

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 used to determine when you are eligible for retirement benefits and how much your annuity will be.

You may be eligible to purchase 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.

Types of service credit you can purchase

The following are types of service credit you may be eligible to purchase. See the next page for more details about each type.



Withdrawn/Refunded Service Credit: If you left state employment and withdrew your retirement account, you may be eligible to buy back the service credit that was refunded to you.



Military Service Credit: If you served in the U.S. military, you may be able to buy up to 60 months of your active-duty service.



Waiting Period Service Credit: This is credit for time early in your state employment before you contributed to the ERS Retirement Fund. The length of your waiting period and your eligibility to purchase depends on your hire date.



Additional Service Credit (ASC): If you have at least 10 years of earned ERS service credit on account with ERS, not including military and unused sick/annual leave, and you have purchased all other service credit available, you can buy up to three years of ASC.

Applying purchased service credit to your retirement

Purchasing service credit can help you meet the Rule of 80 sooner. To meet retirement eligibility under the Rule of 80, your age and service credit added together must equal 80. When applying purchased service credit to the Rule of 80 calculation, the service credit is added to your years of service, not your age. Here is an example:

Jim is 50 years old with 25 years of state service. He doesn't meet the Rule of 80 yet: $50 + 25 = 75$. 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: 52 years 6 months (Jim's age) + 27 years 6 months (his service credit) = 80.

52 years 6 months (age) + 27 years 6 months state service = 80

However, if Jim purchases two years of service credit he would have 27 years of service credit. He would still be 50 years old: $27 + 50 = 77$. This means he would need to work another year and a half to meet the Rule of 80: 51 years 6 months (Jim's age) + 28 years 6 months (his service credit) = 80.

51 years 6 months (age) + 28 years 6 months state service = 80

Understanding types of service credit

Learn about the different types of service credit and what you need to know to purchase.



Withdrawn/Refunded Service

If you leave state employment and withdraw your ERS retirement account, you no longer have that service credit. If you return to state employment or are a member of any retirement system participating in the Proportionate Retirement Program (PRP), you may buy back the service you withdrew. You must wait at least six months from the date of your last withdrawal to buy back the service credit.

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. Non-contributing members also can buy back service credit.

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.

Purchasing withdrawn service as a non-contributing member

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 in 1997 but didn't withdraw her retirement account.

Sally can buy back the service credit she earned from 1980 to 1985 that was previously refunded to her. She also has two years of service credit on account with ERS from 1995 - 1997.



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 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. To purchase this type of service credit, fax a copy of your military service record (DD214 or NGB23) to (512) 867-7438 or scan and email a copy to ERScustomer.service@ers.texas.gov.

The cost of your military service is calculated 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. Contact ERS for more information.

Commissioned Peace Officers/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.

Service credit cost: Calculating interest

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.



Waiting Period Service Credit

State employees hired before September 1, 2015, had a waiting period before they began contributing to their retirement account.

- 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.

The cost of waiting period service from September 1, 2003 through August 31, 2015, is based on several factors, including your age, average or current salary and years of service. Contact ERS for more information.



Additional Service Credit

If you are an active employee with 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, you can buy up to three years of Additional Service Credit (ASC).

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 average or current salary, age, years of service and other factors. The cost of ASC will change every year on your birthday. It usually is less expensive to purchase all three years at once instead of one year at a time. Contact ERS for more information.

Buying service credit: Payment options

You may pay for your service credit purchase with a check or money order or by rolling over funds from another qualified pre-tax retirement account.

Lump sum payment

You may make a lump-sum payment (such as a personal check) for individual months of service credit or for the total amount for which you are eligible. Waiting period service credit cannot be purchased in monthly increments. ASC must be purchased in year increments unless you are purchasing a specific number of months to be eligible to apply for retirement.

Purchasing service credit: Find out your 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>.

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. Rollovers can be made from a variety of plans, including (but not limited to):

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

Rolling over funds from a qualified retirement account other than a Texa\$aver 401(k) or 457 can take up to three months. Contact ERS to start the rollover process.

TEXA\$AVER
401(k) / 457 Program

Purchasing with Texa\$aver funds

If you use funds from your Texa\$aver 401(k) or 457 account to purchase service credit, there are no taxes withheld or penalties imposed. Contact ERS to use Texa\$aver funds for a service credit purchase. This transaction is not a loan and you do not need to repay the funds you use to buy your service credit.

Earned service credit

As a state 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.

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 the service credit is eligible to be certified and applied toward your retirement eligibility. PRP service credit is not used to calculate your annuity payment.
- **Teacher Retirement System of Texas (TRS):** Texas public education employees, such as those who work for a school district or higher education institution and contribute to the TRS retirement fund, may use TRS service toward ERS retirement eligibility and annuity calculation. Upon retirement, TRS service may be transferred between ERS and TRS—you receive one retirement check from the system from which you choose to retire.
- **Optional Retirement Program (ORP):** Employees of higher education institutions may contribute to the ORP and may use ORP service credit to meet retirement eligibility. ORP service is not used to calculate your annuity payment.
- **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/Active-Employees/Retirement/State-of-Texas-Retirement> for an overview of the State of Texas Employee Retirement program.

A member of any retirement system participating in the PRP may buy each eligible type of ERS service credit except ASC without being re-employed by the state. Remember, you must complete all service credit purchases, including those from other retirement systems, before you apply for retirement with ERS. Employees of higher education institutions who participate in the ORP cannot buy back withdrawn ERS service without being re-employed by a state agency under ERS.

ERS members with at least three years of ERS service may be eligible to buy withdrawn TRS service to transfer to ERS. 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 toll-free at (800) 223-8778 or visit www.trs.state.tx.us.

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)



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.



ERS Customer Service representatives are available
7:30 a.m. – 5:30 p.m. CT, Monday - Friday, toll-free at (877) 275-4377.
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Visit the ERS website at www.ers.texas.gov