

# Preparing for Midyear Retirements



EMPLOYER  
EDUCATION



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Hello and welcome to STRS Ohio's webinar on *Preparing for Midyear Retirements*.



## Preparing for Midyear Retirements



### Agenda

- **The importance of service credit calculation.**
- **Contract implications that can affect members retiring midyear.**
- **Proper completion of key portions of the deposit and service report.**

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During today's webinar I will:

- Talk about the importance of service credit to midyear retirees, as well as look at a timeline for when a full year of service credit is earned.
- Provide some do's and don'ts when offering options to complete work days to those retiring midyear.
- Discuss how changing a midyear retiree's contract can affect final average salary.
- Review proper completion of key portions of deposit and service reports and look at some common mistakes made on midyear retirement reporting.

Please remember that any member considering midyear retirement should consult an STRS Ohio benefits counselor. A benefits counselor can answer the member's specific questions and provide benefit estimates based on different retirement scenarios. Please **do not** attempt to counsel members, but instead, direct them to contact our Member Services Center toll-free at 888-227-7877 to schedule an appointment.



## Service Credit — Full-time Contract



### When is a full-time member eligible for a year of service credit?

- **Must work 120 days in the fiscal year for same employer (days method).**
- **Must earn at least 0.66 service credit (college or university employers using FTE method).**
- **Member is considered full time when contract:**
  - Begins and ends on first and last day of a 365-day year or is based on a school year of at least the minimum hours required by law or two semester academic year; **and**
  - Provides compensation equal to 100% of the full-time salary as defined by the employer's salary schedule for individual teaching all day, every day, or college or university compensation for full-time workload.

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A common concern of midyear retirees is whether or not they will receive a full year of service credit.

Members are not eligible to retire until they reach the required age and service requirements. A member wishing to retire midyear may need a full year of credit to reach the service requirement. For a full-time contracted individual to receive a year of credit, he or she must work 120 days during the fiscal year for the same employer when calculating service credit using days. If the individual is employed full-time by a college or university employer calculating credit using the full-time equivalent, or FTE, method, then service credit must be at least 0.66 or greater to earn a full year.

For a member to be considered full time for service credit calculation purposes, the following criteria must be met. The member's contract must:

- Begin and end on the first and last day of a 365-day calendar year or be based on a school year of at least the minimum hours required by law or two semester academic year; **and**
- Provide compensation equal to 100% of the full-time salary as defined by the employer's salary schedule for an individual teaching all day, every day or college or university compensation for full-time workload.

An employer's definition of "full-time service" may differ from the State Teachers Retirement Board's definition for purposes of salary schedule placement, granting fringe benefits or other policies and procedures. However, for purposes of calculating STRS Ohio service credit, employers **must** use the Retirement Board's definition of "full-time service."



## Service Credit Myth



### Myth

**“If I work through the end of December, I will receive a full year of service credit.”**

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One of the biggest myths that members believe is that they will receive a full year of service credit by working through the end of December. While this is possible, it is **not** the general rule.



## Service Credit – Colleges and Universities



### FTE Method

- **Maximum credit per semester = 0.50**
  - Fall semester only does not equal 1.00.
- **Summer session in July and/or August + fall semester**
  - Could mean year of service credit by the end of fall semester.
  - Depends on FTE percentage.

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For colleges and universities using the FTE method to calculate service credit, the maximum amount of service credit that can be earned in a single semester is 0.50, or half a year. This means if an individual with a full-time workload ONLY teaches fall semester during the fiscal year, then he or she will not earn a full year of credit by the end of fall semester.

However, if that same individual also teaches summer session in July and/or August of the same fiscal year, it is possible to earn a full year of credit after the end of fall semester. It depends on the FTE workload taught in the July/August summer session, since full-time faculty whose FTE calculation is equal to 0.66 or greater will receive a year of service credit.

