



Ohio Administrative Code

Rule 742-5-08 Service credit purchases by payroll deduction.

Effective: November 23, 2018

(A) A member of Ohio police and fire pension fund ("OP&F") may purchase any type of service credit through payroll deduction that a member is eligible to purchase under any provisions of Chapter 742. of the Revised Code, including but not limited to, sections 742.21 (service credit earned for full-time service as member of state or municipal retirement system, 742.221 (conditions to receive credit for time spent on pregnancy or medical disability leave), 742.23 (credit to police officers for service time as firefighters), 742.24 (credit to firefighters for service time as police officers), 742.27 (credit for lay off period), 742.371 (redeposit of withdrawn contributions), 742.375 (credit for service as a member of the state highway patrol retirement system), 742.376 (credit for service as a full-time member of a police or fire department prior to January 1, 1967), 742.52 (purchase of credit for military service), and 742.521 (granting of credit for military service) of the Revised Code.

(B) Upon a member's request to OP&F to purchase service credit by payroll deduction for service credit the member is eligible to purchase pursuant to section 742.56 of the Revised Code and this rule, OP&F will prepare an authorization form which states the following:

- (1) The service to be purchased, including the total months of service and the type of service;
- (2) The total cost of the service credit to be purchased through payroll deduction;
- (3) An authorization from the member to make the total number of payroll deductions in the stated amount, starting with the proposed start date and ending on the proposed completion date; provided, however, that the payroll deduction cannot exceed the member's net compensation after all deductions and withholdings required by law.

(C) If the member wishes to complete the payroll plan referenced in paragraph (B) of this rule, the member must sign, and cause his or her employer to sign, the authorization form prepared by OP&F and return the form to OP&F. The member shall provide his or her employer with a copy of



the authorization form in a timely manner so that the employer can properly implement the payroll deduction plan elected by the member.

(D) The procedure to be followed by OP&F in determining the total cost of the eligible service credit to be purchased by an OP&F member through a payroll deduction will be based upon the assumption that the purchase is to be made in a single lump-sum payment on the proposed date of the completion of the purchase, with the total cost then being divided by the number of payroll periods between the proposed start and the proposed completion date of the payroll deduction in order to yield a level amount of the deduction, which is all based upon the member's original request.

(E) As required by section 742.56 of the Revised Code, OP&F will certify the amount to the employer through a monthly billing the amount of each deduction and the payrolls from which deductions are to be made. The employer shall forward that payroll deduction to OP&F so that the applicable payroll deduction and the payroll deduction statement are received by OP&F by the close of business on the last business day of the following month, excluding any legal holidays, consistent with the reporting requirements in section 742.32 of the Revised Code. The employer's payroll deduction statement shall be accompanied by a completed OP&F recap form, as referenced in rule 742-9-17 of the Administrative Code.

(F) For purposes of assessing the penalties prescribed by section 742.352 of the Revised Code and rule 742-8-07 of the Administrative Code for all filings due OP&F under section 742.56 of the Revised Code, OP&F shall take the following course of action:

(1) No payroll deduction report/no payroll deduction. If the required payroll deduction prescribed by section 742.56 of the Revised Code is not made in accordance with the deadline outlined in such section and no payroll deduction report is filed with OP&F in accordance with the deadline outlined in such section, OP&F shall assess the penalties prescribed by section 742.352 of the Revised Code and rule 742-8-07 of the Administrative Code.

(2) Payroll deduction report/no payroll deduction. If the required payroll deduction report prescribed by section 742.56 of the Revised Code is filed with OP&F in accordance with the deadline outlined in such section, but the proper payroll deduction is not paid to OP&F in accordance with the deadline



outlined in such section, OP&F shall assess the penalties prescribed by section 742.352 of the Revised Code and rule 742-8-07 of the Administrative Code.

(3) No payroll deduction report/payroll deduction. If the required payroll deduction report prescribed by section 742.56 of the Revised Code is not filed with OP&F in accordance with the deadline outlined in such section, but a payroll deduction is made with OP&F in accordance with the deadline outlined in such section, OP&F shall assess the penalties prescribed by section 742.352 of the Revised Code.

(4) All other cases, the following shall apply:

(a) Non-conforming payroll deduction report. OP&F shall initially give verbal notice to the employer of the non-conforming nature of the report and allow the employer to have an opportunity to take corrective actions to cure such deficiencies within thirty days of OP&F's verbal notice of deficiency. If the employer has not submitted a writing to OP&F that properly addresses the noted deficiencies by Friday of the week in which OP&F gave the verbal notice, OP&F shall then send a written notice to the employer of the non-conforming nature of the report and allow the employer to still have an opportunity to take the corrective actions identified in the written notice from OP&F within thirty days of OP&F's initial verbal notice (referred to herein as the "cure period"), and the following shall apply:

(i) If the employer files a corrected payroll deduction report and such report is received by OP&F on or before the expiration of the cure period, no penalties will be assessed by OP&F against the employer.

