # 9999999

Page 1

Member ID: XX111ZZZ

Application to Purchase Credit Through Payroll Deduction form





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APPLICATION TO PURCHASE CREDIT THROUGH PAYROLL DEDUCTION

For the purchase of Withdrawn Service

JANE CARTER

Part A – To be completed by member:

- Your employer offers both after-tax and tax-deferred installment plans. If you choose a tax-deferred installment plan, you will NOT be able to:
 - Stop or change the payment amount until the purchase is complete or employment terminates, or you retire.
 - Make a lump-sum payment for the same service you are purchasing under this plan.
 Choose one plan: Regular (after-tax) Tax-deferred (pre-tax)

2. Enter amount authorized to be deducted monthly by your employer (The amount cannot be less than \$ 149.26) \$ _____

3. Enter number of years to be purchased (Total credit eligible on this statement is 1.900000 years) _____

I hereby certify that I have reviewed the information in the enclosed summary entitled “Questions and Answers About Buying Credit” and all pages of this cost statement. I also certify that the above years of service are not being used, have not been used nor will be used in the future under any other retirement program except Social Security. I understand that:

- Any future changes in interest rates will affect the length of time needed to complete the purchase.
- This credit will be used to qualify for access to health care coverage.

Member's Signature: _____ Date: _____

Part B – To be completed by the employer: OHIO LOCAL SCHOOLS 9999

I certify that the monthly payroll deductions for JANE CARTER in the amount of \$_____ will begin August 2021. I agree that the amounts shall be sent to STRS Ohio in accordance with STRS Ohio Board Rule 3307:1-3-11. This form will be sent to STRS Ohio no later than the date of the first scheduled payment.

Treasurer/Payroll Officer: _____ Date: _____

Refer to page 1 for total amount payable for the selected monthly payment or contact STRS Ohio after the first payment is made.

Ref # 9999999

Page 2

Member ID: XX111ZZZ

Application to Purchase Credit Through Payroll Deduction form



Home Make a Payment New Hire Notification Reemployed Retiree Notification **Employer Reports** Deposit & Service Reports Withdrawal Certification

Employer Reports

Trans Type: All
 Status: Open
 Work Report Status: Initial

New Report
 One Time Payment Payment History

Tools	Inserted Date	Work Report T...	Report Status	Report Source	Date Released	Pay Date...	Trans Identifier	Trans #	Work Report Total
Actions	01/01/2018	Regular	Initial	PSC		12/31/2017	IPP Purchase : 2017-12	171195434	\$110.00

Details
 Edit
 Submit

Work Report Editor

Save Apply Cancel

Employer: 9599 OHIO LOCAL SCHOOLS Work Report Type: Regular Report Period: 08/01/2021-08/31/2021 # of Participants: 15
 Billing Location: OHIO LOCAL SCHOOLS Work Report Status: Initial Identifier: #23751165 - IPP Purchase : 20... # of Rows: 15
 Report Source: PSC Report Start Date: 08/01/2021 Pay Date: 08/31/2021 Billing Type: Contribution
 Date Released: Date Received: 08/14/2021 Trans#: #23751165 Agreement: Purchase Service
 User Released: Batch No: 015382 Updated By: WOLFORDT

Summary **Detail**

Barg Unit Id: PSC - Purchase Service Exception Filter: Please Select

Add Member Delete Selected

Tools	Actions	SSN	Participant Name	Report Stop Date	Report Type	Record Status	PSC Expected Amount	PSC Actual Amount	PSC Code	Tax Election	Final Pay Amount	Last Payment Amount	Retirement date	Last Payment Month	Final Payment Month	Category Name	
		016-16-1416	WOLF, B	08/01/2017	Purchase Serv...		\$41.00	\$41.00		TD	\$0.00	\$0.00				STRS	
		015-15-1315	FREEMAN, A	08/01/2017	Purchase Serv...		\$70.00	\$70.00		TD	\$0.00	\$0.00				STRS	
Page Totals							\$111.00	\$111.00									
Report Totals							\$111.00	\$111.00									

1 2

1. Verify all amounts and the tax election type.
2. If the amount being remitted differs from the actual amount listed, enter the correct amount in the PSC Actual Amount field. (Do not edit any other fields.)

Monthly purchase service credit (PSC) report screens in ESS



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09/01/2021

JANE SMITH PAYROLL
OHIO LOCAL SCHOOLS
1111 MAIN ST
SUITE 100
COLUMBUS, OH 43215

Employer Code: 9999
Invoice Reference #: 9999

Employer Billing-512

Member Name.....: Marie Thompson

Member UPI.....: XX999XX

Account Number.: XXX-XX-9999

PSC Reference #.....: 9999999

Type of credit.....: Leave of Absence-512

Year Purchased

S/C Purchased

2007-2008

0.116297

Total S/C Purchased:

0.116297

Earnings

Rate

**Credit
Purchased**

**Cost included in this
bill**

48,931.96

*

14.00 %

*

0.116297

=

\$ 796.68

Amt Paid

\$ 0.00

Balance Due

\$ 796.68

The above individual has purchased STRS Ohio service credit via payroll deduction. This billing is for the employer cost of purchases made during the 2020-2021 fiscal year.

