

145-1-35 **Service purchase.**

(A) For purposes of Chapter 145. of the Revised Code and Chapters 145-1 to 145-4 of the Administrative Code:

(1) "Service purchase" means both of the following:

(a) For members participating in the traditional pension plan, payment for the purchase of service credit pursuant to section 145.20, 145.201, 145.28, 145.291, 145.292, 145.293, 145.299, 145.2915, 145.301, 145.302, 145.31, or 145.47 of the Revised Code, former section 145.295, 145.2911, or 145.2913 of the Revised Code as they existed prior to January 7, 2013, or rule 145-2-18 of the Administrative Code.

(b) For members participating in the combined plan, payment for the purchase of service credit pursuant to section 145.20, 145.201, 145.291, 145.292, 145.293, 145.299, 145.2915, 145.302, or 145.47 of the Revised Code, former section 145.295, 145.2911, or 145.2913 of the Revised Code as they existed prior to January 7, 2013, rule 145-3-21, 145-3-22, or 145-3-40 of the Administrative Code, or section 3.11 or 3.12 of the combined plan document.

(2) "One-time or lump-sum payment" means a service purchase that is the full cost of the ~~entire~~ service credit ~~to which a member is entitled~~ elects to purchase and is paid directly to the public employees retirement system.

(3) "Partial payment" means a service purchase that is less than the full cost of the ~~entire~~ service credit ~~to which a member is entitled~~ elects to purchase and is paid directly to the retirement system.

(4) "Payroll deduction" means a service purchase made pursuant to section 145.294 of the Revised Code and rule 145-1-38 of the Administrative Code.

(5) A "statement of cost" means a bill prepared by the retirement system stating the cost of the service credit to be purchased. Other than statements of cost prepared under rules 145-2-18 and 145-3-40 of the Administrative Code, if a statement of cost described in this paragraph is not paid in full prior to its expiration, the member may complete the purchase of the remaining service credit by a lump sum or one-time partial payment of the cost, as recalculated by the system at the time of the final payment.

(6) "Sixty-month amortization amount" means the monthly dollar amount necessary to complete a service purchase prior to the expiration of a statement of cost.

(B) A member participating in the traditional pension plan or combined plan may make a service purchase, pursuant to Chapter 145. of the Revised Code and Chapters 145-1 to 145-4 of the Administrative Code and federal Internal Revenue Code section 415, either directly to the retirement system or by payroll deduction. A statement of cost issued on or after July 7, 2013, shall expire not later than five years after the date of the first payment or first deduction.

(C)

(1) Except as otherwise provided in Chapter 145. of the Revised Code, the interest rate to be used in calculating the cost of a service purchase shall be six per cent compounded annually. Beginning on January 1, 2014, the interest rate shall be a per cent equal to the assumed actuarial rate of interest compounded annually. Interest shall be calculated under the applicable Revised Code section from the first date through the end of the month of payment;.

(2) Interest shall be applied to unpaid balances of service purchases by partial payment or payroll deduction at a rate equal to the assumed actuarial rate of interest compounded annually after the first payment or deduction. Interest shall be calculated from the date of the first payment through the last day of the month in which the cost statement expires.

(3) The public employees retirement board may adjust the interest rates in paragraphs (C)(1) and (C)(2) of this rule. If adjusted, the new interest rate shall apply to any statement of cost issued or initial payroll deduction begun after the adjustment.

(D) If the retirement system is required to apply the member's contribution rate at the time the service occurred against the member's earnable salary in calculating the cost of a service purchase, such rate shall not exceed the maximum employee contribution limits that were applicable at the time the service occurred.

(E)

(1) Service credit shall be granted following receipt of all lump-sum payments, partial payments, or payroll deductions received in a month.

(2) Except as otherwise provided in Chapter 145. of the Revised Code, when a member makes a service purchase by partial payment or by payroll deduction, interest at a per cent equal to the assumed actuarial rate of interest compounded annually shall be applied to the unpaid balance. The minimum payment accepted by the system shall be the greater of one hundred dollars or

~~the dollar sixty-month amortization amount determined by the system to be necessary to purchase a fraction or some greater portion of the service credit. If interest has accrued since the member's last payment, the minimum payment shall be the sum of the amount described in this paragraph and the interest that accrued since the member's last payment. The system may recalculate the sixty-month amortization amount when the member's payment or payments cause a material increase or reduction in the sixty-month amortization amount, as determined by the system.~~ Service credit shall be granted by multiplying the service credit not yet purchased by a fraction having as the numerator the payment amount less current interest paid and as the denominator the unpaid balance on which the current interest was calculated.

(F)

In addition to the requirements specified in paragraph (B) of this rule, all service purchases shall be completed prior to issuance of the initial benefit payment. Subject to the requirements specified in paragraph (B) of this rule, a disability benefit recipient may purchase service credit after the issuance of the initial benefit payment while on a leave of absence described in section 145.362 of the Revised Code. Any service purchased by a disability benefit recipient during the leave of absence described in this paragraph shall take effect on the first day of the month following the date of purchase.

Effective: 01/01/2015

Five Year Review (FYR) Dates: 09/29/2015

CERTIFIED ELECTRONICALLY

Certification

10/27/2014

Date

Promulgated Under: 111.15
Statutory Authority: 145.09, 145.294, 145.80, 145.82
Rule Amplifies: 145.01, 145.20, 145.201, 145.28, 145.29, 145.291, 145.292, 145.293, 145.294, 145.299, 145.301, 145.302, 145.31, 145.47, 145.81
Prior Effective Dates: 8/20/76, 1/1/78, 12/14/89, 5/29/95, 11/2/96, 9/27/97, 9/27/98, 3/27/99, 2/3/00, 3/22/02, 1/1/03, 12/24/04, 1/1/06, 7/1/07 (Emer.), 8/9/07, 1/12/08, 4/1/08 (Emer.), 6/23/08, 1/1/12, 1/7/13 (Emer.), 3/24/13, 7/7/13 (Emer.), 9/16/13, 5/8/14