

Employer Service Purchase Information

The North Dakota Teachers' Fund for Retirement (TFFR) may accept payment from a participating employer for the purchase of up to three years of service credit on behalf of an active TFFR member. This credit is used towards a member's retirement eligibility and benefit calculation. Employer service purchases may be made under the following conditions.

- 1) The member may not be given the option to choose between an employer service purchase and an equivalent amount paid in cash. As long as the member has no "cash-or-deferred" choice, the member is not taxed on the purchase.
- 2) The member must be eligible or nearly eligible for retirement. To be eligible, a Tier 1 member must either have the sum of the member's age plus service credit be at least 77, or the member must be at least age 55 with at least three years of service credit. A Tier 2 member must either have the sum of the member's age plus service credit be at least 82 or the member must be at least age 55 with at least five years of service credit.
- 3) The employer may purchase a maximum of three years of credit for the member under guidelines developed by the employer.
- 4) The purchase price must be determined on an actuarially equivalent basis that takes into consideration the member's age, salary, and increase in benefits that will be paid as a result of the service credit purchase.
- 5) The employer must pay the purchase price in a lump sum prior to the member's retirement. Once the amount is paid to TFFR, the service credit purchased will be added to the member's account. However, the actual dollars do not become a part of the member's account value.

The employer must develop written guidelines to determine which employees are eligible to receive an employer service purchase. For example, an employer may wish to use the employer service purchase feature as part of an early retirement program or employee retention program. In developing guidelines, the employer must comply with applicable state and federal laws, including the federal Age Discrimination in Employment Act (ADEA). Employers should work with legal counsel in developing appropriate policies to ensure legal compliance.

TFFR is not itself a party to the agreement between the employer and the member. In general, TFFR will provide the purchase price amount to the employer, and if the service is purchased, TFFR will credit the service to the member. At retirement, the employee's benefits will be calculated using all years of service credit (earned and purchased). TFFR will also determine compliance with IRC Section 415 benefit limitations.

If you have any questions, please contact the administrative office.