



# Teachers' Retirement System

of the State of Kentucky

479 Versailles Road

Frankfort, Kentucky 40601-3800

800-618-1687

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## Credit Purchases

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### General Information

Purchases are available for those who qualify. With proper documentation, purchase costs are prepared upon your request. Most service purchases are optional. Delaying a purchase may mean a loss in eligibility to make the purchase or increase the cost because of interest that accrues. No service credit shall be granted for service that has been or will be used in qualifying for annuity benefit payments from another retirement system financed in any part by public funds. The interest rate is 8% compounded annually. The ability to make purchases depends on a variety of factors, including employer type and entry date. The ability to use purchases made in the last five years before retirement for an annuity may be limited under state law depending on the account type. The final section about purchase payment details applies to everyone.

### Purchases with a Deadline

#### Fractional Service Credit

A fractional service credit purchase allows qualified individuals to buy an unworked portion of a year.

As a *full-time* non-university or university employee with unpaid days, the balance of the year may be purchased for a full year of service and salary credit if the following conditions are met: 70% or more of the regular contract year has been worked and no more than five years of non-worked time can be purchased throughout a career. The frequency of these purchases is not limited. In addition, the balance of the year may be purchased if the employment was full time and either the first full pay period or the first full half of the year was worked (subject to limits on the frequency of these purchases).

As a *part-time* non-university employee having worked less than the full year, the balance of the year may be purchased for a full year of service and salary credit if the following conditions are met: 70% or more of the regular contract year has been worked; employment started at the beginning of the contract year; and no more than five years of non-worked time can be purchased throughout a career. The frequency of this purchase is not limited.

For both *full-time and part-time* employment, unpaid days prior to the employment start date cannot be purchased.

No service credit purchase is necessary for five or fewer unpaid days in a fiscal year; one year of service credit will be awarded. However, a purchase would be required for any salary credit associated with those unpaid days.

Fractional service and salary credit purchases from a fiscal year must be paid by Dec. 31 following the end of that fiscal year. (A fiscal year ends June 30. For example, for service in the 2020-2021 school year, the deadline was Dec. 31, 2021.) Interest is applied monthly.

### **Current Leave of Absence**

A current leave of absence is a leave that has occurred either in the current fiscal year or year prior to the current fiscal year. As a *full-time* university or non-university member taking a certified leave of absence, leave time may be purchased (one year at a time) if contributions to TRS are paid by June 30 of the fiscal year following the year in which the leave was granted. (For example, for a leave in the 2019-2020 school year, the deadline was June 30, 2021.) Interest is applied monthly. Up to three years of current leave may be purchased in any 10-year period.

### **Military Service After Becoming a TRS Member**

Service credit for military service that occurs after becoming a TRS member may be purchased if the employer has been given written or verbal notice before performing military service and you are returning directly to covered employment following an honorable discharge. Military service purchased cannot be used to qualify for an annuity from another retirement system financed in any part by public funds. The cost is based upon the contributions that would have been paid to TRS during the absence for military service plus interest.

A DD214 is used to determine eligibility, so a copy must be provided to TRS. Up to six years may be purchased not to exceed the amount of TRS service credit earned prior to making the purchase. (For example, a veteran with five years of TRS service is limited to buying five years of military service.) In addition, certified staff in local school districts who are called into active military duty by the U.S. president and who on or after Jan. 1, 2003, have returned promptly to their local school district employer may be eligible for the state to pay their service purchase. Contact TRS for the deadline on these types of military purchases.

### **Purchases Made Prior to Retirement**

#### **Reinstatement of a Refunded Account**

An active contributing member with current service of at least one year, may reinstate previously withdrawn TRS service and salary credit. A statement of service credit and cost will be furnished upon request. The cost includes the amount withdrawn plus interest compounded annually from the withdrawal date to the redeposit date. Withdrawn service is credited once the full cost is paid. Once withdrawn service is reinstated, the membership start date is the same as if the account had not been withdrawn.

An active member of another Kentucky public employee retirement plan (KERS, CERS, SPRS, JRP or LRP) with at least one year of active service credit in that system, may reinstate the previously withdrawn TRS account under reciprocity guidelines.

#### **Non-Current Leave of Absence (if Hired Before July 1, 2008)**

For TRS 1 and TRS 2 members, a non-current leave of absence is a leave in any fiscal year except the current or immediately prior fiscal year. Also, the leave must have been for health reasons, child rearing or improvement of educational qualifications.

TRS must be provided a copy of the approved board minutes granting the leave and stating the reason or, if an employee's board does not approve leaves, official agency documentation of the approval that states the reason. The cost includes the amount of the contributions that would have been paid during the leave of absence plus interest. A maximum of two years can be purchased.

### **University Salary Credit**

Any member working full time for a TRS non-university employer and also working part time with a TRS university employer may purchase that salary credit earned at the university for each fiscal year of part-time employment. If the purchase is made for one year, all past and future years of part-time employment with a TRS university must be purchased.

