

STRS
OHIO


**EMPLOYER
EDUCATION**

**Employer
Basics 101:
Employer
Pickup**


50-338, 8/24/0

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Agenda



- History of Employer Pickup
- Employee Groups
- Pickup Plan Types
- Financial Impact
- Required Forms
- Additional Tools



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History of Employer Pickup

- What is employer pickup?
 - In 1983, the IRS issued an opinion that allowed member contributions to be withheld on a tax-deferred basis
- What are the rules?
 - Adopt a plan
 - No retroactive plans



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Employee Groups

Three recognized employee groups in K-12 or colleges and universities

- Superintendents or presidents
- Administrators or administrative faculty
- Teachers or teaching faculty



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Pickup Plan Types

Comparing types of pickup

Plan Types:	Salary Reduction Pickup	Fringe Benefit Pickup Not Included in Compensation	Fringe Benefit Pickup Included in Compensation (Pickup-on-Pickup)
How does it work?	Member's salary reduced by the amount of member contributions and employer remits pretax	Employer agrees to pay member's pretax contributions	Employer agrees to pay member's pretax contributions and considers the payment as compensation for retirement purposes
Who funds member contributions?	Member	Employer funds all or a portion	Employer funds all or a portion
What's the benefit to the member?	Reduced gross income for state and federal tax purposes	Further compensates employee without reducing gross income for tax purposes	Further compensates employee without reducing gross income for tax purposes and increases income for retirement purposes
Groups?*	Teachers	Administrators	Superintendents/Administrators

*While any group or individual can have any type of pickup plan, generally districts tend to grant these types of pickup to the identified groups of employees.



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Pickup Plan Types

Comparing pickup plan types by the dollar

Plan Types:	Salary Reduction Pickup	Fringe Benefit Pickup Not Included in Compensation	Fringe Benefit Pickup Included in Compensation (Pickup-on-Pickup)
Base contract	\$70,000	\$70,000	\$70,000
Member contribution due (\$70,000 x 14%)	\$9,800	\$9,800	\$9,800 + (14% of \$9,800)
Federal state & federal income	\$60,200	\$70,000	\$70,000
Compensation for STRS Ohio purposes	\$70,000	\$70,000	\$79,800

$\$9,800 + \$1,372 = \$11,172$



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Financial Impact

Financial impact on a member and a district

Plan Types:	Salary Reduction Pickup	Fringe Benefit Pickup <i>Not</i> Included in Compensation	Fringe Benefit Pickup <i>Included</i> in Compensation (Pickup-on-Pickup)
Base contract amount	\$70,000	\$70,000	\$70,000
Compensation for STRS Ohio purposes	\$70,000	\$70,000	\$79,800
Member contribution due (14%)	\$9,800	\$9,800	\$11,172
Employer contribution due (14%)	\$9,800	\$9,800	\$11,172
Total contributions due from employer	\$9,800	\$19,600	\$22,344



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Required Forms

- *Notification for Employer Pickup of Employee Contributions*
- Certified copy of school board resolution



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STATE TEACHERS RETIREMENT SYSTEM OF OHIO

Employer Basics 101: Employer Pickup

Required Forms

STRS STATE TEACHERS RETIREMENT SYSTEM OF OHIO

275 East Broad Street
Columbus, OH 43215-3771
600-339-4030
614-227-7893 (fax)
www.strsoh.org/employer

NOTIFICATION FOR EMPLOYER PICKUP OF EMPLOYEE CONTRIBUTIONS

This notification must be filed with STRS Ohio when an employer elects to pick up all or a portion of the required employee contributions stipulated in Section 3307.26, Revised Code, or when an existing employer pickup plan is amended. **Important:** A copy of the board action authorizing the pickup must be submitted with this notification.

