



EMPLOYER SERVICES FACT SHEET

SERS' COMPENSATION AND COVID PAYMENTS

SERS has fielded many compensation inquiries from employers regarding payments made to employees with COVID funds, such as ESSER grants. Common scenarios for the lump sum payments are to recognize increased duties, responsibilities, and hazards due to the COVID pandemic; completing job skill training; and vaccine incentives.

For purposes of SERS compensation is defined as follows:

- Salary (i.e., The base salary of exempt employees),
- Wages (i.e., Hourly pay of non-exempt employees), and
- Other earnings paid to a contributor by reason of employment and identified by rule as included in SERS compensation. R.C. 3309.01(V)(1) and (V)(3).

SERS' definition of compensation does not intend to capture all of an employee's earnings from their work for a school. Unless a type of earnings other than an employee's salary and wages is identified by SERS as compensation, it should not be reported to SERS.

Whether other earnings paid to a school employee are compensation for purposes of SERS depends on whether the payment is a form of earnings that the retirement board has identified as being included in "compensation." (R.C. 3309.01(V)(3)).

SERS' definition of compensation generally excludes one- time and/or lump sum payments not based on an employee's standard rate of pay.

The following are the six types of one-time or lump sum payments that SERS currently accepts:

1. Payments on behalf of the employee to an eligible retirement plan
2. Back wages paid pursuant to a final court order or settlement agreement
3. Differential wage payments
4. Annual longevity payments
5. Payment to a class of employees in exchange for waiver of an increase to base pay owed under terms of a contract.
6. Payment for additional services

As to whether a COVID lump sum payment falls under one of the above six types of payments, the "payment for additional services" has been the main point of discussion.

How does SERS interpret this?

- As to hourly employees, a payment for extra hours worked would be a payment for additional services. A payment recognizing the increased intensity/demands/hazards on a worker due to COVID is not a payment for additional services.

- As to salaried employees, additional service contemplates work outside the scope of the employee's job duties. Increased hours and complexity in getting job duties done does not equate to the employee providing additional services.
- Whether paid to hourly or salaried employees bonus/incentive pay typically does not constitute a payment for additional services.

The fact that SERS does not consider a payment compensation for SERS' reporting purposes does not mean that employees did not perform well or work harder and earn the payment.

SERS' definition of compensation simply does not include all types of earnings paid to a school employee. The amount that should be reported to SERS as compensation is not necessarily the same as the amount of wages that should be reported on an employee's W-2 or that would be reported to STRS if the employee were a teacher.

In recent years, SERS has observed an increase in one-time or lump sum payments. SERS also is aware that STRS accepts contributions on more types of one-time or lump sum payments than SERS and that this has added to the confusion.

In the future, SERS may include more types of one-time or lump sum payments in the definition of SERS compensation; however, at the moment, one-time or lump sum payments that are not described by one of the above six types of payments do not meet SERS' definition of compensation.

SERS appreciates the effort of schools' payroll staff in working with SERS to ensure that contributions are remitted on amounts that meet SERS' definition of compensation.