



# 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 what types of compensation should have retirement contributions deducted and compensation payments that are 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 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 excluded from contributions.*

- Payments for accrued but unused sick, vacation or personal leave, including payments for perfect attendance.
- 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, including payments for Medicare.
- Incidental benefits such as lodging, food, laundry, parking or services furnished by the employer; use of the employer's property or equipment; or reimbursed job-related expenses such as housing, moving, travel or costs related to professional development.
- Anything of value that is based on retirement or an agreement to retire, including early contract completion.
- 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 STRS Ohio members who are employed by the employer.
- Payments for services not actually rendered.
- Payments that exceed the annual compensation limits for plans qualified under Section 401 of the Internal Revenue Code.

**Do not** deduct retirement contributions from payments on the items listed above.

Payments resulting from a grievance or legal settlement may not qualify as compensation. A copy of the grievance or settlement should be forwarded to [report@strsoh.org](mailto:report@strsoh.org) for review prior to remitting contributions.

If you need assistance in determining whether or not contributions should be remitted on specific payments, please contact STRS Ohio.

(continued)



# Frequently Asked Questions

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

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.

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

No. Payments made in lieu of insurance or payments made to provide insurance of any kind are not considered compensation for retirement purposes.

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

No. Any payment made as an incentive to retire or as an agreement to retire does not qualify as compensation for retirement purposes.

## **Should retirement contributions be deducted from settlement payments?**

All settlements must be reviewed by STRS Ohio before remitting contributions on these types of payments. Please submit a copy of the agreement for review to [report@strsoh.org](mailto:report@strsoh.org) before submitting contributions. If the settlement is based on punitive damages rather than compensation for actual work performed, then STRS Ohio cannot accept contributions on the payment.

## **Are tax-sheltered annuities considered compensation?**

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.

## **Are retroactive increases considered compensation for STRS Ohio purposes?**

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**

Log on to the employer website at [www.strsoh.org/employer](http://www.strsoh.org/employer)  
Call the Employer Reporting Department toll-free at **888-535-4050**  
Send an email to [report@strsoh.org](mailto:report@strsoh.org)