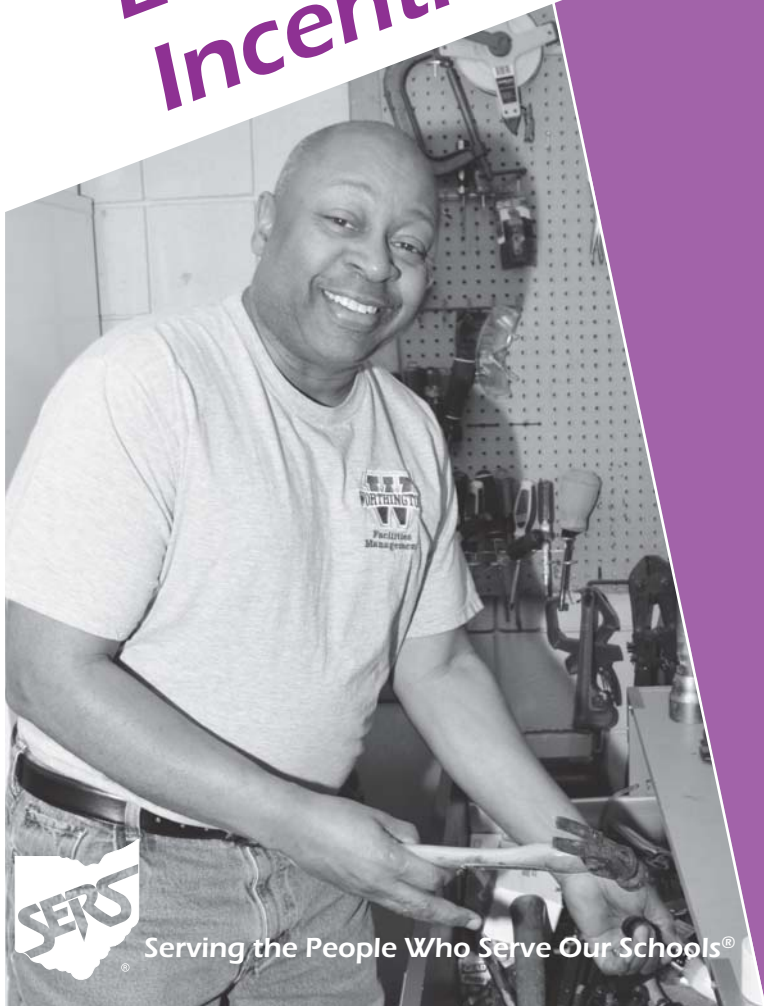


# Early Retirement Incentive Guide



Serving the People Who Serve Our Schools®

# Early Retirement Incentive Guide

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# Guidelines

In 1983, the Ohio legislature passed Sub H.B. 410 authorizing employers of the School Employees Retirement System of Ohio (SERS) to adopt an Early Retirement Incentive Plan (ERI).

An ERI allows employees eligible to retire to gain additional years of service credit. Also, if employees meet age requirements but lack sufficient years to retire, an ERI allows these employees to be able to retire early.

State law and procedures adopted by SERS set guidelines for adoption of an ERI plan. Strict adherence to these guidelines is essential:

- An ERI plan must be in effect at least one year.
- An employee must be at least age 57 to participate in the plan.
- All eligible employees must be given the opportunity to participate. The employer may limit the number of employees for whom credit is purchased within a calendar year, but the minimum is 5% of its SERS members on January 1. If participation is limited, employees with a greater length of service with the employer have the right to purchase credit before employees with less service time with the employer.
- The amount of service credit purchased must be uniformly determined, but it cannot be more than five years or one-fifth of the member's total service credit. Partial years of credit may not be purchased.
- Employees must already qualify to retire or qualify with purchase of the credit.
- The employee must retire within 90 days after notification from SERS that ERI credit has been purchased.
- Total cost for the service credit is borne by the employer.

There are a few other important items to note about an ERI:

- An employee's total service credit must be counted in determining the number of years which may be bought. This includes military and other service purchased by the employee, as well as other Ohio public service. Service credit with Ohio Public Employees Retirement System (OPERS) or State Teachers Retirement System (STRS) must be counted if the member is retiring on a combined basis.
- ERI years will not count toward the 10-year service requirement for health care or for health care premium subsidy purposes.
- As long as the school district accepts the liability to purchase the credit before the ERI plan expires, SERS allows employees to retire after the expiration date. Retirement within 90 days after notification of the employer's purchase of ERI service credit is still a necessity.

