



Ohio Administrative Code

Rule 3307:1-3-11 Payroll deductions for purchase and restoration of service credit.

Effective: May 7, 2020

The following plan for restoration or purchase of service credit by payroll deduction is hereby established pursuant to section 3307.701 of the Revised Code:

(A) Service credit eligible for payment by payroll deduction shall be determined as follows:

(1) Effective January 1, 2014, a member who has applied for restoration of service credit pursuant to section 3307.71 or division (C) of section 3307.761 of the Revised Code or purchase of service credit pursuant to section 3307.72 of the Revised Code may elect to make payment for all or a portion of such restoration or purchase by payroll deduction over a period of up to five 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.

(2) Where eligible service has been certified, the retirement system will provide to the member:

(a) A statement setting forth the total cost of such restoration or purchase; and

(b) A statement setting forth the cost of such restoration or purchase on a cost per year basis.

(3) Upon request, the retirement system will provide a form for the member's use in initiating restoration or purchase by payroll deduction, which shall include a statement of the monthly deductions necessary to spread payment over periods ranging from one to five years.

Such statement shall be based upon the assumption that the interest rate then in effect under rule 3307:1-3-01 of the Administrative Code remains constant throughout each such period; however, the statement shall inform the member that the actual cost of restoration or purchase shall be subject to any change, during the period of deduction, in the interest rate applicable to such restoration or purchase.



(4) 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) 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 minimum amount specified to restore or purchase service credit over the maximum period allowable under paragraph (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 (L) 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 amount deducted shall not be less than the minimum monthly payment specified in paragraph (D) of this rule.

(F) Except for purchases under a tax-deferred plan as provided in paragraph (L) 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 deduction. In the event a member who has been restoring or 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 restoration or purchase during the time period specified under the original payment schedule. The new cost calculation shall be based on the applicable cost criteria and interest rate in effect at the time of such application under rule 3307:1-3-01 of the Administrative Code.

(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 (L) 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 five years for each full or partial year of qualifying service credit. In all cases, the member must pay at least the minimum monthly payment as specified in paragraph (D) of this rule.

(I) A new application is required for restoration or purchase of additional service credit. The employer will be billed annually by fiscal year for employer contributions required for member purchases under sections 3307.72 and 3307.77 of the Revised Code. If the payroll deduction payments are terminated or paid-off within the year, the employer will be billed after the final payroll deduction payment. Any amounts unpaid by the first day of October of any year may be certified for payment under section 3307.31 of the Revised Code. The Ohio police and fire pension fund or state highway patrol retirement system will be notified annually by fiscal year of the amount purchased from the state teachers retirement system under section 3307.761 of the Revised Code. If the payroll deduction payments are terminated or paid-off within the year, the other retirement system will be notified of the amount of purchase after the final payroll deduction payment.



(J) 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.

(1) If the actual deduction is less than the minimum deduction, the payroll deduction plan will be terminated and the service credit purchased to date will be credited to the member's account. Purchase of additional service credit by payroll deduction will require a new application.

(2) 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.

(K) Accumulated deductions for the purchase or restoration 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.

(L) 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 is fully purchased or employment is terminated.

(M) 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 (L) of this rule.



(N) 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.

(O) If a member purchasing service 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 service credit eligible for purchase.