

Note: The information in this document applies only to eligibility for retirement annuities for Groups 1, 2 and 3.

- It does not address eligibility for retiree health insurance.
- Except where noted, the information does not apply to Group 4. (Group 4 are members who start working at state agencies and begin contributing to ERS retirement on or after Sept. 1, 2022. This includes members who started working at state agencies before Sept. 1, 2022, left state employment, withdrew their ERS retirement accounts and return to state employment on or after Sept. 1, 2022.)

What is service credit?

Service credit is credit for time earned when you work for the State of Texas and contribute to a state retirement fund. It is one of the factors ERS uses to determine when Group 1, 2 and 3 members are eligible for retirement benefits and how much their annuity will be.

There are different types of service credit that are explained on the following pages. You may be eligible to purchase one or more type(s) of service credit to retire earlier and/or increase your monthly retirement payment.

You must purchase service credit before your retirement date. In most cases, the earlier you purchase, the less it will cost you.

Who is eligible to purchase service credit?

- Active and former state agency employees in retirement Groups 1, 2 and 3 can purchase service credit. To find out your retirement group, please view <https://www.ers.texas.gov/PDFs/Retirement-Insurance-State-overview.pdf>.
- Former members of any ERS retirement group (including Group 4) who worked for a state agency, left state employment, withdrew their ERS retirement accounts and participate in a Proportionate Retirement Program (PRP) system can purchase only withdrawn service credit. See the last page for a list of PRP systems.

Applying purchased service credit to your retirement

As a member of Group 1, 2 or 3, you can purchase service credit to meet retirement eligibility sooner and, in most cases, increase your retirement annuity. When applying purchased service credit, the service credit is added to your years of service, not your age.

Here is an example of applying purchased service credit to meet the Rule of 80 (when age plus service credit must equal 80):

Jim is 55 years old with 20 years of state service. He doesn't meet the Rule of 80 yet:

$$55 + 20 = 75$$

.....
If Jim doesn't purchase any service credit, he would need to work two years and six months before he meets the Rule of 80:

$$57 \text{ years } 6 \text{ months (Jim's age) } + 22 \text{ years } 6 \text{ months (his service credit) } = 80$$

.....
However, if Jim purchases three years of service credit he would have 23 years of service credit and would still be 55 years old:

$$23 \text{ years } + 55 = 78$$

.....
This means he would need to work just another year to meet the Rule of 80:

$$56 \text{ years (Jim's age) } + 24 \text{ years (his service credit: 21 years earned, 3 years purchased) } = 80$$

Note: Members of Group 2 who retire before age 60 and members of Group 3 who retire before age 62 are subject to annuity reductions. See the retirement overview for more information: <https://www.ers.texas.gov/PDFs/Retirement-Insurance-State-overview.pdf>.

Types of service credit to purchase

Withdrawn Service

If you leave state employment and withdraw your ERS retirement account, you no longer have that service credit. However, you may buy back the service you withdrew if you:

- return to state employment before Sept. 1, 2022
- or**
- participate in a PRP system. This applies to any former ERS members, including former Group 4 members. See the last page for a list of PRP systems.

If you leave state employment but do not withdraw your retirement account, your service credit remains on account with ERS and you are a non-contributing member. A non-contributing member in Group 1, 2 or 3 with an ERS account balance can buy back service credit.

You must wait at least six months from the date of your last withdrawal to buy back the service credit.

The cost of withdrawn service credit includes the original amount withdrawn plus 10% interest for each fiscal year from the date of the withdrawal, up to and including the fiscal year in which your purchase is complete.

Purchasing withdrawn service as a non-contributing member of Group 1, 2 or 3

Sally worked for a state agency from 1980 to 1985. She withdrew her retirement account when she left state employment. She went to work for another state agency in 1995. She left that job in 1997, but kept her contributions in her ERS retirement account (didn't withdraw them).

As a non-contributing member of Group 1, Sally can buy back the service credit she earned from 1980 to 1985 that she previously withdrew. She also has two years of service credit (from 1995 to 1997) on account with ERS.

