Regular State Employees, Commissioned Peace Officers and Custodial Officers

You may be able to buy service credit to help you retire earlier; it may also increase the amount of your annuity. You can buy certain types of credit anytime before you apply for retirement.

The cost of withdrawn service credit includes the original withdrawn amount plus 10% interest for each fiscal year from the date of your withdrawal up to and including the fiscal year in which your purchase is completed.

For most types of service credit, the earlier you begin your purchase, the less it will cost you. At the beginning of each fiscal year (September 1), interest is added to your unpaid balance.* To be eligible to retire, your service credit must be on account with ERS at retirement.

Waiting period service

If you were hired on or before August 31, 1973, you had a waiting period, and its length depended on when you were hired. If you were hired between September 1, 1973 and August 31, 2003, you did not have a waiting period. If you were hired between September 1, 2003 and August 31, 2015, you had a 90-day waiting period. If you returned to state employment on or after September 1, 2014 and hadn’t previously withdrawn your retirement account, there was no waiting period. Anyone hired on or after September 1, 2015 has no retirement contribution waiting period so there would be no service to purchase.

The cost of waiting period service that was completed before August 31, 1973, includes the contributions you would have made plus 10% interest for each fiscal year from the date the service was performed. The cost of waiting period service from between September 1, 2003 through August 31, 2015, is based on actuarial cost factors such as your age and first retirement date. For more information, contact ERS.

Military service

If you served in the United States military, you may be able to buy up to 60 months of your active duty U.S. military service. Military service credit cannot be used for retirement until you have accrued five years of ERS service credit. You can buy the service the month after your first retirement contribution.

You do not pay interest on your military service purchase during your first year of employment with the state. After your first year of employment, 10% interest will be added. You will pay 10% interest for each fiscal year from the date you are first eligible to buy the service up to and including the fiscal year in which your purchase is completed.

To purchase your military service, you must provide a copy of your military service record (a DD214 or NGB23). You may not purchase active duty military service if you are eligible for military retirement based on 20 or more years of active duty military, or if your military discharge was dishonorable.

Military Service cannot be used toward CPO/CO retirement if you were not previously in CPO/CO employment prior to entering the U.S. military. Your military service can be purchased and counted as CPO/CO service credit ONLY if you entered the U.S. military after leaving CPO/CO employment and returned to CPO/CO employment within 90 days after completing active duty military service.

If you have already purchased 60 months of military service but have been called to active duty again while working as a state employee, you may be eligible to purchase additional military service credit for your military duty. If your agency does not keep you on “extended leave” where you still receive a payment—no matter how small—you will not be able to purchase the extra military service because you are already receiving service credit.

The cost of this service is based on the retirement contributions due for the amount of military service you are purchasing. The contribution amount is based on the salary of your first full month of state service following your military service.
Additional Service Credit (ASC)
If you are an active employee with at least 10 years of service credit, you can buy up to three years of Additional Service Credit (ASC) to retire earlier than the date you are first eligible. It can also increase the amount of your monthly annuity. This is done by adding credit to your service, not to your age. For example, you are 50 years old with 25 years of state service. You have options for retiring under the Rule of 80, a few of which follow:

You may work 2½ more years until your age is 52½ and your service 27½. 52½ + 27½ = 80.

You may buy 2 years of ASC, which would allow you to retire in 1½ years. Buying 2 years of ASC increases your service to 27 years, while your age remains at 50. Therefore, you would work 1½ more years because your age would be 51½ and your service (with the 2 years of ASC) would be 28½ years. 51½ + 28½ = 80.

You must have at least 10 years of actual ERS service credit (not counting military service) and must purchase all other credit available to you—withdrawn, waiting period, and military—before you can buy ASC.

ASC is cost neutral to the retirement system, so it is more expensive than other types of service credit. The cost is different for everyone because it is based on your average or current salary, earliest retirement date, age, and other factors. The ASC estimator on the ERS website helps you estimate the cost to purchase ASC.

Proportionate Retirement Program (PRP)
A member of any of the retirement systems participating in the Proportionate Retirement Program (PRP) may buy withdrawn ERS service without being re-employed by the state. If you are an ERS member, you may also buy canceled service from any of the retirement systems participating in the program. Remember, all service purchases, including those from other institutions, must be completed before you apply for retirement.

The PRP applies to the following 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), and
- Texas Municipal Retirement System (TMRS).

You may belong to two or more of these systems to have proportionate retirement. You will receive an annuity from each system.

