



Ohio Administrative Code

Rule 3307:1-3-13 Determination of cost for service credit purchased under section 3307.70 of the Revised Code.

Effective: May 7, 2020

(A) As provided in section 3307.73, 3307.74, 3307.751, 3307.76, 3307.771, or 3307.78 of the Revised Code, a member may purchase service credit at a cost that is equal to one hundred percent of the actuarial liability resulting from the purchase. The cost for each year shall be calculated separately and sequentially and shall be based on the factors outlined in paragraph (B) of this rule.

(B) The member shall pay the retirement system for credit to the members accumulated account an amount equal to one hundred per cent of the actuarial liability resulting from the purchase of the service credit as determined by an actuary employed by the state teachers retirement board based on the following factors at the time the cost statement is issued:

(1) The members age as of the previous July first.

(2) The members years of service credit, which shall include all of the following, except that such total combined service credit shall not exceed one year of credit for any one year, and which shall be determined by the retirement system in its sole discretion:

(a) Total service credit as defined by section 3307.50 of the Revised Code as of the previous June thirtieth unless such service credit reporting is adjusted after that date, then the total service credit as of June thirtieth will be changed to reflect the adjustment made. Should the adjustment in service credit occur after the cost statement is issued but before the payment is completed, a new cost statement reflecting the adjustment in service credit will be issued to the member.

(b) All service credit established after June thirtieth or being purchased through payroll deduction as outlined in this rule and rule 3307:1-3-11 of the Administrative Code under sections 3307.71, 3307.72, 3307.73, 3307.74, 3307.75, 3307.751, 3307.752, 3307.76, 3307.761, 3307.763, 3307.77, 3307.771, and 3307.78 of the Revised Code. Should the amount of service credit in this paragraph change due to other purchases of service credit after the cost statement is issued but before the payment is completed, the member's years of service credit will be adjusted to reflect the change in



the years of service credit and a new cost statement will be issued to the member.

(c) All service credit eligible for restoration under section 3307.71 of the Revised Code.

(d) All service credit established in the public employees retirement system of Ohio and the school employees retirement system of Ohio including total service credit as defined in sections 145.01 and 3309.01 of the Revised Code and service credit eligible for restoration under sections 3309.26, 3309.261, 145.31 and 145.311 of the Revised Code.

(3) The members salary base for determining the cost of service credit purchased under section 3307.70 of the Revised Code shall be the compensation as described in paragraphs (B)(3)(a), (B)(3)(b), and (B)(3)(c) of this rule, and if the compensation is adjusted after the cost statement is issued but before the payment is completed, the salary base will be changed to reflect the adjustment made and a new cost statement will be issued to the member. The salary base shall be determined by the retirement system in its sole discretion.

(a) Compensation is defined the same as division (L) of section 3307.01 of the Revised Code.

(b) The calculation of cost shall be based upon the greater of the salary base amount as defined in section 3317.13 of the Revised Code, final average salary or the most recent year in which the member had compensation upon which contributions were made, adjusted to full-time equivalence if less than full-time.

(c) The salary base shall also include all compensation with the public employees retirement system and school employees retirement system for the same year in which the member had compensation as described in paragraphs (B)(3)(a) and (B)(3)(b) of this rule.

(C) A purchase of service credit shall be applied sequentially to the members existing service credit as follows:

(1) If the member has one year of service credit eligible for purchase, the member will receive one year of service once the payment for one hundred percent of the actuarial liability created by the purchase has been paid in full.



(2) If the member is only eligible to purchase less than one year of service credit, the member will receive that amount of service credit once the payment for one hundred percent of the actuarial liability created by the purchase has been paid in full. If the member certifies additional service credit as eligible for purchase, the member will receive service credit for the balance of the year, if any balance is remaining for the last year, at no additional cost. A member will not receive more service credit than he or she is eligible to purchase.

