

# Special Notice

## Board Proposed Rule



### School Employees Retirement System of Ohio

August 1, 2018

#### Board Proposed Rule:

#### Payroll Deduction Purchase Plans for Service Credit Must Be on Post-tax Basis

Alert your employees that new pre-tax payroll deduction plans for the purchase of service credit will no longer be accepted effective January 1, 2019.

Depending on your employee's past work experience, and if he or she qualifies, additional service credit may be available for purchase. The employee can purchase all or a part of the credit by making payments directly to SERS in one or more installments, or payroll deduction, if the employer offers it. All credit must be purchased before the employee retires.

However, due to the Internal Revenue Service's revised position on such programs, SERS will no longer accept pre-tax payroll deduction plans for the purchase of service credit effective January 1, 2019. Any payroll deduction purchase plan that is initiated on or after January 1, 2019, must be on a post-tax basis.

Employees can **continue to purchase allowable credit on a pre-tax basis under a payroll deduction plan you initiated before January 1, 2019**, with funds rolled over from another qualified plan, such as another qualified employer retirement program, an individual retirement account, or a governmental deferred compensation program.

To recap:

- Current employees continue with **pre-tax** deductions
- New deductions initiated **before** January 1, 2019 also are pre-tax
- Payroll deductions initiated **after** January 1, 2019 must be on a **post-tax** basis.

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