Interest on service credit cost

The cost of withdrawn service and military service is subject to a 10% interest charge every fiscal year. Interest is added to the cost of the service on September 1.

Military Service Credit

If you served in the U.S. military and are not eligible for full military retirement, you may be able to purchase military service credit. You can purchase up to 60 months of eligible military service as soon as your first ERS retirement contribution is credited to your account, but you must have at least five years of ERS service credit before your purchased military service credit is applied toward your retirement.

ERS calculates the cost of your military service using the amount of your retirement contribution from your first full month's salary following your military service, plus 10% interest for every fiscal year after your first full year of state employment.

If you purchase the maximum 60 months of military service and are called to active duty again while you are a state employee, you may be able to purchase additional military service credit.

Commissioned peace officers and custodial officers: Your military service can be purchased and counted as CPO/CO service credit only if you entered the military within 90 days of leaving CPO/CO employment and returned within 90 days after completing active-duty military service. Otherwise, any eligible military service you purchase is counted as regular service credit.

Waiting Period Service Credit

Not all ERS members had a waiting period. Most state agency employees who started work between Sept. 1, 2003 and Aug. 31, 2015 had a 90-day waiting period before they began contributing to their retirement account. The exception is if you returned to state employment on or after Sept. 1, 2014 and hadn't previously had your retirement account refunded, you did not have a waiting period. (There was no waiting period for employees hired Sept. 1, 1973 - Aug. 31, 2003, or after Aug. 31, 2015.)

The cost of waiting period service credit is based on several factors, including your age, highest average salary and years of service. Waiting period service credit cannot be purchased in monthly increments—you must buy all 90 days of credit at once.

Additional Service Credit

You can buy up to three years of Additional Service Credit (ASC) if you:

- are a state agency employee currently contributing to your ERS retirement account
- and**
- have at least 10 years of service credit (not counting military credit or unused sick/annual leave)
- and**
- have purchased all other service credit available to you.

Be aware that ASC can be more expensive than other types of service credit. The cost varies for each person because it is based on their highest average salary, age, years of service and other factors. The cost of ASC will change every year on your birthday. ASC must be purchased in year increments unless you are purchasing a specific number of months to be eligible to apply for retirement. It usually is less expensive to purchase all three years at once instead of one year at a time.

Steps to buy service credit

1. Start early.

If you're thinking about buying service credit, especially to be eligible to apply for retirement, start the process at least a few months in advance. Keep in mind the cost of most service credit increases every year.

2. Find out the cost.

To get an estimate of how much it will cost to purchase service credit, call ERS or go online at <https://ers.texas.gov/Active-Employees/Retirement/Service-Credit-for-State-of-Texas-Retirement/Service-Purchase-Request>. ERS will email (or, if you prefer, mail) a coupon with the cost to purchase the service credit you request. Asking for an estimate does not obligate you to buy the service credit.

3. Decide how much you want to buy.

- If you are buying withdrawn or military service credit, you can buy individual months or the total amount for which you are eligible.
- If you are buying waiting period service credit, you must buy the entire amount.
- If you are buying ASC, you must buy in yearly increments of one to three years, unless you need a certain number of months to apply for retirement.

4. Decide how you want to pay. You may pay for your service credit purchase by:

- direct payment with a personal check, money order or cashier's check,
- rolling over funds from another qualified pre-tax retirement account, or
- a combination of direct payment and rollover.

Rollover from a qualified account: You can pay for all or part of your service credit purchase by rolling over funds from a qualified retirement account, such as a 401(k). Because this money is not paid directly to you, it is not taxed when you roll it over to purchase service. You can make a rollover from a variety of qualified plans, including (but not limited to) the following:

- Defined contribution retirement plans, including a Texa\$aver 401(k) or 457 account; or another 401(k), 457 or 403(b) plan
- Defined benefit retirement plans, such as a 401(a) plan, excluding your ERS retirement account
- Profit-sharing plans
- Money purchase plans
- Keogh plans
- Conduit individual retirement accounts (IRAs)

Be aware that rolling over funds from a qualified retirement account other than a Texa\$aver 401(k) or 457 can take three months or more.

