EMPLOYER SERVICES FACT SHEET

Pick-up of Employee Contributions

Federal tax law permits employers to pick up employee retirement contributions. There are no Ohio statutes or SERS rules governing the implementation of a Pick-up Plan of mandatory employee contributions.

The earliest effective date of a Pick-up Plan is the date of a board action implementing or changing the Pick-up Plan. Pursuant to IRS guidelines, Pick-up Plans may not be implemented retroactively.

After you adopt a Pick-up Plan, you must notify SERS through eSERS, using the Pick-up Plan tab.

Under a Pick-up Plan, the employee contributions picked up by an employer are:

- Tax-deferred for federal income taxation purposes until the member receives the contributions in the form of a refund or retirement benefit
- Tax-deferred for state income taxation purposes. An employer should contact local taxing authorities to determine the tax treatment of a Pick-up Plan for city or other local income taxation
- Designated as employee contributions and refundable to the member for retirement system purposes

In order to implement a Pick-up Plan, federal tax law requires an employer to adopt a written plan that specifies:

- The group of employees to be covered
- The method of pick-up
- The planned effective date

Employees in the covered group cannot opt out of the Pick-up Plan.

There are three Pick-up Plan methods: salary reduction, fringe benefit not included in compensation, and fringe benefit included in compensation, which is also referred to as the pick-up on pick-up.

If you have questions, please contact your tax advisor.

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Employer Pick-up of Retirement Contributions

Under IRS guidelines, employee contributions to SERS may be picked up by the employer and excluded from the employees' gross income for federal income tax purposes. School districts have adopted three types of Pick-up Plans.

Salary Reduction

Contributions are deducted from the employee's salary, but are deferred for federal and state income tax purposes.

Example:	Salary:	$20,000
	SERS' contribution:	$ 2,000
	Take home pay:	$18,000
	Taxable income:	$18,000
	Reported to SERS:	$20,000
	Contributions must be reported as tax-deferred on monthly reports.	

Fringe Benefit not Included in Compensation

Under a fringe benefit not included in compensation Pick-up Plan, the contributions are paid by the employer out of the employer's funds. The contribution is not deducted from the employee's salary.

Example:	Salary:	$20,000
	SERS' contribution:	$ 2,000
	Take home pay:	$20,000
	Taxable income:	$20,000
	Reported to SERS:	$20,000
	Contributions must be reported as tax-deferred	

Fringe Benefit Included in Compensation, or Pick-up on Pick-up

A fringe benefit included in compensation is often referred to as a "pick-up on pick-up" plan. Under a fringe benefit included in compensation plan, the contributions are paid by the employer and an additional contribution on the 10% is also paid. This plan provides for a higher salary for retirement purposes only, which will affect the pension amount.

Example:	Salary:	$20,000
	SERS contribution (10%):	$ 2,000
	Salary for retirement purposes:	$22,000
	Total member contribution due:	$ 2,200 (10% of $22,000)
	Take-home pay:	$20,000
	Taxable income:	$20,000
	Contributions must be reported as tax-deferred	