(D) Service credit may be purchased by one of the following methods:

(1) Lump sum purchase. In order for a member to purchase service credit through a lump sum purchase all of the following shall apply:

(a) The retirement system will provide the member with a cost statement indicating the amount of service credit eligible for purchase and the current cost based on the factors described in paragraph (B) of this rule.

(b) The member must return the completed and signed cost statement with the first payment.

(c) A member must complete the service credit purchase on the cost statement by the earlier of the end of the month following the ninetieth day after the retirement system receives the first payment or June thirtieth.

(d) No service credit will be posted to a members account until all funds for the total purchase of service credit have been received by the retirement system.

(e) If the member does not complete the purchase by the deadline established under paragraph (D)(1)(c) of this rule and indicated on the cost statement, then all payments received by the retirement system will be returned.

(2) Installment purchase plan. The following plan for purchase of service credit by payroll deduction is hereby established pursuant to sections 3307.70 and 3307.701 of the Revised Code:



(a) A member who has applied for the purchase of service credit pursuant to section 3307.73, 3307.74, 3307.751, 3307.76, or 3307.771 of the Revised Code may elect to make payment to purchase one year of service credit, or the full amount of service credit eligible for purchase if the member is only eligible to purchase less than one year of service credit, by payroll deduction over a period of up to three years if the member will receive regular periodic payments of salary or wages by the employer over that period in an amount after taxes and other deductions that is at least equal to the payment to be deducted.

(i) Where eligible service has been certified, the retirement system will provide to the member a form for the member's use in initiating purchase of service credit by payroll deduction and a statement setting forth the total cost of such purchase and a statement of the monthly deductions necessary to spread payment over periods ranging from one to three years.

(ii) If a member wishes to elect payment by payroll deduction, the member shall complete and sign the form so provided to indicate the amount to be deducted monthly and file it with the member's employer.

(b) A form so filed with an employer shall be completed by the employer to indicate the date deductions will begin, which date shall be agreed upon by the member and the employer but in no case shall it be later than three months after the form is filed with the employer, and the monthly amount to be deducted. The employer shall transmit the form to the retirement system no later than the last day of the month preceding the month in which deductions will begin, except that the form may be transmitted with the first month's payroll deduction if the monthly deduction equals or exceeds the minimum payment specified in paragraph (D)(2)(d) of this rule.

(c) Amounts deducted by an employer shall be transmitted monthly to the retirement system no later than the fifteenth day of the month following deduction. Employers will be charged interest on amounts not received by such time at the rate specified in rule 3307:1-3-01 of the Administrative Code.

(d) Monthly payments shall not be less than the amount specified to purchase service credit over the maximum period allowable under paragraph (D)(2)(a) of this rule, and shall not be less than fifty dollars. Deducted payments in an amount less than the applicable minimum will be returned to the



employer and that payroll deduction plan will be cancelled.

(e) Except for purchase under a tax-deferred plan as provided in paragraph (D)(2)(k) of this rule, the amount of deduction selected by a member may be changed by written notice given by the member to the employer; however, the monthly payment deducted shall not be less than the minimum specified in paragraph (D)(2)(d) of this rule.

(f) Except for purchases under a tax-deferred plan as provided in paragraph (D)(2)(k) of this rule, a member may elect to terminate payroll deduction at any time by notice to the employer in such manner as the employer may specify. Termination of employment or the grant of a disability benefit under section 3307.63 or 3307.631 of the Revised Code shall terminate payroll deduction. In the event a member who has been purchasing service credit by payroll deduction terminates employment and becomes employed as a teacher by a different employer, a new application for payroll deduction will be required and it shall be the member's responsibility to file such application with the new employer to complete the purchase during the time period specified under the original payment schedule. The member shall have until the end of the month after the ninetieth day following termination of employment to file the application with the new employer. If the member does not resume the payroll deduction plan with a new employer or complete the purchase through a lump-sum payment by the deadline specified in this paragraph, then all funds will be returned as specified in paragraph (D)(2)(m) of this rule.

