



EMPLOYER SERVICES FACT SHEET

Compensation

Employee and employer contributions are required to be made to SERS based on the employee's SERS-covered compensation. The employee contribution rate is currently 10%, and the employer contribution rate is 14%.

"Compensation" includes all salary, wages, and other earnings paid to an employee by reason of employment.

Compensation is determined prior to the amount deducted as the employee's contributions and before any of the compensation is treated as deferred income for federal income tax purposes.

Paragraphs (B)(1), (B)(2), and (B)(3) of section 3309-1-02 of SERS' Administrative Rule, defines three separate types of "compensation."

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| Paragraph (B)(1) Compensation as Salary | <p>Salary is defined as the base salary paid to an employee as set forth in the employee's:</p> <ul style="list-style-type: none">• Contract• Collective bargaining agreement or• Employer salary schedule <p>*Lump sum payments are not part of base salary. They may only be considered part of compensation provided in Paragraph (D).</p> |
| Paragraph (B)(2) Compensation as Wages | <p>Wages are defined as compensation paid to an employee for services based on time worked but excluding overtime.</p> <p>Wages are payments to hourly workers for their normal schedules</p> <p>*Lump sum payments are not part of wages. They may only be considered part of compensation provided in Paragraph (D)</p> |
| Paragraph (B)(3) Compensation as Earnings | <p>Earnings are defined as payments by reason of employment other than salary and wages.</p> <p>Payments must be made in accordance with enforceable obligations negotiated in advance of the performance of the compensated service.</p> <p>*For example, payments required by law or school policy or in accordance with a contract or collective bargaining agreement negotiated prior to the services being provided.</p> |

Paragraph D of section 3309-01-02 of SERS' Administrative Rule defines lump sum amounts and one-time payments that are considered compensation.

To be considered covered compensation in accordance with the definition, lump sum payments and one-time payments must be specifically provided for in the collective bargaining agreement, individual contract, or school district policies. This must be done in advance of the performance of the compensated service, including retention payments, signing bonuses, and education payments for certifications.

Compensation Subject to SERS Contributions

- Regular base salary
- Regular/base hourly wages
- Overtime paid to non-exempt employees
- Pick up on Pick-up Plan
- Pay for used vacation and sick leave
- Paid holiday
- Calamity days
- Across-the-board retroactive wage settlements
- Longevity/length of service, which is a payment based on total years of employment per written contract or policy and applicable to all employees
- Merit increases
- Employer payments to an eligible retirement plan (e.g. 403(b), 457(b), 401(k))
- Backpay award that reinstates an employee to the employee's position without interruption of loss of time
 - Cost of backpay for prior fiscal years will include accrued interest
- Extended days
- Commissions per contract terms
- Payments made by the employer to the employee for Workers' Compensation Salary Continuation
- Lump sum payments
 - Must be provided for in the collective bargaining agreement, individual contract, or school district policy
- Retention payments must be written in the contract
- Education payments
 - Must be written into a contract or school district policy
- Signing bonus
 - Must be written into a contract or school district policy

Compensation Not Subject to SERS Contributions

- Unused compensatory time (comp time) cash out
- Unused leave time (vacation/sick/personal) cash out
- Attendance Incentives, which are payments for limited use of sick leave per a policy or contract
- Wellness rewards, which are payments to employees for achieving measurable health goals as set forth in a written policy
- Recruitment, which is a payment for referring a job applicant who is hired
- Severance payment
- Bonus payment, which is a discretionary payment not governed in a contract
- Amounts paid to an employee for life insurance, sickness, accident, endowment, health, medical, hospital, dental, or surgical coverage or in lieu of providing insurance
- Incidental benefits including lodging, food, laundry, clothing/uniform allowance, and parking
- Services furnished by the employer, including use of the employer's property or equipment, and cell phones
- Reimbursement for job-related expenses authorized by the employer, including moving and travel expenses related to professional development
- Compensation made on behalf of an employee exceeding the allowable limit under federal tax law
- Anything of value paid to an employee based on or attributed to retirement or an agreement to retire
- Payments made as a differential payment for an employee who enters active military duty for more than a month

Compensation Determinations

When a question exists as to whether a payment is subject to SERS withholding, the employer should request, in writing, a determination from SERS. A request should be submitted prior to the payment being issued to the member.

Depending on the type of payment being issued, Employer Services will need to see certain documentation. Employer Services may request to see a copy of the contract, collective bargaining agreement, school district policy, salary schedule, grievances, settlement agreements or other documentation that would support the payment being issued.