

STRS OHIO EMPLOYER EDUCATION

Employer Basics 101:
Calculating Service Credit Using Days

50-930C, 5/23/0

Hello and welcome to STRS Ohio's *Employer Basics 101: Calculating Service Credit Using Days* webinar. I'm Patty Gordon and joining me today is Todd Wolford.

During today's webinar:

- All participants' cameras are off and you are automatically muted.
- You can press the ALT key on your keyboard to open or close the Zoom control panel.
- You can ask questions in the Q&A pane on the control panel.

Make sure you have printed copies of the handouts for today's session.

Agenda



- What is service credit and why is it important?
- Proper calculation of service credit
- Available tools
- Calculation examples
- Service credit for coaches
- Common service credit questions

During today's webinar we will:

- Explain what service credit is and why it's important;
- Demonstrate how to properly calculate service credit using the days method;
- Review available tools for calculating service credit;
- Walk through some examples using each of the tools available;
- Discuss some information about calculating service credit for coaches; and finally,
- Answer some commonly asked questions about service credit.

What is service credit?

Service credit

- Earned through contributing service
- Percentage of one full year
- July 1-June 30
- Track number of days worked
- Any part of a day spent teaching = one day



- Service credit is the number of years earned through contributing service or purchased for certain types of past employment and unpaid leaves of absence.
- It is reported as a percentage of one full year and is granted for service from July 1st through June 30th of each year.
- The Administrative Code Rule specifies that if the actual number of days worked is available, the employer must use days to calculate service credit. Therefore, you are required to track the number of days worked for each STRS Ohio member.
- Any portion of a day worked equals one day worked for STRS Ohio service credit calculation purposes. So, if an individual taught for one hour, two hours or eight hours, he or she would receive credit for one day of work.
- Vacation, personal or sick days can also count as one day.
- STRS Ohio does not see the number of days worked when you transmit your payroll reports. While this information may be stored in your payroll system, we do not see it.
- Each individual's service credit is calculated based on the number of days worked and employment status (either full time or part time).

Why is service credit important?

Service credit impacts:

- Retirement eligibility
- Calculation of monthly benefit amount

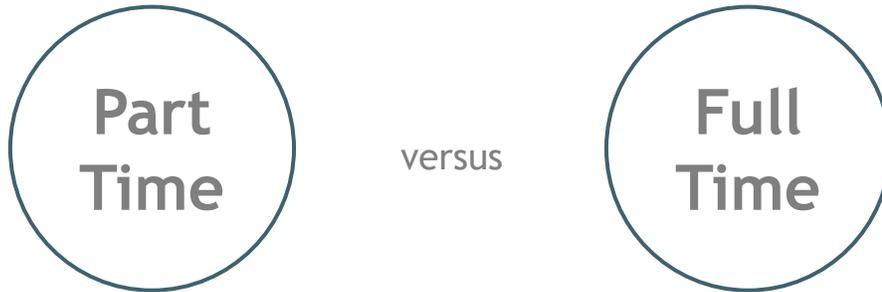
Required to report service credit on:

- Annual report
- Final employer certification – deposit & service report or withdrawal certification



- Service credit is one of the main factors used to determine a member's eligibility to retire. It is used to calculate a lifetime monthly benefit amount for Defined Benefit and Combined Plan retirees.
- If a member has a question about service credit earned for any fiscal year, STRS Ohio will refer that individual to you, the employer, as the employer is responsible for tracking each member's number of days worked.
- You, as the employer will be required to calculate and report service credit for each active member:
 - On the annual report submitted to STRS Ohio in August of each year, and
 - On the final employer certification when a member chooses to take a benefit either through retirement or by requesting a withdrawal of their account from STRS Ohio.

Employment status



 EMPLOYER
EDUCATION

- Besides tracking the number of days worked, you will also need to determine whether individuals in STRS Ohio-covered positions meet the criteria for full time or part time, as defined by STRS Ohio for service credit calculation purposes.
- As an employer, your definition of full time and part time for purposes of granting benefits may differ from STRS Ohio's definition when calculating service credit. For purposes of calculating service credit, you must use the following STRS Ohio definitions.

Full-time contract criteria (K-12)

- ① Contract begins and ends on the first and last day of a 365-day year or is based on a school year of at least the minimum hours required by law;

AND

- ② Provides compensation equal to 100% of the full-time salary as defined by the employer's salary schedule for an individual teaching all day, every day.