Members purchasing leaves of absence or other qualified absences pay a cost consisting of member contributions and interest on both member and employer contributions. Employers are required to pay employer contributions based on the employer contribution rate in effect at the time of the leave or absence. This billing reflects the employer cost for credit purchased by the member.

The employer cost will be added as an adjustment to the 2022 STRS Ohio deductions from your State of Ohio foundation program payments, unless direct payment is made by November 30, 2021.



Employer Basics 101: Purchasing Leaves of Absence

What types of absences and leaves can be purchased?

The information in this section pertains to Defined Benefit Plan members only. Members in the Defined Contribution Plan cannot complete contributions or purchase credit on leave of absences. Combined Plan members should contact STRS Ohio directly for more information when considering purchases.

Members in the Defined Benefit Plan are able to complete contributions or purchase credit if they were:

- Prevented from making contributions because of illness or injury,
- On a leave under the Family and Medical Leave Act (FMLA),
- Granted an unpaid leave of absence (must be under contract during leave),
- Granted a leave of absence with partial pay,
- Not paid for a calamity day, and
- Docked days, which caused a limit in their final average salary (requires STRS Ohio approval).

Pursuant to Section 3307.77, R.C., the employer at the time of absence or who granted the leave is required to pay employer contributions. In other words, anytime an employer grants a leave of absence, they are incurring **future** liability should the member choose to purchase that leave.

How do I calculate contributions due for current fiscal year absence or leave?

When calculating contributions due for a current fiscal year absence or leave, the cost is based on the full amount of earnings the member would have earned had he or she worked the entire year **less** the actual amount member earned.

Purchasing Leave of Absence Checklist

- Determine type of leave the member wishes to purchase.
- Review payment options for current fiscal year leave.
- Once a current fiscal year payment option is determined, calculate contributions and properly report and remit payment to STRS Ohio.
- For past absence or leave, direct member to STRS Ohio member website for appropriate form.

What is the process for purchasing credit for a leave due to illness or injury, or Family and Medical Leave Act?

Types of leaves

There are two types of leaves, both require different processing by the employer. Please note, members cannot purchase past absences or leaves through payroll deduction, only via lump-sum payment.

Current fiscal year absence or leave

This **interest-free** purchase must be made within the same fiscal year that the absence or leave occurred. There are two options for purchasing absences or leaves within the current fiscal year.

Option 1 — Purchase through remaining payrolls

The member is on an unpaid absence or leave and wishes to purchase the leave through remaining payrolls if available.

- Step 1:** Employer calculates the member contributions due and increases the contribution deductions in remaining payrolls during the year.
- Step 2:** Include contributions on payroll reports and the annual report.
- Step 3:** Employer contributions should accompany member contributions.

Option 2 — Purchase with lump sum

The member is on an unpaid absence or leave and wishes to pay for the leave in a lump sum.

- Step 1:** Employer calculates the member contributions due and receives contributions directly from the member in a check made payable to STRS Ohio.
- Step 2:** Complete the *Lump-Sum Purchase of Current Fiscal Year Absence or Leave* form (see Page 3 for an example) and send it to STRS Ohio along with the member's check. **Payment must be received by STRS Ohio no later than June 30 of the same fiscal year in which the leave occurred.**
- Step 3:** Employers will be invoiced for employer contribution amounts.

Why purchase a current fiscal year absence or leave?

It may benefit members to make contributions on their full contract amount if they were on an unpaid absence or leave if:

1. The member did not receive a full year of service credit due to the unpaid time; or
2. The member is close to retirement and would like to include their full contract amount in their final average salary calculation.

Members should contact STRS Ohio to discuss whether this option is beneficial to them based on their situation.

Past absence or leave

This purchase can be made any time after the end of the fiscal year in which the absence or leave ended. **The member will pay interest on both the member and employer contributions.** A *Certification of Past Period of Absence* form is required.

Example: See the sample *Certification of Past Period of Absence* form on Page 9. This form is available for the member to complete and submit online or send by mail. Detailed instructions are included on the form.

- Step 1:** Member completes Part 1 of the *Certification of Past Period of Absence* form and provides it to the employer. This form can be found on the member website at www.strsoh.org by clicking on "During Your Career," then "Forms," then "Certify Purchasable Service Credit."
- Step 2:** Employer certifies dates of absence or leave and the member's contract salary, and then returns form to STRS Ohio.
- Step 3:** STRS Ohio calculates the member's cost to purchase credit, including interest on member and employer contributions.
- Step 4:** After STRS Ohio receives the member's payment, STRS Ohio will invoice employers for employer contribution amounts.

