



## Purchasing Out-of-State Service

### Tennessee Consolidated Retirement System



A program of the  
*Tennessee Treasury Department*  
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## INTRODUCTION

State employees and K-12 public-school teachers may establish retirement eligibility credit for previous service rendered as a full-time state employee or public-school teacher in a state other than Tennessee by purchasing out-of-state service from the Tennessee Consolidated Retirement System (TCRS). Out-of-state service is only used as credit towards eligibility for service retirement. It does not increase the total service used in the benefit calculation formula. This document provides information for members to consider when deciding if purchasing out-of-state service would be beneficial.

## CONSIDERATIONS FOR PURCHASING OUT-OF-STATE SERVICE

Out-of-state service can only be used to qualify for service retirement. If you qualify for service retirement without out-of-state service, purchasing out-of-state service may not be beneficial.

- Confirm the eligibility requirements for your retirement plan and your current status before considering purchase of out-of-state service. A vested member of the Legacy Plan for State and Higher Education Employees or the Legacy Plan for Teachers becomes eligible for unreduced service retirement benefits upon attainment of age 60 or completion of 30 years of creditable service. A member of the Hybrid Retirement Plan for State Employees and Teachers becomes eligible for unreduced service retirement benefits upon attainment of age 65 or reaching the Rule of 90. The Rule of 90 means the attainment of a combination of age and years of creditable service as to equal 90.
- Consider waiting to make the payment for the out-of-state service until you know when you are going to retire so that you know how much out-of-state service you need to purchase to meet retirement eligibility requirements.
- If you purchase service that you do not need to meet service retirement eligibility, TCRS will refund all or part of the payment at retirement.
- Remember that out-of-state service credit is only considered for meeting service retirement eligibility requirements. It is not used in the calculation of a retirement benefit. For more information on how a service retirement benefit is calculated for your plan, please consult the *Legacy Plan Guide for State Employees*, *Legacy Plan Guide for Teachers*, or *Hybrid Retirement Plan for State Employees and Teachers Member Guide*, as applicable to your membership status.

## WHO CAN ESTABLISH OUT-OF-STATE SERVICE?

A state employee or teacher may establish retirement eligibility credit for previous service rendered as a full-time state employee or public school teacher in a state other than Tennessee or for overseas teaching service with the U.S. Department of Defense. Out-of-state service is credited for establishing service retirement eligibility only. The following conditions apply:

- The member must be vested.
- The member must not be receiving or entitled to receive any retirement credit in any other retirement system for this service.
- The amount of out-of-state service established cannot exceed the amount of in-state creditable service earned.

- At the time the service is claimed, the member can only purchase the number of years needed to meet the service retirement requirement for the member's membership type, as determined by TCRS.
- The service and salary must be certified by the employer or state in which the service was rendered.

## **COST OF OUT-OF-STATE SERVICE**

When establishing out-of-state service, a member must make a lump-sum payment. The lump-sum payment will be calculated by TCRS and provided to the member as an invoice. The lump-sum payment information will be based on the following factors:

- If the out-of-state service was rendered on or before June 30, 2000, the payment must equal to: (i) the sum the individual would have contributed had they been a member of the TCRS during the period of the out-of-state service; (ii) plus the employer contributions which would have been made in accordance with the TCRS contribution rates in effect during the period in which the service was rendered; (iii) plus interest on both employee and employer contributions compounded annually.
- If the out-of-state service was rendered after June 30, 2000, the payment must equal 10 percent of the member's earnable compensation during the period of the out-of-state service plus interest compounded annually.

**Note:** If you are preparing to retire and have qualifying unused sick leave, that credit could potentially reduce or eliminate the need to purchase out-of-state service.

## **PROCESS FOR PURCHASING OUT-OF-STATE SERVICE**

If you believe that you will not meet service retirement requirements at termination of employment and that establishing out-of-state service will make you service retirement eligible, follow these steps:

1. Obtain an [Application for Retirement Credit for Service Rendered Out-of-State](#) found under Forms and Guides at [RetireReadyTN.gov](http://RetireReadyTN.gov) or by calling 800-922-7772.
2. Complete the member information section on Part 1 of the form and send it directly to the out-of-state employer who can certify your service on Part 2 of the form.
3. The form should then be forwarded by the out-of-state employer to the retirement system in which you previously participated. Most of the retirement system addresses and telephone numbers are available from the Internet at [www.nctr.org](http://www.nctr.org) for teachers and [www.nasra.org](http://www.nasra.org) for state employees. That system should certify the withdrawn service on Part 3 of the form and submit it directly to TCRS.