For K–12 employers to be considered **full time**, a member's contract must meet both of the following criteria:

1. Begins and ends on the first and last day of a 365-day year or is based on a school year of at least the minimum hours required by law;

AND

2. Provides compensation equal to 100% of the full-time salary as defined by the employer's salary schedule for an individual teaching all day, every day.

Full-time contract criteria (colleges and universities)

- ① Contract begins and ends on the first and last day of a 365-day year or a two-semester academic year;

AND

- ② Provides compensation equal to the rate paid to other educators of the same experience teaching the designated full-time equivalent workload.



For college and university employers, a member is considered to be full time when:

1. The member's contract begins and ends on the first and last day of a 365-day year or a two-semester academic year;

AND

2. Provides compensation equal to the rate paid to other educators of the same experience teaching the designated full-time equivalent workload.

Full-time contract

A member who has a **full-time** contract
AND
completes **120 days** of work will receive
1.00 year of service credit.



- Members who meet the definition of full time receive a full year of service credit when 120 days of work are completed.
- If a member does not meet the criteria for being full time, then he or she is considered to be part time.
- It is also important to note that if a full-time contracted individual does not complete 120 days of work, then service credit is calculated using the part-time rule.

Calculating service credit using days

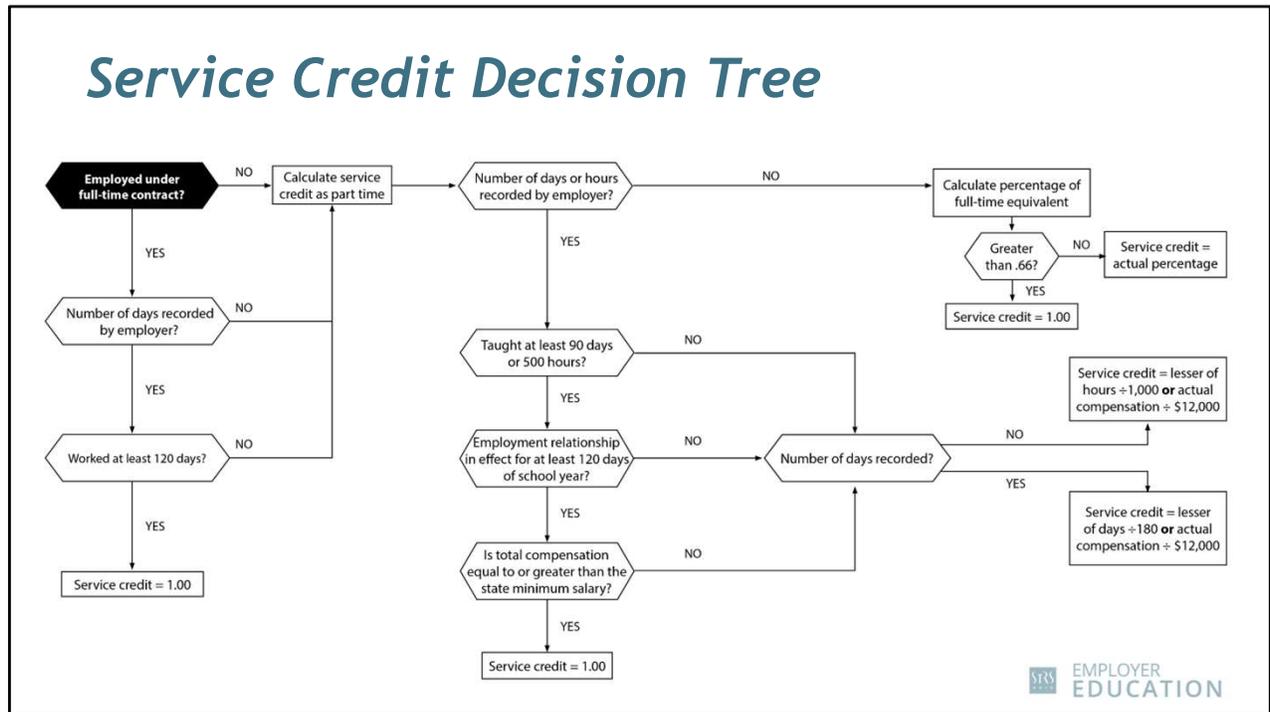
If member is part time, also consider:

- Days worked
- 120-day employment relationship
- Earnings compared to state minimum salary



- If the member is considered part time as defined by STRS Ohio, then look at two additional items — the 120-day employment relationship and earnings compared to the state minimum salary.
- You will need to consider all pieces of the calculation to properly determine service credit.
- As we discuss calculating part-time service credit in the next section, it may be helpful to have the *Service Credit Decision Tree* handout in front of you.
- This is a great resource that takes you step-by-step through calculating service credit. Make sure you are using the correct *Service Credit Decision Tree* for the period in which the service was performed. For today's purposes we will use the *Service Credit Decision Tree* effective July 1, 2019.

