



# EMPLOYER SERVICES FACT SHEET

# Compensation

Employee and employer contributions are required to be made to SERS based on the employee's SERS-covered compensation. The **employee contribution rate** is currently 10%. The **employer contribution rate** is 14%.

## Compensation Subject to SERS Contributions

"Compensation" includes all salary, wages, and other earnings paid to an employee by reason of employment.

Compensation is determined prior to the amount deducted as the employee's contributions and before any of the compensation is treated as deferred income for federal income tax purposes.

Compensation subject to SERS contributions includes, but is not limited to:

- Regular salary or wages
- Overtime earnings
- Pay for used vacation and sick leave
- Paid holidays
- Calamity days
- Across-the-board retroactive wage settlements
- Longevity pay
- Merit increases
- As of the 2014-15 school year, a lump-sum payment in lieu of a salary or wage increase to all persons in a class of employees, in the same dollar amount or percentage, and in accordance with a written contract
- Payments paid on behalf of the individual and treated as deferred income for federal income tax purposed under Internal Revenue Code (IRC) Section 401(k), 403(b), or 457(b)
- Back pay awards that reinstate an employee to the employee's position without interruption of loss of time
- Payments made by the employer to the employee for Workers' Compensation Salary Continuation

OVER

Compensation not subject to SERS contributions, includes, but is not limited to:

- Payments for accrued but unused sick leave, personal leave, vacation leave, or compensatory time
- Amounts paid to provide life insurance, sickness, accident, endowment, health, medical, hospital, dental, or surgical coverage, or other insurance for the employee, or amounts paid to the employee in lieu of providing the insurance
- Incidental benefits, including lodging; food; laundry, including clothing/uniform allowance; parking; services furnished by the employer; use of the employer's property or equipment, including cell phones; and reimbursement for job-related expenses authorized by the employer, including moving and travel expenses, and expenses related to professional development
- Compensation made to or on behalf of an employee that is in excess of the allowable amount under federal tax law
- Anything of value paid to an employee that is based on or attributable to retirement or an agreement to retire
- One-time and/or lump-sum payments made to an employee where such payments are not made for additional services actually rendered, or not based upon the employee's standard rate of pay, such as:
  - severance
  - incentive bonuses for low use of leave
  - signing bonuses
  - wellness incentive
- Payments made as a differential payment for an employee who enters active military duty for more than one month

## **Determinations of Compensation**

**When a question exists as to whether a payment is subject to SERS withholding, the employer should request, in writing, a determination from SERS.**

If you do not request a determination from SERS on a payment issued to an employee, and it is determined that the payment is not compensation for SERS' purposes, any contributions received on the payment will be considered unauthorized and refunded back to the employer.

If it is determined that a payment is compensation for SERS' purposes, a charge will be made to the employer for both the employee and employer contributions, plus interest.

Once the cost has been calculated and submitted, you have 30 days to send payment.