



and you!

OKLAHOMA TEACHERS' RETIREMENT SYSTEM BUY BACK OF SERVICE PROCEDURES

Oklahoma Teachers' Retirement System (OTRS) allows members to purchase military service, service in Oklahoma public schools, and qualified educational service while working in another state. OTRS also allows members who did not participate in OTRS during years when they were eligible as OSU employees to buy back years of service and credit them for retirement purposes. You must be a member of OTRS for at least one year before requesting a buy-back. To qualify for OTRS credit, you must have worked one-half time or greater in a continuous regular position.

Cost To Purchase Service

The cost to purchase OTRS service is based on the actuarial value—you pay the actual cost for the amount that OTRS expects to pay in increased benefits during your life expectancy after you retire. It is advisable to speak with a financial planner before purchasing OTRS service credit. The cost for each situation is different depending upon age, earnings, life expectancy, years of OTRS service, etc. Below are examples of actual costs calculated in 1996, which may be useful to give you a general idea of the potential cost for a similar situation. (The cost would be greater if it were not purchased in the year quoted.)

Example I: Employee, age 53, with 15 years of service, purchasing 7 years prior service (1974-1981), OTRS calculated the following costs:
Low Base Total Cost of \$39,053
High Base Total Cost of \$62,500

Example II: Employee, age 30, with 7 years of service, purchasing 3 years prior service (1985-1988), OTRS calculated the following costs:
Low Base Total Cost of \$5,224
High Base Total Cost of \$8,550

Buy-Back Process

Contact OTRS, 2500 N. Lincoln Boulevard, Oklahoma City, OK 73105, toll free (877) 738-6365 to request buy-back information. They will provide you with a *Verification of Oklahoma Service* form. **You must indicate on the *Verification of Oklahoma Service* form the fiscal years you need documented.**

When researching for Oklahoma Teacher's Retirement buy backs, years before 1985 require salary documentation, and years after 1985 require gross salary plus fringe benefits. OSU has the ability to generate an OTR Compensation Report for years after 7-01-1989. For years prior to 7-01-1989, you will need to obtain your salary information from your personal records, the Social Security Administration or from the Oklahoma Tax Commission.

You may contact the following agencies for salary information prior to 7-01-1989:

A Social Security Detailed Earnings Statement, for a charge of approx. \$17.00 (Form DDS-7050-F3) from the Social Security Administration, 518 E. Lakeview, Stillwater, OK 74075, (405) 624-4301. Or call the national toll free number (800) 772-1213.

Tax Records- W-2's for each year or photocopies (charge for copying) of state income tax returns from the Oklahoma Tax Commission, 2501 N. Lincoln Blvd, Oklahoma City, OK 73194, (800) 522-8165 ext. 3160. Out-of-state income tax inquiries (405) 521-3125.

Alternate Documentation Procedures

If you are a current employee and want OSU to run an OTR Compensation Report for you, you will need to fill out a *Request for Research of OSU Personnel Records*. This sheet authorizes us to research the years you indicate on the form. We currently have the ability to research records from FY90 through current. Your research will be billed through the Bursar. If you are a former employee, you will need to indicate whether you wish to be billed through the Bursar, or pay Human Resources directly. Please provide Employee Services with the OTRS *Verification of Oklahoma Service* form, a *Request for Research of OSU Personnel Records*, and **specific instructions regarding the years that you need researched**. OSU staff will then complete the OTRS *Verification of Oklahoma Service* form, forward it with your OSU salary documentation to OTRS, and bill you for research as indicated above.

Payment Options

After-tax option: OTRS will send a statement to you itemizing the cost by year of service. Purchase arrangements should be made through OTRS prior to the due date on the billing statement. Otherwise, OTRS will have to recalculate and the cost may increase. You may purchase service with after-tax dollars by writing a check or money order payable to OTRS.

Pre-tax option: Effective May 1, 2002, current OSU employees may pay OTRS through payroll deductions on a pre-tax basis. This means your Federal and state tax will be deferred until retirement—social security tax is not affected. After OTRS calculates the cost for your buy-back option, OTRS will send an OTRS Buy-Back statement to you. The statement will list your total cost and monthly payment amount for a one to five year period. You will need to indicate the number of years you choose to complete the buy-back payments.

Bring the OTRS statement to Employee Services, 106 Whitehurst, and complete an *Irrevocable Payroll Reduction Authorization* form (OTRS Form 110.28). You will indicate the number of months and the dollar amount per month of the pre-tax deductions. Both you and an Employee Services staff member will sign the form. Your pre-tax deductions will begin the month following the execution of the authorization form. Employees paid biweekly will have the monthly payment split into two checks each month. If the monthly payment is reflected with an odd cent, \$120.01 for example, it will be rounded up one cent to \$120.02.

OSU is providing this option as a service for employees. While OSU will do everything possible to monitor appropriate contributions, it is ultimately your responsibility to ensure contributions are made. If a contribution is missed due to zero pay during a summer month or another leave-without-pay situation, the OSU system is designed to make up the missed contribution from your following month's pay. You will want to plan for this in your personal budgeting. If you anticipate missing two or more consecutive months of contributions from OSU pay, you should contact OTRS and OSU Employee Services to discuss options. OTRS will bill you if you become delinquent with your payments, but a contribution shortage could cancel your agreement with OTRS.

If you retire from OTRS and OSU, but still have a balance due, you will need to pay the balance at least a month prior to your OTRS retirement date to obtain credit for the years you are buying back. You should contact OTRS at least 90 days prior to your retirement date to discuss your options. If you separate from OSU prior to completing your payments to OTRS, you should contact OTRS regarding your options. **It is your responsibility to work out payment options with OTRS for any balance due.**

OSU Human Resources developed this information for the convenience of OSU employees. It is a brief interpretation of more detailed and complex materials. If further clarification is needed, the actual law, policy, and contract should be consulted as the authoritative source. OSU continually monitors benefits, policy, and procedures and reserves the right to change, modify, amend, or terminate benefit programs at any time.