STATE TEACHERS RETIREMENT SYSTEM OF OHIO
Calculating Service Credit Using Days



Let's walk through the *Service Credit Decision Tree*, looking at both full-time and part-time employees.

- The **120-day relationship** exists between a teacher and employer when the teacher has been employed under a full- or part-time contract or is on an approved leave of absence for at least 120 days of the scheduled school year. The scheduled school year is defined as the first teacher workday to the last teacher workday.
 - Substitute teachers or tutors who may not be issued contracts could meet the 120-day employment relationship, provided they have been on an approved tutor or substitute list for at least 120 days of the school year.
- See if the member earned at least the state minimum salary for a bachelor's degree with no experience. Currently the state minimum salary is \$30,000. A listing of past and current state minimum salaries is also included in the handout for today's webinar.

Example using *Service Credit Decision Tree*

Employee information

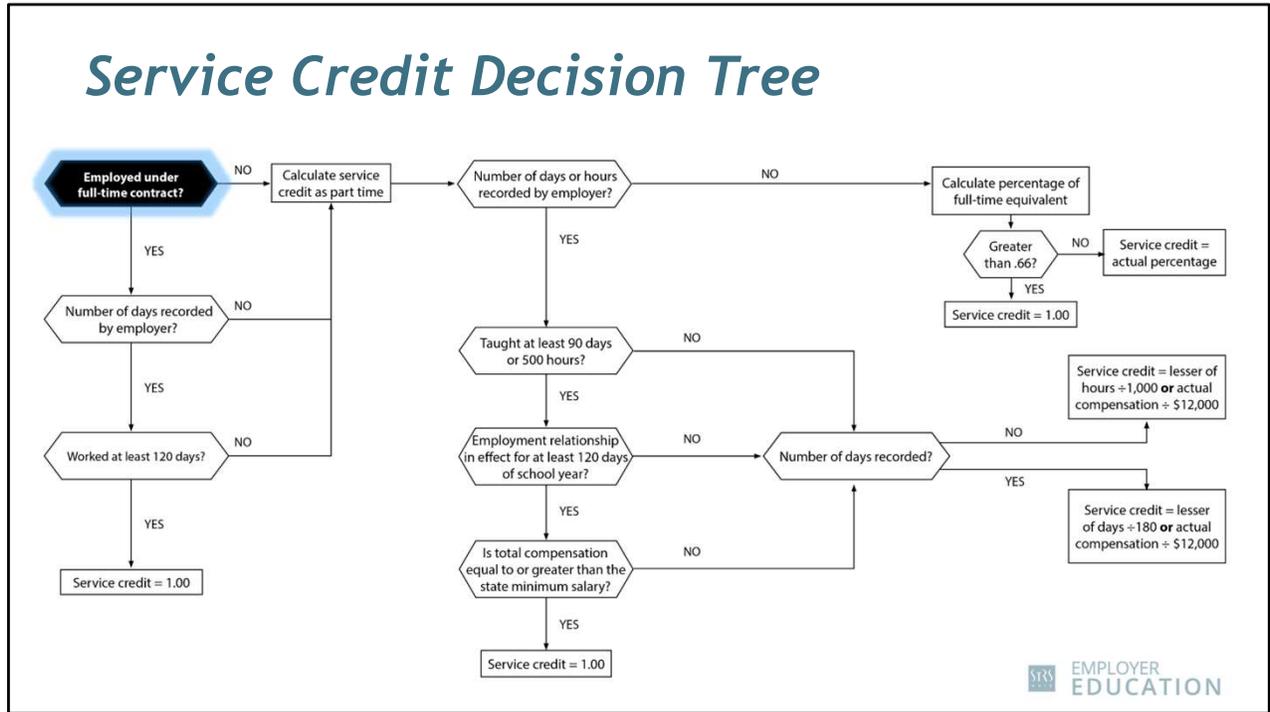
- Teacher under contract
- Worked 100 days
- Retired effective Jan. 1
- Earned \$60,000
- First teacher workday: early August
- Last day of service: late December



Let's look at an example.