## **Forms and Procedures**

In order to offer an ERI program, the employer is required to initiate the process with SERS by completing the following steps:

1. Login to eSERS.
2. Go to the ERI Plan application.
3. Create a new ERI Plan.
4. Enter the necessary information.
5. Upload the Board Resolution that adopts this plan in a PDF format.
6. Complete the ERI – Intent to Participate form.
7. Fax the form to SERS.

The ERI – Intent to Participate form is found in the “Forms” application on eSERS.

## **Notice of Adoption of an Early Retirement Incentive Plan**

We suggest that you seek advice of counsel in drafting the board resolution which adopts the ERI plan. We do not recognize an ERI plan unless the employer has filed this form with our office.

The plan must be in effect for at least one year.

The form is available on our website at [www.ohsers.org/employer-forms-1](http://www.ohsers.org/employer-forms-1).

## **Employee's Intent to Participate and Employer's Acceptance of Liability**

One Employee's Intent to Participate and Employer's Acceptance of Liability form must be submitted for each employee participating in the ERI plan. The completed form should be sent no earlier than 90 days before the employee's retirement date, and must be sent no later than the retirement date. The form also must be submitted prior to expiration of the ERI plan.

The authorized officer's signature on this form indicates that the employer has accepted the liability for the cost of the service credit.

The form is available on our website at [ww.ohsers.org/employer-form-1](http://ww.ohsers.org/employer-form-1).

## **Letter to Notify Employee of Purchase of Credit by Employer**

Following receipt of the Employee's Intent to Participate and Employer's Acceptance of Liability form, SERS will mail a confirmation letter to the employee. Section 3309.33 of the Ohio Revised Code requires the employee to retire within 90 days of the date on this notice or lose the ERI credit. For this purpose, SERS requires that:

- The member has a valid retirement application on file with SERS within the required 90 days;
- and
- The member's actual retirement date, which is always the first of any month, falls within the required 90 days. For example, if the letter notifying the employee of the employer's purchase of credit is dated March 15, the 90th day falls on June 13, making June 1 the member's last possible retirement date and June 13 the latest date for receipt by SERS of the member's application for retirement. If the member is to be compensated for any days in June, the June 1 retirement date would be voided and the ERI credit cancelled.

## **Letter to Notify Employer of Purchase of Credit**

This letter is sent by SERS to notify the employer that the member has been informed of the purchase of ERI credit.

It also contains the last possible retirement date considering the 90-day requirement.

## **Cost Factors**

SERS' actuaries have determined the cost of purchasing service credit and health care. A one-time cost of health care must be added for those not previously eligible to retire.

Since age, service credit, and salary figures all enter in the cost of service purchase, employers should be careful to use accurate figures in estimating their liability and pay particular attention to:

- the employee's age on the retirement date
- the employee's years of service, including STRS and OPERS service if retiring combined, as well as military and other purchased service
- highest annual salary with any Ohio public employer

## **Tables 1-5, Percentage of Salary**

Employers can use the following tables to estimate the cost of purchase. These percentage cost factors have been calculated by the SERS actuaries, and are based on SERS' retirement patterns and probabilities. The salary figure used is the highest annual salary earned by the employee in any fiscal year with any Ohio public employer.

Please see next pages for Cost Tables.



# Cost Tables

ERI Tables

**TABLE 1**

Percentage of Salary to Purchase ONE Year of Additional Service

| Service Prior to Purchase | Age at Purchase |     |     |     |     |     |     |     |     |     |     |     |     |     |
|---------------------------|-----------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
|                           | 57              | 58  | 59  | 60  | 61  | 62  | 63  | 64  | 65  | 66  | 67  | 68  | 69  | 70  |
| 5-23                      |                 |     |     | 25% | 26% | 26% | 26% | 26% | 27% | 26% | 25% | 25% | 24% | 24% |
| 24                        | 72%             | 71% | 42% | 25% | 26% | 26% | 26% | 26% | 27% | 26% | 25% | 25% | 24% | 24% |
| 25                        | 64%             | 63% | 62% | 25% | 26% | 26% | 26% | 26% | 27% | 26% | 25% | 25% | 24% | 24% |
| 26                        | 67%             | 66% | 65% | 25% | 26% | 26% | 26% | 26% | 27% | 26% | 25% | 25% | 24% | 24% |
| 27                        | 70%             | 69% | 68% | 67% | 42% | 26% | 26% | 26% | 27% | 26% | 25% | 25% | 24% | 24% |
| 28                        | 73%             | 72% | 71% | 70% | 68% | 59% | 34% | 26% | 27% | 26% | 25% | 25% | 24% | 24% |
| 29                        | 76%             | 75% | 74% | 72% | 71% | 70% | 68% | 51% | 27% | 26% | 25% | 25% | 24% | 24% |
| 30                        | 35%             | 35% | 34% | 34% | 33% | 32% | 32% | 31% | 30% | 30% | 29% | 28% | 28% | 27% |