Let's move on to the general timetable for when it is possible to reach 120 days worked for individuals employed by K-12 employers and college and university employers who calculate service credit using days. A quick side note to our college and university employers: the next few slides mention days in contract as part of the guideline. While that piece of information may not apply to you, the rest of the overall timeline will still apply as you count the number of days worked.



## Service Credit – 180-Day Contracts



### General timetable for 180-day contracted teachers

- **Generally, 180-day contract teachers reach 120 days by:**
  - End of January = Feb. 1 retirement if school year begins mid-August.
  - End of February = March 1 retirement if school year begins late August or early September.
- **Jan. 1 retirement does not equal a year of credit.**
  - Mid-August to end of December estimated at 100 days.

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Generally, a full-time 180-day contract teacher reaches 120 days worked by the end of January if the school year begins in mid-August. The earliest the teacher could retire with a full year of service credit would be February 1. If the school year doesn't begin until late August or early September, a full-time 180-day contract teacher would reach 120 days worked by the end of February and be eligible to retire March 1.

A full-time 180-day contract individual who chooses to stop working in December and retires January 1 would **not** receive a full year of credit. Work beginning in mid-August through the end of December is usually estimated to be around 100 days of work.



## Service Credit – Administrators



### General timetable for administrators

- **220- or 240-day contract, not working in July = Feb. 1 retirement.**
- **240-day contract, working in July or 260-day contract administrators may reach 120 workdays by end of December = Jan. 1 retirement.**

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For administrators, consider how many days were worked since July 1 when calculating service credit. Generally, administrators on 220- or 240-day contracts who **do not** work in July will not reach 120 workdays until the end of January. To receive a full year of service credit, the administrator needs to work through the end of January and retire February 1.

For administrators with a 240-day contract who are required to work in July, it is possible to work 120 days by the end of December. This means the administrator would earn a full year of service credit and be eligible to retire January 1. It depends on how many days the administrator works in July as to whether the 120 days is reached by the end of December.

For administrators with a 260-day contract who are required to work the entire month of July, a full year of service credit is normally earned by the end of December.

Keep in mind, members can retire anytime as long as they meet the age and service credit requirements. **Most** members need the full year of service credit **in order** to meet the service requirements to retire. These timetables are general guidelines. Please ensure 120 days of a fiscal year have been worked by any full-time contracted individual prior to granting a full year of service credit.

Let's look at some specific "don'ts" when calculating service credit for a midyear retiree or helping them reach the 120 workdays earlier by providing special circumstances.



## Service Credit



### Don't!

- **Allow a member to work on weekends or holidays to reach 120 workdays (unless others in the same position normally do).**

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First, **do not** tell a member who wants to retire midyear that it is okay to work weekends or holidays to reach the 120 workdays sooner. The days and contributions may be disallowed by STRS Ohio unless the contract normally requires weekend work and the member has consistently worked weekends in the past. In addition, for STRS Ohio to consider these circumstances as allowable days worked, others not retiring who hold the same or similar positions must also work weekends.





## Service Credit



### Don't!

- **Calculate service credit by dividing days worked by the number of contract days.**

### Do!

- **Follow the decision tree FULLY; or**
- **Use the online service credit calculator.**

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Second, it is important to calculate service credit correctly.

**Do not** divide the number of days worked by the number of days in the individual's contract. STRS Ohio recommends following the *Service Credit Decision Tree* **or** using the service credit calculator to ensure you are correctly determining service. For your reference, the *Service Credit Decision Tree* is one of the handouts for this webinar.

The online service credit calculator can be found in the bottom left corner of the employer website home page, under the Calculators section.



## Contract Myth



### Myth

**“It won’t hurt anything if we shorten his contract term to six months since we know he wants to retire at the end of January.”**

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A myth that employers believe is that it is a good idea to change the length of a member’s contract because they know before the school year starts that the member is planning to retire midyear.

This is incorrect.