Upon receipt of the completed [Application for Retirement Credit for Service Rendered Out-of-State](#), TCRS will calculate the lump sum cost for the out-of-state service. TCRS will only invoice you for the period needed to attain service retirement eligibility. For example, if you are a member of the Legacy Plan and have 29 years in TCRS and 4 years of withdrawn service from Mississippi, you will only be invoiced for the one year needed to attain 30 years.

Receipt of an invoice does not mean you are required to purchase this service. We encourage members considering purchasing the service to contact RetireReadyTN and request an Estimate of Benefits to see the impact the service would make to your retirement benefit before deciding to purchase your out-of-state service.

## PAYING FOR OUT-OF-STATE SERVICE

Payment for out-of-state service must be made in a lump sum. You can also use one of the retirement plans listed below to fund all or a part of the cost of the service:

- 401(k) plan
- 457(b) plan
- 403(b) plan
- 401(a) plan
- IRA

Additional details about paying for the service will be enclosed with the invoice.

## FREQUENTLY ASKED QUESTIONS

Payment for out-of-state service must be made in a lump sum. You can also use one of the retirement plans listed below to fund all or a part of the cost of the service:

### **1. I am getting experience credit for my out-of-state teaching toward my Tennessee salary schedule. Why do I not automatically have that credit for retirement?**

Experience credit and retirement credit are separate matters. The experience steps relate to the value the employer places on an experienced teacher over one with less experience.

Retirement credit in the Tennessee Consolidated Retirement System must be specifically authorized in the law and must be funded. Tennessee state law only authorizes credit toward eligibility and provides that the member must fund the cost.

### **2. If I establish out-of-state service credit for retirement benefit qualification purposes, will that service then count as years of service for retiree insurance premium calculation purposes?**

No. Out-of-state service is only used to qualify for an unreduced TCRS benefit. There is no authorization to count out-of-state service for the calculation of insurance premiums.

### **3. I have teaching service with a private school system. Would that qualify for credit?**

No. Only out-of-state credit for teaching in a public school (not a private school) is authorized under the law.

### **4. If I am paying the employer and employee contributions, why do I only receive credit for service retirement eligibility?**

Even though the credit is not part of the benefit calculation, the credit makes a member eligible for an unreduced lifetime retirement benefit, which has a cost and creates an employer liability. Practically, this means a member may be able to begin retirement benefits earlier than if the member had to fulfill service retirement requirements.

## USE OF THIS DOCUMENT

This document is intended to provide information about purchasing out-of-state service in the Tennessee Consolidated Retirement System. It is based on the laws governing the Tennessee Consolidated Retirement System as of the publication date of this document. It does not include all plan provisions, is for informational purposes only, and in no way constitutes a contract or binding agreement. It is not a legal document and is not intended to serve as a basis for legal interpretation. For general information about the Legacy Plan and Hybrid Plan, please consult the *Legacy Plan Guide for State Employees*; *Legacy Plan Guide for Teachers*; and *Hybrid Retirement Plan for State Employees and Teachers Member Guide*. For complete details on the plan provisions, please refer to Tennessee Code Annotated, Title 8, Chapters 25, 34-37. The information in this document is subject to legislative change and judicial interpretation. It does not supersede nor restrict applicable procedures or authority established under state or federal law. Additional materials on various topics mentioned in this guide are available at [RetireReadyTN.gov](https://www.RetireReadyTN.gov). The state of Tennessee and its employees are not authorized to provide legal, financial or tax advice. For legal, financial, and tax advice concerning your situation, you should consult your personal legal, tax, or other advisers.

## CONTACT INFORMATION

RetireReadyTN Toll-Free | 800-922-7772

For questions related to insurance, please contact Benefits Administration at 800-253-9981.

Please include your TCRS Member ID and your current address on any correspondence.