(ii) If OP&F does not receive from the employer a corrected payroll deduction report, as noted in OP&F's written notice to the employer, on or before the expiration of such cure period, then OP&F will assess the penalties prescribed by section 742.352 of the Revised Code and rule 742-8-07 of the Administrative Code, beginning the day after the expiration of the cure period.

(b) In all other situations, OP&F will notify the employer in writing of the employer's failure to comply with the provisions of section 742.56 of the Revised Code and allow the employer to take the corrective actions identified in the written notice from OP&F within thirty days of OP&F's initial



verbal notice (referred to herein as the "cure period"), and the following shall apply:

- (i) If the employer files a correct payroll deduction report and such report is received by OP&F on or before the expiration of the cure period, no penalties will be assessed by OP&F against the employer.
- (ii) If OP&F does not receive from the employer the proper payroll deduction report, as noted in OP&F's written notice to the employer, on or before the expiration of such cure period, then OP&F will assess the penalties prescribed by section 742.352 of the Revised Code and rule 742-8-07 of the Administrative Code, beginning the day after the expiration of the cure period.
- (5) Even with the cure period, the employer will still be assessed any statutory fines for late filings and/or payments, as the case may be under the applicable statutory provision.
- (6) This rule shall apply once the payment and/or report has been filed with OP&F and shall not limit any other remedies available to OP&F by law.
- (G) Upon receipt of the applicable monthly payroll deduction, as certified by OP&F, OP&F will grant the service credit to the member based on the percentage of the service credit for which the member is eligible to receive multiplied by the ratio of the amount actually received by OP&F divided by the total amount due OP&F pursuant to section 742.56 of the Revised Code and this rule.
- (H) All payroll deduction plans may last no longer than sixty months, or if less, the period of service to be purchased.
- (I) No member may participate in more than one payroll deduction plan to purchase service credit provided for in section 742.56 of the Revised Code and this rule, even though the payroll deduction plan may include various types of service credit.
- (J) Tax deferred payroll deduction plans (i.e. pick-up plans) shall be irrevocable and may only be terminated upon the member's termination of employment with the employer who is implementing the member's payroll deduction plan.



(K) Except for tax deferred payroll deduction plans (i.e. pick-up plans), a member can increase or decrease the member's payroll deduction by written notice to the member's employer and OP&F, except that in no event shall a deduction be decreased to less than an amount specified by OP&F in a board policy or the current month's interest, whichever is greater.

(L) OP&F will not treat a member who is purchasing credit pursuant to this rule with amounts designated by the employer as picked-up contributions under section 414(h)(2) of the Internal Revenue Code of 1986, 26 U.S.C.A. 414(h)(2) unless the employer certifies in writing the tax deferred status of the payroll deduction plan as part of the employee's enrollment in the payroll deduction plan. OP&F will rely upon certification in determining the taxability of benefits due the member, as outlined in rule 742-9-14 of the Administrative Code. In the event that the employer fails to provide such certification, then OP&F will treat the payroll deduction plan as a regular non-tax deferred payroll deduction plan. In all events, it shall be the responsibility of the employer to establish the tax deferred payroll deduction plan, as required by the applicable terms of the Internal Revenue Code. Employers that wish to pay all or part of the voluntary contributions for the purchase of service credit through payroll deductions shall submit the standard resolution in the form adopted by OP&F's board of trustees, as required by rule 742-7-14 of the Administrative Code.

(M) For members who are purchasing credit pursuant to this rule with amounts designated by the employer as picked-up contributions under section 414(h)(2) of the Internal Revenue Code of 1986, 26 U.S.C.A. 414(h)(2), such members cannot do any of the following:

(1) Decrease or increase the payroll deduction;

(2) Terminate the payroll deduction, unless the member has terminated employment with such employer or all of the service credit has been purchased through the applicable payroll deduction plan; or

(3) Make a partial payment for the purchase of service credit outlined in this rule.

(N) For members who are purchasing credit pursuant to this rule with amounts designated by the employer as picked-up contributions under section 414(h)(2) of the Internal Revenue Code of 1986, 26 U.S.C.A. 414(h)(2), the employer cannot decrease, increase, or terminate such payroll deduction



unless the member has terminated employment or all of the service credit has been purchased through the applicable payroll deduction plan.

(O) Except for tax deferred payroll deduction plans (i.e. a pick-up plan), a payroll deduction plan may be terminated upon any of the following events:

(1) The failure of the employer to forward to OP&F the monthly payroll deduction for three consecutive months, with the termination being effective the first month in which the employer failed to forward the deduction to OP&F without any further action on the part of the employee, the employer or OP&F;

(2) Upon the member's termination of employment with the employer who is implementing the member's payroll deduction plan;

(3) In cases where a payroll deduction exceeds the member's net pay after all deductions and withholdings required by law; or

(4) When the payroll deductions received by OP&F equal the total cost of the eligible service credit, as originally outlined in OP&F's authorization form signed by the member.

(P) On early termination of the payroll deduction plan, the member will be credited with a proportion of the service to be purchased equal to the proportion of time the payroll deduction plan became effective to the time the payroll deduction plan was scheduled to complete the purchase. In addition, OP&F will provide written notice of such termination to the member.