## **Actuarial Purchases Made at Retirement**

The following sections cover the three most frequent actuarial purchases — non-qualified service credit purchases, non-current leave of absence purchases for TRS 3 and TRS 4 members (hired on or after July 1, 2008) and out-of-state service credit (which for TRS includes the University of Kentucky, the University of Louisville and Northern Kentucky University) — and other actuarial service credit.

The cost formula for all full-actuarial purchases is adjusted periodically based on recommendations by TRS's independent actuary to ensure actuarial soundness. Getting updated estimates is necessary because of these and other factors, including changes in the member's status. As such, estimates are not binding, and all full-actuarial-cost purchases are subject to audit and reconciliation. The true cost of a service purchase only can be determined at the time of retirement when TRS has all the information needed to know the actuarial impact of the purchase. The full actuarial cost must be paid. Also, the cost for health insurance is not included in the full actuarial purchase cost. Actuarial purchases do not count toward years of service used in determining health insurance premium contributions. Members who make a purchase to reach retirement eligibility will pay the full insurance premium starting at retirement for the length of the purchase period.

### **Non-Qualified Service Credit**

Any active contributing TRS 1 or TRS 2 member (hired before July 1, 2008), who has at least 20 years of service credit may purchase up to five years of service credit. Any active contributing TRS 3 and TRS 4 member (hired on or after July 1, 2008) may purchase up to 10 months of service credit if the member completed the prior school year with less than 27 years but at least 26 years, two months of service credit.

### **Non-Current Leave of Absence (if Hired on or After July 1, 2008)**

Any leave of absence not purchased as a current leave becomes purchasable for TRS 3 and TRS 4 members at the time of retirement. Also, the leave must have been for health reasons, child rearing or improvement of educational qualifications.

TRS must be provided a copy of the approved board minutes granting the leave and stating the reason or, if an employee's board does not approve leaves, official agency documentation of the approval that states the reason. A maximum of two years can be purchased.

### **Out-of-State Service Credit**

An active contributing TRS member with at least two years of Kentucky service, one of which must be after the latest out-of-state service, may be eligible to purchase credit for up to 10 years of certifiable, full-time out-of-state service performed in a public school or U.S. government dependency school. For every two years of service in Kentucky one year of out-of-state service may be purchased until 10 years of Kentucky service are completed, at which time up to 10 years of out-of-state service may be purchased. Part-time and substitute service cannot be purchased.

Out-of-state service credit also includes full-time teaching at the University of Kentucky, University of Louisville and Northern Kentucky University.

Out-of-state credit that is purchased counts the same as Kentucky service when calculating retirement benefits, except that it does not count toward the five years of creditable Kentucky service required to be eligible for an annuity.

Service credit that is being or will be used in qualifying for an annuity from another state cannot be purchased in TRS. To obtain credit for out-of-state service, a member must have the former, out-of-state employer and out-of-state retirement system certify that service on TRS forms. Upon receipt of the certification, TRS will provide the amount of out-of-state credit that is eligible for purchase and the cost.

Members who purchased out-of-state service prior to July 1, 2005, and who are under age 60 may use out-of-state service to reach 27 years by paying an additional charge. The additional charge is not required for members age 60 or older unless out-of-state service is used to qualify for the final average salary being determined by the high three years.

### **Other Actuarial Service Credit**

Active contributing members may purchase service credit at retirement for prior employment with:

- the U.S. military and Public Health Service
- Peace Corps
- federal Head Start
- the National Guard or military reserve duty
- regional community mental health or mental retardation program or
- federal elementary or secondary schools for teaching service.

### **University-Only Purchases Fractional Service Credit**

An active *part-time* university member who is paid for at least three tenths of full-time service can make contributions and receive a fractional year of service and salary credit.

Fractional service and salary credit purchases from a fiscal year must be paid by Dec. 31 following the end of that fiscal year. (For example, for service in the 2020-2021 school year, the deadline was Dec. 31, 2021.) Interest is applied monthly.

### **Optional Retirement Plan**

Any person eligible for membership in TRS and who is participating in an optional retirement plan (ORP) may elect irrevocably one time during their career to change from the ORP to a TRS annuity account. If this election is within the first 6.5 years of continuous TRS service, prior service for which contributions were made to the postsecondary institution's ORP, may be purchased as service and salary credit with TRS. Beginning with the most recent year(s), members may purchase up to 6.5 years of their prior service during which they contributed to the ORP. Purchased years do not count toward eligibility for an annuity, health insurance or survivor and disability benefits.

The purchase cost of ORP service includes contributions, with interest, that would have been paid to TRS had the individual been a participating member.

## **Purchase Payment Details**

### **Payment Options**

TRS will accept lump-sum payments made with personal checks or money orders. Certain types of TRS credit may be purchased, as permitted under tax law, by rolling over or transferring funds from another eligible plan. TRS forms for a rollover or transfer must be filled out by the member and the eligible plan holder. If interested, contact TRS for details.

### **Installment Payments**

Certain types of credit purchases are eligible to be paid in installments by bank draft. Installment payments may be spread over 12 to 60 months, with interest calculated at 8% compounded annually. Members must make a written request to TRS to receive an estimate for a credit purchase that is paid in installments.

*This is general information. The law prevails in the event of a conflict with this document. Contact TRS prior to making retirement decisions.*