**TABLE 2**

Percentage of Salary to Purchase TWO Years of Additional Service

| Service Prior to Purchase | Age at Purchase |      |      |      |      |      |      |     |     |     |     |     |     |     |
|---------------------------|-----------------|------|------|------|------|------|------|-----|-----|-----|-----|-----|-----|-----|
|                           | 57              | 58   | 59   | 60   | 61   | 62   | 63   | 64  | 65  | 66  | 67  | 68  | 69  | 70  |
| 10-22                     |                 |      |      | 50%  | 51%  | 52%  | 52%  | 53% | 53% | 52% | 51% | 50% | 48% | 47% |
| 23                        | 136%            | 76%  | 66%  | 50%  | 51%  | 52%  | 52%  | 53% | 53% | 52% | 51% | 50% | 48% | 47% |
| 24                        | 136%            | 134% | 66%  | 50%  | 51%  | 52%  | 52%  | 53% | 53% | 52% | 51% | 50% | 48% | 47% |
| 25                        | 131%            | 129% | 126% | 50%  | 51%  | 52%  | 52%  | 53% | 53% | 52% | 51% | 50% | 48% | 47% |
| 26                        | 137%            | 135% | 133% | 92%  | 67%  | 52%  | 52%  | 53% | 53% | 52% | 51% | 50% | 48% | 47% |
| 27                        | 143%            | 141% | 139% | 136% | 110% | 85%  | 61%  | 53% | 53% | 52% | 51% | 50% | 48% | 47% |
| 28                        | 149%            | 147% | 145% | 142% | 139% | 129% | 103% | 78% | 53% | 52% | 51% | 50% | 48% | 47% |
| 29                        | 112%            | 110% | 108% | 106% | 104% | 102% | 100% | 82% | 57% | 56% | 54% | 53% | 52% | 50% |
| 30+                       | 71%             | 70%  | 68%  | 67%  | 66%  | 65%  | 63%  | 62% | 61% | 59% | 58% | 57% | 55% | 54% |

**TABLE 3**

Percentage of Salary to Purchase THREE Years of Additional Service

| Service Prior to Purchase | Age at Purchase |      |      |      |      |      |      |      |     |     |     |     |     |     |
|---------------------------|-----------------|------|------|------|------|------|------|------|-----|-----|-----|-----|-----|-----|
|                           | 57              | 58   | 59   | 60   | 61   | 62   | 63   | 64   | 65  | 66  | 67  | 68  | 69  | 70  |
| 15-21                     |                 |      |      | 75%  | 77%  | 78%  | 79%  | 79%  | 80% | 78% | 76% | 75% | 73% | 71% |
| 22                        | 142%            | 98%  | 89%  | 75%  | 77%  | 78%  | 79%  | 79%  | 80% | 78% | 76% | 75% | 73% | 71% |
| 23                        | 200%            | 139% | 90%  | 75%  | 77%  | 78%  | 79%  | 79%  | 80% | 78% | 76% | 75% | 73% | 71% |
| 24                        | 203%            | 200% | 131% | 75%  | 77%  | 78%  | 79%  | 79%  | 80% | 78% | 76% | 75% | 73% | 71% |
| 25                        | 201%            | 198% | 194% | 158% | 134% | 110% | 86%  | 79%  | 80% | 78% | 76% | 75% | 73% | 71% |
| 26                        | 210%            | 207% | 203% | 204% | 178% | 152% | 127% | 103% | 80% | 78% | 76% | 75% | 73% | 71% |
| 27                        | 219%            | 216% | 212% | 209% | 181% | 155% | 129% | 104% | 80% | 78% | 76% | 75% | 73% | 71% |
| 28                        | 185%            | 182% | 179% | 176% | 172% | 161% | 134% | 109% | 84% | 82% | 80% | 78% | 76% | 74% |
| 29                        | 147%            | 145% | 142% | 140% | 137% | 134% | 132% | 113% | 87% | 85% | 83% | 81% | 79% | 77% |
| 30+                       | 106%            | 104% | 103% | 101% | 99%  | 97%  | 95%  | 93%  | 91% | 89% | 87% | 85% | 83% | 80% |

