



Purchasing Service Credit **Fact Sheet**

Teaching Service — Kindergarten Through Grade 12

Section 3307.74, Ohio Revised Code

Credit for past employment that STRS Ohio members may purchase — also known as purchasable service credit — can be used to increase a member's service credit for retirement. 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. There are numerous types of purchasable service, each with certain eligibility requirements. Most service credit purchases increase the amount of the retirement benefit. Sometimes the purchase of service credit allows a member to meet the age and service requirements for retirement earlier.

STRS Ohio requires that the *Employer Certification* and *Retirement System Certification* forms be completed and submitted to certify teaching service rendered in K–12 public schools outside of Ohio, private schools in the United States and schools operated by or for the United States government in other countries. 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 for a different certification form and fact sheet.

Because records are sometimes difficult to obtain, it is advisable to certify service credit as soon as possible. All of the information requested on the form is required so that eligibility for purchasing service can be determined promptly and accurately. A separate form must be completed by each employer for the service you wish to purchase.

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 outside Ohio 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 position must be determined to be comparable to a position in a K–12 public school in Ohio.

The school must:

- Be recognized by an established accrediting association or governmental agency.
- Have educational credits that are recognized by a public school in Ohio.
- Be primarily oriented toward preparation for high school graduation. (*Preschools, day care centers, community organizations, private schools oriented primarily to trades and occupations, and self-improvement schools do not qualify.*)



3. Out-of-country teaching service may be eligible for purchase if: the school was operated primarily for United States citizens, under the direct control of the U.S. government, by contract of a third party but under control of the U.S. government, or primarily a school for employees of the U.S. government or their dependents. If it was primarily a school for employees of the U.S. government or their dependents, at least 51% of the students must have been American dependents at the time the service was rendered. No private out-of-country service qualifies for purchase.
4. 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.
5. 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 retirement 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**, qualifying service may be purchased upon certification by the plan administrator that:
 - The member was *not* 100% vested in employer contributions and there has been a total withdrawal of the account.
 - The member was 100% vested in employer contributions and the contributions were made to such plan during fewer than five separate fiscal years (beginning July 1 and ending June 30); and, there has been a total withdrawal of the account.
 - 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.

Example of service eligible for purchase: *An educator taught at a private or public school for less than five fiscal years, participated in a defined contribution plan and withdrew 100% of the funds.*

Example of service not eligible for purchase: *An educator taught in a private or public school for five or more fiscal years, participated in a defined contribution plan and was 100% vested in the plan. He or she withdrew all funds including both employee and employer contributions.*
6. 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, 401(a) state-sponsored retirement plan, 403(b) tax-sheltered annuity or 457(b) deferred compensation plan maintained by a state or local government.

Service credit

1. The maximum credit purchasable is five years total for these types of service: 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 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 the member will incur 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 31 years of service and retirement eligibility buys 1.00 year of credit during the 30th 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. A member who certifies and purchases only a partial year of credit has the option to 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. **For a cost estimate, go to www.strsoh.org and click on "Calculators."**

Calculating the retirement benefit with the purchased credit

1. The benefit formula is 2.2% for all years of service and the FAS calculation is based on the average of the five highest years of earnings. There is an exception for members retiring after July 1, 2015, and eligible for a transition benefit. The transition benefit is the monthly benefit amount members would have received if they were eligible for service retirement and had retired on July 1, 2015.
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 returned 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 address 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.

**Effective Aug. 1, 2017, the eligibility requirement for an unreduced benefit is any age with 32 years of service. The required service credit increases every two years thereafter until reaching a requirement of 35 years of service on Aug. 1, 2023. A minimum age 60 requirement will be added beginning Aug. 1, 2026.*



2. Retirement system certification

- **Part 1 must be completed by you.** STRS Ohio requires the most current address 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 letter of acknowledgment to you after receiving the forms. If the forms are submitted online, an acknowledgment email will be sent within one business day of STRS Ohio receiving the forms.
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 effective retirement date, as long as the benefit calculation has not been finalized. For example, if the effective retirement date is July 1, service credit must be purchased by Sept. 30.

Methods for purchasing service credit

- Lump-sum purchase may be made by check.
- Lump-sum purchase may be 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) |

Online: www.strsoh.org |

By email: ContactUs@strsoh.org

Our benefits counselors can provide more detailed information with one-on-one consultation in our Columbus office, through a TeleConference or during field counseling sessions held throughout the state each year. Call Monday–Friday, 8 a.m.–5 p.m. to schedule an appointment.