## Contract Implications



### Don't!

- **Alter a full-time contract so that it ends midyear.**

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Altering the member's normal full-time contract to end midyear could greatly affect the member's final average salary. If the contract is altered to a six-month contract, even if that full year would have normally been one of the member's highest years, it will not be included in his or her FAS calculation. In this situation, the member's contract would have been completed as designed and six months of salary on a completed contract would likely not qualify as one of the member's highest paid years. For example, if a member's normal \$100,000 contract is changed to a \$50,000, six-month contract, it is highly unlikely that \$50,000 would qualify as one of the five highest paid years since this individual is normally paid in the \$100,000 range.

**However**, if the full-time contract is issued normally for the term of the entire year and the member doesn't complete the contract since he or she is retiring midyear, STRS Ohio can still include this partial year as part of the FAS calculation if it would have been one of the five highest years of earnings. The law allows STRS Ohio to use a special calculation of FAS wherein we can "borrow" the remaining percentage of the contract from the sixth highest year.

Let's take a look at a few other issues that can arise for a midyear retiree related to the contract.



## Contract Implications



- **If work begins before the start of the school year, there must be pay associated with that time worked.**
  - Example: Supplemental contract or extended days.
  - Regular teacher contract dates generally from first to last teacher workday.
- **Extended days — can be worked at beginning or end of school year, regardless of how they have been worked in the past.**

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If your district or institution offers an individual the opportunity to complete extra work and begin the work year earlier, **there must be additional compensation associated with those days to be included as part of the service credit calculation.** For example, a regular classroom teacher normally works from the first teacher workday to the last teacher workday. This school year, the teacher does additional curriculum work prior to the start of school for 10 days. You must pay the teacher additional compensation outside of the base contract for those 10 days in order for those days to count toward service credit.

If an individual is required to work extended days as part of his or her contract, STRS Ohio does not require those days be worked in the same manner each year. For example, let's assume a teacher is required to work 10 extended days and in the past has worked five days prior to the start of the school year and five days after the school year ends. If the employer approves, it will not affect the teacher's midyear retirement to work all 10 extended days prior to the start of the school year. Remember, individuals with extended days earn extra pay for those days.

Now let's look at some do's and don'ts when completing the deposit and service reports for a midyear retiree. You may want to have a copy of the deposit and service report in front of you as we go through the remaining information.



## Deposit and Service Report



### Don't!

- Enter the same amount on Line 1 and Line 14.

### Line 1 should not equal Line 14

- List earnings for the fiscal year on Line 1.
- Line 14 should list FULL contract amount even though it wasn't earned.

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When a member is retiring midyear, Line 1 of the deposit and service report should generally **not** equal Line 14.

Line 1 is asking for the member's actual earnings for the year, while Line 14 wants to know the full contract amount **even** though it wasn't earned.

For example, a member may have a full year contract for \$50,000, but only earned half of it by the time of retirement. In this example, \$25,000 would be listed on Line 1, and \$50,000 would be listed on Line 14.



## Deposit and Service Report



### Extended Days

- **Should be listed as supplemental on Line 4.**
- **For a midyear retirement (only), list total number of extended days in comment section.**

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If an individual is required to work extended days, be sure to list those additional earnings on Line 4 of the deposit and service report. **Do not** include extended day earnings on Line 1. Since the individual is retiring midyear, it may be helpful to list the number of extended days worked and the total number of extended days required in the comment section if this differs from years past. For example, if the individual only worked five of the required 10 extended days, you may want to make a note in the comment section.



## Resources Available



### We're here to assist you!

- **Call toll-free: 888-535-4050.**
- **Send an email: [report@strsoh.org](mailto:report@strsoh.org).**
- **Visit our website: [www.strsoh.org/employer](http://www.strsoh.org/employer).**

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We hope this webinar helps the process move more smoothly for members planning to retire midyear. The STRS Ohio staff is available to assist you. Call us toll-free at 888-535-4040 or email [report@strsoh.org](mailto:report@strsoh.org) with any questions. You can also visit our website at [www.strsoh.org/employer](http://www.strsoh.org/employer).

Thank you for watching this webinar!