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# Purchasing Service Credit **Fact Sheet**

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## **Ohio National Guard or Reserve Military Service**

### Section 3307.75/.751, 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 *Application to Obtain Credit for Active Duty Ohio National Guard or Reserve Military Service* form be completed and submitted to certify active duty service in the Ohio National Guard or a reserve component of the U.S. armed forces. 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 or fact sheet.

All Ohio National Guard and reserve military service is certified on the same form. **Proper documentation stating the actual dates of service and a summary of retirement points must be submitted with the certification form.** A copy of your DD-214 discharge papers or NA Form 13038 must be submitted with the certification form to certify regular full-time military service, such as basic training. 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.

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. The Ohio National Guard includes the Ohio Army National Guard and the Ohio Air National Guard. Reserve components of the U.S. armed forces include the Army Reserves, Navy Reserves, Air Force Reserves, Marine Corps Reserves and Coast Guard Reserves.
2. Eligible service includes assembly for drill and instruction, training at encampments, maneuvers, outdoor target practice or other exercises.
3. Service as a member of the corps of cadets, midshipman or cadet airman is not considered to be active duty.



4. Credit cannot be purchased if the active military service is or will be used in any other retirement program, including a career military pension. Credit is purchasable even though a Social Security or military reserve retirement benefit is paid based on the same service. Military reserve retirement refers to retired pay for nonregular service under Chapter 67 of Title 10, United States Code.
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; 401(a) state-sponsored retirement plan, including a 401(k); 403(b) tax-sheltered annuity or 457(b) deferred compensation plan maintained by a state or local government.
6. Eligibility to purchase credit is evaluated by the retirement system (STRS Ohio, Ohio Public Employees Retirement System or School Employees Retirement System) in which the member plans to purchase the military service.

## Service credit

The maximum credit purchasable is five years. This includes regular military service and Ohio National Guard and reserve military service. For each year of purchasable credit, the member must have at least one year of service in STRS Ohio.

## 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 33 years of service and retirement eligibility buys 1.00 year of credit during the 32nd 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](http://www.strsoh.org) and click on "Calculators" under Resources.**

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*\*Effective Aug. 1, 2019, the eligibility requirement for an unreduced benefit is any age with 33 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.*

## 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 who are 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

The *Application to Obtain Credit for Active Duty Ohio National Guard or Reserve Military Service* must 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 form.

1. The Certification of Ohio National Guard or Reserve Military Service portion of the form must be completed by you and contain the entry and discharge dates of your service as shown on the military documentation.
2. If you do not have proper documentation, you can obtain a copy of the document(s) by contacting the appropriate branch of service listed on the form. It may take several months to obtain records.
3. Check the appropriate box pertaining to membership in other Ohio retirement systems. Membership in another Ohio retirement system could affect the cost of service.

## 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 form is not completed correctly or not received.
  - STRS Ohio did not receive proper documentation.
  - You have membership in another Ohio retirement system.



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) | Online: [www.strsoh.org](http://www.strsoh.org) | By email: [contactus@strsoh.org](mailto: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.