(g) A member will be eligible for payroll deduction by any employer for restoration or purchase under only one cost statement at any given time. If employed by more than one employer, a member may not simultaneously participate in more than one payroll deduction plan. No portion of qualifying service credit being purchased pursuant to this rule under a tax-deferred plan as provided in paragraph (D)(2)(k) of this rule shall be purchasable under provisions of rule 3307:1-3-02 of the Administrative Code unless payroll deductions under this rule are first terminated.

(h) Changes in the interest rate applicable under rule 3307:1-3-01 of the Administrative Code will result in the recalculation of a new payroll deduction schedule for the remaining balance of service credit as of the effective date of the change in interest rate. A member participating in payroll deduction will be sent a recalculation in the event of such a change and may then either reselect the amount to be deducted in order to maintain the original payment schedule or alter the period of time



involved, up to a maximum of three years from the date the original payroll deduction plan began. In all cases the member must pay at least the minimum monthly payment as specified in paragraph (D)(2)(d) of this rule.

(i) The retirement system will prepare a monthly listing of participating employees based upon the payroll deduction forms and designated changes thereto previously submitted by an employer. Such listing shall be sent to the employer monthly and shall set forth the expected deduction for each participant. The employer shall enter the amount actually deducted and return the listing and deducted amounts to the retirement system by the fifteenth of each month.

(i) If the actual deduction is less than the minimum deduction, the payroll deduction plan will be terminated. Purchase of additional service credit by payroll deduction will require a new application. Should the payroll deduction plan not resume with an employer or the payment for the service credit not be completed with the retirement system by the earlier of the end of the month following the ninetieth day from the last payment made by payroll deduction or June thirtieth, then all funds will be returned as specified in paragraph (D)(2)(m) of this rule.

(ii) Participating members may be added by an employer if accompanied by the application form and the actual deduction equals or exceeds the minimum deduction as of the month the deduction begins.

(j) Accumulated deductions for the purchase of service credit shall be refundable only upon termination of covered employment and withdrawal of accumulated contributions pursuant to section 3307.56 of the Revised Code, except that upon the request of the member, the cost of service credit purchased by payroll deduction may be refunded for the reasons set forth in paragraph (G) of rule 3307:1-3-02 of the Administrative Code.

(k) An employer may adopt a plan in compliance with section 414(H)(2) of the Internal Revenue Code for the purchase of service credit by payroll deduction with payments designated as picked-up by the employer. An employer shall notify the retirement system of its adoption of any such plan at least sixty days before it goes into effect on a form provided by the retirement system. A member who has chosen to participate in such a plan may not terminate or alter payroll deduction until the service credit at a cost of one hundred percent of the actuarial liability is fully purchased or



employment is terminated.

(l) In lieu of payroll deduction, the retirement system will accept from the employer lump-sum payments for certified purchasable service credit for a member. The employer must submit a document indicating if the payment is from after-tax or tax-deferred funds. Tax-deferred funds will only be accepted by the retirement system if the employer has adopted a plan in compliance with section 414(H)(2) of the Internal Revenue Code as specified in paragraph (D)(2)(k) of this rule.

(m) If there is a refund of only the purchased service credit within two years of receipt, the funds will be returned to the employer unless the employer requests distribution to the member; upon such request by the employer, the funds will be returned to the member and federal taxes will be withheld as required under federal law and regulations, if the money was tax-deferred.

(n) If a member purchasing service credit through payroll deduction applies for service retirement, the retirement system will notify the employer to stop the deductions the month before the member's benefit effective date and will send the member a cost statement for any remaining amount due to complete the purchase of service credit at a cost of one hundred per cent of the actuarial liability created by such purchase. Should the payroll deduction plan not be completed with the retirement system within three months of the retirement date, then all funds will be returned as specified in paragraph (D)(2)(m) of this rule.