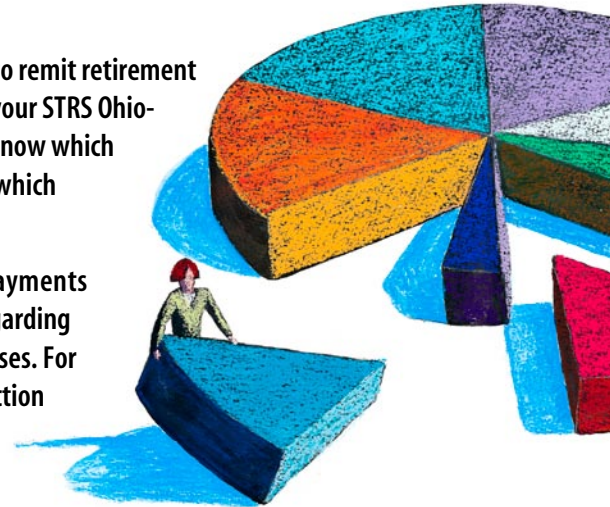


Compensation

What Qualifies for Retirement Contributions

Part of your responsibility as an STRS Ohio reporting employer is to remit retirement contributions to STRS Ohio on qualifying compensation paid to your STRS Ohio-covered employees. To comply with this requirement, you need to know which compensation should have retirement contributions deducted and which compensation is excluded from contributions.

STRS Ohio understands that there are many different types of payments made to your employees. As a result, sometimes questions arise regarding whether a payment qualifies as compensation for retirement purposes. For purposes of STRS Ohio contributions, compensation is defined in Section 3307.01 of the Ohio Revised Code as all salary, wages and other earnings, including compensation paid in accordance with supplemental contracts.



Although the legal definition of compensation is broad, the law is very specific regarding the types of payments that do not qualify as compensation for retirement purposes. The following list should help you identify which types of payments are excluded from retirement contributions:

- Payments for accrued but unused sick leave or personal leave, including payments for perfect attendance.
- Payments for accrued but unused vacation, and vacation pay covering concurrent periods for which other salary or compensation is paid.
- Amounts paid to provide insurance coverage of any type, and cash payments in lieu of providing insurance coverage.
- Incidental benefits such as lodging, food, laundry, parking or services furnished by the employer; use of the employer's property or equipment; or job-related expenses such as moving, travel or costs related to professional development.
- Anything of value that is based on retirement or an agreement to retire.
- Payments made by the employer in exchange for a member's waiver of a right to receive any payment amount or benefit.
- Retroactive increases that are not paid in accordance with uniform criteria applicable to all employees who are STRS Ohio members.
- Payments for services not actually rendered.
- Payments that exceed the annual compensation limits for plans qualified under Section 401 of the Internal Revenue Code.

*What's
excluded from
contributions.*

If a payment to an employee is one of the items listed above, you do not need to deduct retirement contributions from that payment. When in doubt, it's best to contact your employer advisor to verify whether a payment made to an STRS Ohio member or reemployed retiree qualifies as compensation for retirement purposes.

On the reverse side are answers to a few frequently asked questions. If you have additional questions or need assistance, please call your employer advisor toll-free at 1-888-535-4050 or send an e-mail to report@strsoh.org.

Frequently Asked Questions

Q: Are bonuses, such as merit, longevity, sign-on or retention, considered compensation for STRS Ohio purposes?

A: Bonuses are generally considered compensation for STRS Ohio purposes, as long as they are earned by reason of employment. However, if any bonus is attributable to retirement, paid in lieu of items not considered STRS Ohio compensation or retroactive, the bonus payment may be excluded from compensation.

Q: At our school, employees who do not participate in the school's health care plan receive an extra payment. Is this considered compensation?

A: No. Payments made in lieu of insurance or payments made to provide insurance of any kind are not considered compensation.

Q: If our school offers an incentive payment to individuals who are eligible to retire, should retirement contributions be deducted from that payment?

A: No. Any payment made as an incentive to retire or as an agreement to retire does not qualify as compensation.

Q: Should retirement contributions be deducted from settlement payments?

A: All settlements must be reviewed by STRS Ohio before remitting contributions on these types of payments. Please contact your employer advisor and submit a copy of the agreement for review. If the settlement is based on punitive damages rather than compensation for actual work performed, then STRS Ohio cannot accept contributions on the payment.

Q: Are tax-sheltered annuities considered compensation?

A: Annuities paid on behalf of members are considered compensation for STRS Ohio purposes if they are part of the employee's compensation for services and are not excluded for some other reason, such as an annuity in lieu of insurance benefits. These annuity payments should be treated as supplemental compensation, and contributions must be remitted to STRS Ohio for the fiscal year in which annuity payments are made to the member.

Q: Are retroactive increases considered compensation for STRS Ohio purposes?

A: In general, retroactive increases are not subject to STRS Ohio contributions. However, retroactive increases may be subject to STRS Ohio contributions if the increases are granted to:

- All teachers;
- All administrators; or
- A superintendent, provided all teachers also received the retroactive increase.

For More Information

Refer to **Section 3307.01** of the Revised Code.

Call your employer advisor toll-free at **1-888-535-4050**.

Log on to the STRS Ohio Employer Web Site at **www.strsoh.org/employer**.

STATE TEACHERS RETIREMENT SYSTEM OF OHIO

275 East Broad Street
Columbus, OH 43215-3771

1-888-535-4050
www.strsoh.org/employer