Employer: Ohio Local Schools Employer no.: 9599
 Address: 1234 Market St.
 City: Anytown ZIP code: 43215
 Effective date of pickup is: July 1, 2024

Employee group covered:

<input checked="" type="checkbox"/> School District	<input type="checkbox"/> College/University
<input type="checkbox"/> Superintendent	<input type="checkbox"/> President
<input type="checkbox"/> Administrator	<input type="checkbox"/> Administrative faculty
<input type="checkbox"/> Teacher	<input type="checkbox"/> Teaching faculty

Employee contributions for earned compensation required under Section 3307.26, R.C., will be accounted for as follows:

Employee Contributions	
Salary reduction pickup.....	0 %
Pickup paid by employer in addition to regular contract salary.....	14 %
<i>Is this amount included in compensation for retirement purposes?</i> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
Total STRS Ohio contributions required under Section 3307.26, R.C.	14%

I understand this notification will remain in effect until a notice of change or termination is filed with STRS Ohio. I also understand all of the guidelines listed on the reverse side of this notification have been met or acknowledged.

Treasurer/CTO signature: Jim Smith Date: 6/15/24

9/15/23, 10/24

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SAMPLE BOARD RESOLUTION TO AUTHORIZE EMPLOYER PICKUP OF EMPLOYEE CONTRIBUTIONS

Fill in the blanks with the appropriate information. Include the text ONLY for the pickup plan(s) the board is adopting for this specific class of employees (salary reduction, fringe benefit or fringe benefit included in compensation).

Adoption of Pickup

Be it resolved, effective _____ (prospective date), the _____ (employer) _____ (board name) agrees to pick up the total amount of employee contributions required by Section 3307.26, Revised Code, to be contributed by _____ (group name and specific class of employees) to STRS Ohio _____ (Employer) _____ (board name) _____ is permitted to pick up employee contributions pursuant to Section 3307.25, Revised Code, and Section 4160.321 of the Internal Revenue Code. These picked-up contributions, although designated as employee contributions, are being paid by the _____ (employer) _____ (board name) _____ in lieu of employee contributions and _____

(Salary reduction) shall be treated as mandatory salary reduction from the contract salary otherwise payable to the employee.

or

(Fringe benefit) shall be paid by the board as a fringe benefit in addition to the contract salary otherwise payable to the employee. These contributions shall not be treated as additional compensation for retirement purposes.

or

(Fringe benefit included in compensation) shall be paid by the board as a fringe benefit in addition to the contract salary otherwise payable to the employee. These contributions shall be treated as additional compensation and included in salary for retirement purposes.

Employees in the (group) may not opt out of the picked-up contributions or elect to receive the contributed amounts directly instead of having them picked up by the _____ (employer) _____ (board name) _____ and paid to STRS Ohio.

This sample resolution is provided for your convenience and does not constitute tax or legal advice. Although we have attempted to provide accurate information, STRS Ohio cannot guarantee the results in any way or be held responsible for any loss incurred as a result of the use of this information. Consult your tax advisor or legal counsel for specific information about how this information might affect your situation.

9/15/23, 10/24



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Additional Tools

Pickup-on-Pickup Calculator

Plan Types:	Per Pay	Fringe Benefit Pickup Included in Compensation (Pickup-on-Pickup)
Base contract amount	$\$70,000 \div 26 = \$2,692.31$	\$70,000
Compensation for STRS Ohio purposes		\$79,800
Member contribution due (14%)	$\$11,172 \div 26 = \429.69	\$11,172
Employer contribution due (14%)		\$11,172
Total contributions due from employer		\$22,344



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Additional Tools

Pickup Plan Information

- Log in to Employer Self Service (ESS)
- Click on “Pickup Plan Information” under Additional Tools

Pickup Plan Information

Group Covered	Pickup Plan Type	Pickup Percent	Effective Date
Administrators	Salary Reduction	14	07/01/2016
Superintendents	Pickup-on-Pickup	14	07/01/2016
Teachers	Salary Reduction	14	07/01/2016



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Questions?

We're here to assist you

- Send an email: report@strsoh.org
- Call toll-free: 888-535-4050
- Visit our website: www.strsoh.org/employer



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Thank You!

- This webinar will be available in the Education & Training section of the employer website
- Certificates of completion will be emailed within two weeks
- Please complete evaluation form