**TABLE 4**  
Percentage of Salary to Purchase FOUR Years of Additional Service

| Service Prior to Purchase | Age at Purchase |      |      |      |      |      |      |      |      |      |      |      |      |      |
|---------------------------|-----------------|------|------|------|------|------|------|------|------|------|------|------|------|------|
|                           | 57              | 58   | 59   | 60   | 61   | 62   | 63   | 64   | 65   | 66   | 67   | 68   | 69   | 70   |
| 20                        |                 |      |      | 101% | 102% | 104% | 105% | 106% | 107% | 104% | 102% | 99%  | 97%  | 94%  |
| 21                        | 162%            | 120% | 112% | 101% | 102% | 104% | 105% | 106% | 107% | 104% | 102% | 99%  | 97%  | 94%  |
| 22                        | 205%            | 161% | 113% | 101% | 102% | 104% | 105% | 106% | 107% | 104% | 102% | 99%  | 97%  | 94%  |
| 23                        | 267%            | 205% | 154% | 101% | 102% | 104% | 105% | 106% | 107% | 104% | 102% | 99%  | 97%  | 94%  |
| 24                        | 273%            | 269% | 199% | 142% | 118% | 104% | 105% | 106% | 107% | 104% | 102% | 99%  | 97%  | 94%  |
| 25                        | 274%            | 270% | 265% | 186% | 161% | 137% | 113% | 106% | 107% | 104% | 102% | 99%  | 97%  | 94%  |
| 26                        | 286%            | 282% | 277% | 234% | 207% | 180% | 155% | 131% | 107% | 104% | 102% | 99%  | 97%  | 94%  |
| 27                        | 255%            | 251% | 247% | 242% | 214% | 187% | 161% | 135% | 110% | 108% | 105% | 103% | 100% | 98%  |
| 28                        | 220%            | 217% | 213% | 209% | 205% | 193% | 166% | 140% | 114% | 112% | 109% | 106% | 104% | 101% |
| 29                        | 182%            | 179% | 176% | 173% | 170% | 167% | 163% | 144% | 118% | 115% | 112% | 110% | 107% | 104% |
| 30+                       | 142%            | 139% | 137% | 134% | 132% | 129% | 127% | 124% | 121% | 119% | 116% | 113% | 110% | 107% |

**TABLE 5**  
Percentage of Salary to Purchase FIVE Years of Additional Service

| Service Prior to Purchase | Age at Purchase |      |      |      |      |      |      |      |      |      |      |      |      |      |
|---------------------------|-----------------|------|------|------|------|------|------|------|------|------|------|------|------|------|
|                           | 57              | 58   | 59   | 60   | 61   | 62   | 63   | 64   | 65   | 66   | 67   | 68   | 69   | 70   |
| 25                        | 350%            | 345% | 301% | 259% | 232% | 206% | 181% | 157% | 134% | 130% | 127% | 124% | 121% | 118% |
| 26                        | 322%            | 317% | 311% | 267% | 240% | 213% | 187% | 162% | 137% | 134% | 131% | 128% | 124% | 121% |
| 27                        | 290%            | 286% | 281% | 276% | 247% | 219% | 192% | 166% | 141% | 138% | 134% | 131% | 128% | 124% |
| 28                        | 256%            | 251% | 247% | 243% | 238% | 226% | 198% | 171% | 144% | 141% | 138% | 134% | 131% | 128% |
| 29                        | 218%            | 214% | 211% | 207% | 203% | 199% | 195% | 175% | 148% | 145% | 141% | 138% | 134% | 131% |
| 30+                       | 177%            | 174% | 171% | 168% | 165% | 162% | 158% | 155% | 152% | 148% | 145% | 141% | 138% | 134% |

**Note:** These tables apply to plans adopted on and after Jan. 1, 2012.

## Table 6 — Additional Health Care Liability

Employers can use the following table to estimate charges. A charge for the additional health care liability must be added for employees who would not have been able to retire but for purchase of the ERI credit. Do not use this table if the employee was already eligible to retire without the ERI credit.

| Years of Service prior to purchase | COST OF ADDITIONAL HEALTH CARE LIABILITY |           |           |
|------------------------------------|--|-----------|-----------|
|                                    | 57                                       | 58        | 59        |
| 21                                 | \$ 20,737                                | \$ 17,246 | \$ 13,676 |
| 22                                 | \$ 18,034                                | \$ 14,254 | \$ 11,547 |
| 23                                 | \$ 12,785                                | \$ 11,415 | \$ 8,386  |
| 24                                 | \$ 6,801                                 | \$ 5,922  | \$ 5,409  |

Note: Do not use this table if member is already eligible to retire.

## Payment

Employers may select one of three payment choices:

- Send payment with the return of the certification of final cost form.
- Pay by June 30 following the purchase date, with no interest charge.
- Extend payments over the number of years purchased, with interest charges of 7.50% on the balance that is unpaid as of June 30th following the purchase date.

SERS will bill the district if payment is not sent with the certification of final cost form.

School Employees Retirement System of Ohio  
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