- A teacher under contract worked 100 days and retired effective January 1st.
- She earned \$60,000.
- Her first teacher workday was in early August.
- Her last day of service was in late December.

STATE TEACHERS RETIREMENT SYSTEM OF OHIO
Calculating Service Credit Using Days



We will use the *Service Credit Decision Tree* to walk through this example, then take a look at the calculation used to determine service credit.

[Poll]

Example using *Service Credit Decision Tree*

Lesser of:	$100 \div 180$
Days \div 180	.555 or .56
OR	
Actual compensation	$\$60,000$
\div 12,000	\div $\$12,000$
	5

- Take 100 and divide by 180. This will give us .555, so we can round to .56.
- Compare that to her actual compensation of \$60,000 divided by \$12,000, which gives us 5.
- Since we use the lesser of these calculations, she will receive .56 of a year of service credit.

Available tools

- *Service Credit Decision Tree*
- Service credit calculator on the STRS Ohio Employer Website
- Part-time service credit calculation table



- The *Service Credit Decision Tree* is a great tool to understand the process of calculating service credit. However, it's not everyone's first choice!
- There are two additional tools available to help you calculate service credit:
 - The service credit calculator on the STRS Ohio Employer Website, and
 - The part-time service credit calculation table.
- Let's take a closer look at these two other tools and an example using each one.

The screenshot shows the 'Service credit calculator' page on the employer website. The title is 'Service credit calculator — employer website'. Under the 'CALCULATORS' section, 'Service Credit' is highlighted with a red circle. Other options listed are 'Current Leave of Absence Cost', 'Interest on Backpostings', and 'Pickup-on-Pickup'. The 'Service Credit' section contains the following text: 'Service credit is reported as a percentage of 1.00 full year and is granted for service from July 1 through June 30 of each year in accordance with State Administrative Code Rule 3307:1-2-01. Please choose appropriate calculator based on service credit calculation method used: Days, Hours, FTE'. The STRS EMPLOYER EDUCATION logo is in the bottom right corner.

- You can find the service credit calculator on the employer website. Scroll down to the bottom of the home page and look in the left corner under Calculators. Click on “Service Credit.”
- Choose the appropriate option based on the service credit method you use: Days, Hours or FTE.
- Let’s take a look at another example and see how this works.

Example using service credit calculator

Employee information

- Tutor
- Worked 100 days
- Earned \$19,500
- On the approved tutor list for the school



- A part-time tutor worked 100 days during the entire school year and earned \$19,500.
- He was on the approved tutor list for the school.
- Let's use the service credit calculator to see what his service credit would be.

[Demonstration of service credit calculator on employer website]

Part-time Employment Status calculation table

Part-time Employment Status			
Days Worked	Days in Employment Relationship	Is Salary Greater Than State Minimum?	Service Credit Calculation
≥ 90	≥ 120	Yes	1.00
≥ 90	≥ 120	No	<i>Lesser of: Days ÷ 180 or Actual Compensation ÷ \$12,000</i>
≥ 90	< 120	N/A	
< 90	N/A	N/A	



- The third tool you can use is the Part-time Employment Status calculation table shown here.
- It simplifies the information for part-time service credit calculation used in the *Service Credit Decision Tree* flowchart.
- It is important to note that all three of the tools we’ve discussed will give you the same answer when calculating service credit, but depending on your preference, you may find using one easier than the others.
- Let’s look at an example using this table.

Example using part-time calculation table

Employee information

- Substitute teacher
- Daily rate of \$95
- Worked 124 days

$$124 \times \$95 = \$11,780$$



- A substitute teacher worked 124 days this school year at a daily rate of \$95, resulting in total compensation of \$11,780.
- The first step is to determine if she is full time or part time according to STRS Ohio definitions.
- Does she have a contract that is based on a school year of at least the minimum hours required by law and provides compensation equal to 100% of the full-time salary as defined by the employer's salary schedule for an individual teaching all day, every day of the school year?
- Most substitute teachers do not have a contract, but if she does, she still would not receive compensation equal to someone on the employer's salary schedule teaching all day, every day.
- Now that we know she is considered part time, let's test your knowledge — pull out your calculator.