Payment is made directly to STRS Ohio.



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CERTIFICATION OF PAST PERIOD OF ABSENCE

PART 1 — Completed by Member/Applicant *(Please see Certification Form Instructions on other side)*

Please evaluate my eligibility for establishing retirement credit for a past period of absence. I understand I am not obligated to make payment for all, or any, of this credit; however, if payment is made, this form will certify that I am not receiving, nor will I be eligible to receive, a retirement benefit from another retirement program, other than Social Security, based on this same period of absence.

Member's name Susan Smith STRS Ohio account no. AB123CD
 Address 1230 Main St. or
 Social Security no. (last four digits) _____
 Street
 Anytown OH 43200 Phone (614) 555-1212
 City State ZIP code Area code
 Email address susansmith@email.com Date 09/08/21

PART 2 — Completed by Employer Who Granted Period of Absence* *(Please return form to member)*

This is to certify that Susan Smith Social Security no. (last four digits) 1234
 Applicant's name
 was on an absence approved by the Buckeye University Board
 for the purpose of personal illness
 beginning 08/18/1995 and ending _____
 Month Day Year

 Jane Doe, Treasurer
 Print name and title
 Contract amount for year in which leave begins: \$ 34,026.34

**If the member submits payment for all or a portion of an eligible period of the leave for the employer contribution portion of the amount purchased. For example, if a two-year leave was granted, the dates of the leave would be granted, each leave would be listed on a separate form.*



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**LUMP-SUM PURCHASE OF CURRENT FISCAL YEAR
ABSENCE OR LEAVE**

Use this form when the member is on an unpaid absence or leave and wishes to pay for the absence or leave in a lump sum.

This interest-free purchase must be made within the same fiscal year that the absence or leave occurred. When calculating contributions due for a current fiscal year absence or leave, the cost is based on the total earnings the member would have earned had he or she worked the entire year, minus the actual amount the member earned. **Payment must be received by June 30 of the same fiscal year the leave occurred.**

- Step 1:** Employer calculates the member contributions due and receives contributions directly from the member in a check made payable to STRS Ohio.
- Step 2:** Complete the form below and send it to STRS Ohio along with the member's check to: 275 East Broad Street, Columbus, OH 43215.
- Step 3:** Employers will be invoiced for employer contribution amounts.

This is to certify that _____ Last four digits of
 Applicant's name Social Security no. _____
 was on an absence or leave approved by the _____
 Board of education, institution or university
 beginning _____ and ending _____
 Month Day Year Month Day Year

A. Contract amount for year in which absence or leave occurred*: \$ _____

*Does this individual receive pickup included in compensation for retirement purposes? Yes No

If yes, indicate the percentage picked up by employer _____% and calculate Line A as contract amount plus contract amount multiplied by percentage of pickup paid by employer. This percentage cannot exceed the current contribution rate.

B. Earnings to be purchased (Line A minus actual earnings): \$ _____

C. Calculation of contributions due (Current contribution rate multiplied by Line B): \$ _____

D. Service credit calculation for period of absence or leave (Line B divided by Line A): _____

 Name and title of individual completing form Date

STRS Ohio four digit employer number _____

50-365, 8/2000

*Lump-Sum Purchase of Current Fiscal Year
Absence or Leave form*





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09/08/2021

TREASURER
BUCKEYE UNIVERSITY
123 MARKET ST
ANYTOWN OH 43210

Employer Code: 9599
Invoice Reference #: 112233445

Employer Billing-512

Member name : Susan Smith

Member UPI : AB123CD

Account number . . : XXX-XX-1234

PSC Reference # . . : 1234567

Type of credit : Leave of Absence-512

Year Purchased	S/C Purchased
1995–1996	1.000000
Total S/C Purchased:	
	1.000000

Earnings	Rate	Credit Purchased	Cost included in this bill
34,026.34	* 14.00%	* 1.000000	= \$4,763.69
Amt Paid			\$0.00
Balance Due			\$4,763.69

The above individual has made a lump-sum purchase of STRS Ohio service credit. This billing is for the employer cost of the lump-sum purchase made by this member.

Members purchasing leaves of absence or other qualified absences pay a cost consisting of member contributions and interest on both member and employer contributions. Employers are required to pay employer contributions based on the employer contribution rate in effect at the time of the leave or absence. This billing reflects the employer cost for credit purchased by the member.

The employer cost will be added as an adjustment to the 2022 STRS Ohio deductions from your State of Ohio foundation program payments, unless direct payment is made by Nov. 30, 2021.

Example invoice