If you roll over funds from a qualified retirement account to purchase service credit, there are no taxes withheld or penalties imposed. The transaction is not a loan, and you do not need to repay the funds you use to buy your service credit.

5. Make your payment.

- If you're making a direct payment, provide your check or money order to ERS, along with the coupon ERS sent you. Make sure the coupon is current and the amount of your payment is based on the current cost. See <https://ers.texas.gov/contact-ers> for information on where to mail or drop your payment.
- Contact ERS to start the process of rolling funds over from a retirement account.
- To purchase military service credit, provide a copy of your military service record (DD214 or NGB23). You can do this by faxing it to (512) 867-7438, emailing a scan to ERScustomer.service@ers.texas.gov or mailing a copy (not the original) to the address on the last page of this document.

Earned service credit

As a state agency employee, you earn service credit for every month a retirement contribution is deducted from your paycheck and deposited into your ERS retirement account. This is called monthly service credit. Monthly service credit counts toward retirement eligibility for all ERS members. Monthly service credit is used to calculate retirement annuities only for ERS members in Groups 1, 2 and 3.

Other types of earned service credit

- **Proportionate Retirement Program (PRP):** If you are a member of a retirement system that participates in the PRP, you can contact ERS to confirm if the service credit can be certified and applied toward your retirement eligibility. PRP service credit is not used to calculate annuity payments, only retirement eligibility. Therefore, members of any ERS retirement group can use PRP service credit toward retirement eligibility.

A non-contributing ERS member in Group 1, 2 or 3 who is also a member of any PRP system may buy each eligible type of ERS service credit, except ASC, without being re-employed by the state.

A former member of any ERS group who withdrew their ERS retirement account and participates or participated in a PRP system may purchase withdrawn ERS service to apply toward retirement eligibility without being re-employed by the state.

- **Teacher Retirement System of Texas (TRS):** If you are a Texas public education employee (for example, you work for a school district or higher education institution) and contribute to the TRS retirement fund, you may transfer your TRS service to ERS to be used toward ERS retirement eligibility and annuity calculation, if you have at least three years of service credit with either system. You'll receive one retirement check from ERS that includes your ERS and transferred TRS service. Likewise, TRS members with at least three years of TRS service may be eligible to buy withdrawn ERS service to transfer to TRS. Transferred service is subject to TRS rules for determining how much service can be credited. For information about withdrawn TRS service, call TRS at (800) 223-8778 or visit [trs.texas.gov](https://www.trs.texas.gov).
- **Optional Retirement Program (ORP):** Employees of higher education institutions who contribute to the ORP may use ORP service credit to meet retirement eligibility. Because ORP service is not used to calculate annuity payments, any ERS members can use ORP service credit toward retirement eligibility. Employees of higher education institutions who participate in the ORP cannot buy back withdrawn ERS service without being re-employed by a state agency that participates in ERS, and they must be in Group 1, 2 or 3 to buy back withdrawn ERS service.
- **Sick and annual leave:** Depending on which retirement group you are in, you may be able to apply unused sick and/or annual leave balances toward retirement eligibility and/or your annuity calculation. Visit <https://www.ers.texas.gov/PDFs/Retirement-Insurance-State-overview.pdf> for an overview of the State of Texas Retirement groups and how each can use leave balances. (Please note that ERS doesn't keep track of your sick and annual leave. The information we have is based on the information your employer gives us. If you have questions about your sick or annual leave, contact your agency's human resources department.)

Remember, you must complete all service credit purchases, including those from other retirement systems, before you apply for retirement with ERS.



Learn more

Visit <https://www.ers.texas.gov/Active-Employees/Retirement/Service-Credit-for-State-of-Texas-Retirement> for more information about using service credit for State of Texas Retirement.

PRP participating retirement systems

- City of Austin Police Retirement System
- City of Austin Employees' Retirement System
- El Paso City Employees' Pension Fund
- El Paso Firemen & Policemen's Pension Fund
- ERS
- Judicial Retirement System of Texas Plan I
- Judicial Retirement System of Texas Plan II
- Teacher Retirement System of Texas (TRS)
- Texas County and District Retirement System (TCDRS)
- Texas Municipal Retirement System (TMRS)