Example using part-time calculation table

Part-time Employment Status			
Days Worked	Days in Employment Relationship	Is Salary Greater Than State Minimum?	Service Credit Calculation
≥ 90	≥ 120	Yes	1.00
≥ 90	≥ 120	No	<i>Lesser of: Days ÷ 180 or Actual Compensation ÷ \$12,000</i>
≥ 90	< 120	N/A	
< 90	N/A	N/A	

$124 \div 180 = 0.69$

Compared to: $\$11,780 \div \$12,000 = 0.98$



- Take a moment to use the information we know to calculate service credit for this individual using the table shown. Remember, she worked 124 days and earned \$11,780.

[Poll]

- Based on the service credit calculation rules, she has earned the lesser of those two amounts, so you will report 0.69 of a year for service credit.

Service credit for coaches

- Coaches contribute to STRS Ohio if they hold a valid teaching license
- Track days worked to determine service credit
- Individuals who teach and coach can only earn one day of service credit per day



- We often receive questions about tracking days and calculating service credit for coaches. There are a few things to remember when looking at a coach's service credit:
 - Coaches who hold teaching licenses should contribute to STRS Ohio regardless of whether they are teaching and coaching or just coaching.
 - You will need to track days or hours when a coach works.
 - If the coach is teaching at your school and also coaching, he or she can't earn more than one day of service credit in a day.

Nonteaching periods (leaves of absence)

Compensation paid



Compensation the member would have
earned had he or she remained working



One other item we need to cover is how to calculate service credit for nonteaching periods, which include unpaid sick leave, professional leaves and sabbatical leaves with partial pay. These leaves tend to be for the entire year, where we don't have a number of days worked to calculate service credit.

Service credit granted for nonteaching periods is calculated by dividing the amount the member earned by the amount the member would have earned for full-time employment had he or she remained working.

These are uncommon, but they tend to occur more often in colleges and universities. An example of when K–12 employers might use this calculation would be if a teacher was going to be gone the entire school year for educational purposes and was going to be paid \$20,000, but if this individual would have remained working would have received a salary of \$54,000.

The only measure we would have to calculate the service credit would be to take compensation paid divided by compensation the member would have earned had this individual remained working.

Members are eligible to purchase or “make up” contributions for certain types of leaves. If a member chooses to purchase a leave of absence, contributions must be made on a full year's salary for a full year of credit to be granted. They cannot make contributions on 120 days and receive a full year of credit.

Common service credit questions

1. Performing more than one job and contributing to STRS Ohio for both

- A member can't earn more than a day per day
- A member can't earn more than a year per fiscal year

2. Performing more than one job and contributing to different retirement systems

- Track days and report service credit for each position to appropriate system
- At retirement, the member may choose to combine contributions and non-concurrent time if the member is in a Defined Benefit Plan



Let's review a few different scenarios you may have at your school and how to handle service credit for each one.

Correcting service credit for a prior year

Send email to report@strsoh.org and include the following:

1. Member's name
2. Last four digits of Social Security number
3. Fiscal year being corrected
4. Correct service credit
5. Method used to calculate service credit



If you determine service credit has been calculated incorrectly and a member's account needs to be corrected, send an email to report@strsoh.org with the information listed.

Resources available

We're here to assist you!

Call toll-free: 888-535-4050

- Ask to speak to your retirement reporting representative or employer advisor

Send an email: report@strsoh.org

Visit our website: www.strsoh.org/employer



The examples we have used today are relatively simple, but if you have questions regarding how to calculate a specific member's service credit, please contact us and we'd be happy to walk through it with you.

Anytime you have questions, please call STRS Ohio toll-free at 888-535-4050.

Thank you!

Wrap up

- Additional questions?
- Webinar certificates of completion
- Please complete the evaluation after disconnecting from the webinar



Thank you for participating in today's webinar. We will stay on the line for a few more minutes to answer any additional questions.

Certificates of completion will be emailed within two weeks.

A short evaluation will pop up once you go to leave the webinar. We would appreciate you taking the time to complete it and provide us with your feedback.

Again, we will stay on the line for additional questions, but feel free to disconnect now. Thank you for taking the time to attend this webinar. Have a great day!