Teacher Retirement System of Texas (TRS)
ERS members with at least three years of ERS service may buy back previously withdrawn TRS service for the purpose of transfer to ERS without becoming TRS members. Likewise, TRS members with at least three years of TRS service may buy back previously withdrawn ERS service for transfer to TRS without becoming ERS members. Service from either system that is transferred is subject to the TRS rules for determining how much service is actually creditable.

To inquire about your withdrawn TRS service, call TRS toll-free at (800) 223-8778 or visit www.trs.state.tx.us.

Optional Retirement Program (ORP)
Higher education participants in the ORP cannot buy back withdrawn ERS service without being re-employed by a state agency under ERS.

Withdrawn (refunded) ERS service credit
When you leave state employment and withdraw your ERS retirement account, you no longer have the time you worked as service credit. If you return to state employment, you may buy back withdrawn ERS service when at least six months have passed since the date of your withdrawal.

If you are a non-contributing member of ERS, meaning you have a retirement account balance with ERS, you may also buy back withdrawn ERS service.
Example: Sally worked at a state agency under ERS from 1980-85, then left state employment and withdrew her retirement account. In 1995, she went to work for another state agency, but left in 1997; however, she didn't withdraw her retirement account. Since Sally has two years of service credit on account at ERS, she is a noncontributing member, eligible to buy her withdrawn service credit for employment from 1980-85.

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

**How buying service credit helps you**

Purchasing service credit may help you in two ways:

1. Increasing your monthly retirement payment, and
2. Allowing you to retire earlier.

*The cost of Additional Service Credit (ASC) and waiting periods from between September 1, 2003 through August 31, 2015, does not necessarily change with the start of a new fiscal year and can increase or decrease, depending on a number of actuarial factors, such as your birthday.*

**Things you need to know**

- If you want to purchase service credit, you must do so before you apply for retirement.
- In most cases, the earlier you begin your purchase, the less it will cost you.
- The interest for withdrawn (refunded) ERS service credit is 10% per year since the date of your withdrawal.
- You can buy up to five years of active duty military service.

**How to buy service credit**

If you want to purchase service credit, you can request an estimate online. Go to [www.ers.state.tx.us/Employees/Retirement/Service_Purchase_Request](http://www.ers.state.tx.us/Employees/Retirement/Service_Purchase_Request).

The page asks you questions and guides you through the purchasing process. You can get an estimate of the cost of:

- Waiting period service;
- Withdrawn/refunded service;
- ASC; or
- Military Service Credit.

You can also call ERS and we will tell you how much the service credit will cost and send you a service purchase cost coupon.

You can purchase service credit in two ways:

- a lump sum payment (such as a personal check) for individual months of credit or for the total period purchased; or
- a rollover of funds from a qualified account (see “Purchasing service with a rollover”) for all or part of the service credit purchase.

**Purchasing service with a rollover**

A “rollover” is the transfer of money from one retirement account to another, e.g., using money from your 401(k) to pay for service credit. Because this money is not paid directly to you, it is not taxed at the time of the rollover.

Certain conditions apply to your eligibility to roll over money to purchase service, and ERS must approve the rollover. However, rollovers can be made from a variety of plans, including (but not limited to):

- Texa$aver 401(k) or 457,
- defined benefit retirement plans, such as 401(a), excluding your ERS retirement account,
- defined contribution retirement plans, such as 401(k), 403(b), and 457,
- profit-sharing plans,
- money purchase plans,
- Keogh plans, and
- conduit individual retirement accounts (IRAs).

**When paying for service credit, it’s better financially for you to use funds from a qualified account such as your Texa$aver 401(k) or 457, or an IRA, because you’re paying with pre-tax dollars.**

You may wish to ask a financial advisor about the best time to purchase service with a rollover, because the money in your qualified plan may grow at a faster rate than the cost of your service credit. Also, you should consult a tax advisor or the Internal Revenue Service (IRS) about the taxes associated with this purchase. To purchase your service credit with a rollover, call ERS.
Using your Texa$aver funds to pay for service

When paying for service credit, it’s better financially for you to use funds from a qualified account such as your Texa$aver 401(k) or 457, or an IRA, because you’re paying with pre-tax dollars.

If you wish to purchase service using your Texa$aver 401(k) or 457 funds, call ERS. This transaction is not a loan. You do not need to repay the funds you have used to purchase your service credit. There are no taxes withheld or penalties imposed on these transactions.

Purchases after your death

In some cases, your beneficiary may buy service that was available to you if the purchase will result in a death benefit annuity or will increase the amount of an annuity benefit. If your beneficiary is eligible, ERS will provide him or her with the cost to purchase any service credit that you may have available. Payment must be in a lump sum and made within 60 days from the date ERS receives notice of your death. Your beneficiary cannot use money from your Texa$aver 401(k) or 457 accounts to purchase service.