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## **RETIREMENT SYSTEMS**

### **Employer pick-up of STRS and SERS employee contributions**

- Prohibits a school district board from paying employee contributions to STRS on behalf of a superintendent employed by the school district board or to SERS on behalf of a treasurer employed by the school district board under a fringe-benefit employer pickup arrangement.

### **Ohio Public Employees Deferred Compensation Board**

- Transfers the administration of the Ohio Public Employees Deferred Compensation Program from the Ohio Public Employees Deferred Compensation Board (DC Board) to the PERS Board, and abolishes the DC Board.

### **Precinct election officials excluded from PERS**

- Excludes from PERS membership a person who is appointed to serve as a precinct election official (election worker) and receives compensation for that service during a calendar year, rather than excluding a person who is paid less than a specified amount as under current law.

### **Exclusion of persons providing school health services from SERS**

- Excludes from SERS membership any person who is employed by a private employer that has contracted with a school district to provide school health services to a child with a disability.

### **Alternative retirement plan election or provider change**

- Permits, beginning one year after the provision's effective date, a public college or university to allow an academic or administrative employee who elects to participate in an alternative retirement plan to sign the election or a form to change providers by electronic signature.

### **Employer pick-up of STRS and SERS employee contributions**

(R.C. 3307.27 and 3309.47)

The bill prohibits a school district board from paying employee contributions to STRS on behalf of a superintendent employed by the school district board or to SERS on behalf of a treasurer employed by the school district board under a fringe-benefit employer pickup arrangement. The school district board may make employee contributions on a superintendent's or treasurer's behalf to the appropriate system under the salary reduction method.

Federal law allows an employer to pay, or "pick up," an employee's contributions to a pension plan and treats the "picked-up" employee contributions as employer contributions for income tax purposes, which means they are not taxable to the employee until the employee receives them either as a refund or as a retirement benefit. There are two types of pension pick-

up plans: (1) salary reduction and (2) fringe-benefit arrangement. Under the salary reduction method, the employer reduces the employee's gross salary by the amount of the employee's contributions to the retirement system. Under the fringe-benefit arrangement, the employer does not deduct the contribution amount from the employee's gross salary and funds the full cost of the employee's contributions. Thus, the employee receives the entire salary and pays taxes on that salary.<sup>168</sup>

## **Ohio Public Employees Deferred Compensation Program**

(R.C. 145.091, 148.02, and 148.021, with conforming changes in R.C. 101.82, 101.83, 145.09, 148.01, 148.04, 148.041, 148.042, 148.05, 148.10, 2329.66, 2907.15, 2921.41, 3105.171, and 3105.63; Section 525.40)

The bill transfers the administration of the Ohio Public Employees Deferred Compensation Program from the Ohio Public Employees Deferred Compensation Board (DC Board) to the PERS Board. The program is a voluntary retirement savings plan that allows public employees to save and invest their payroll contributions to supplement a retirement plan.<sup>169</sup> Currently, the DC Board consists of a member of the House, a member of the Senate, and the PERS Board members. The bill authorizes the PERS Board to use its employees, property, and powers granted to it under continuing law to administer the program. All employees of the DC Board are transferred to PERS and retain their positions and all associated benefits.

The bill abolishes the DC Board on the transfer provision's effective date. Under the bill, whenever the DC Board, its Executive Director, or any variation of those terms are used, referred to, or designated in any statute, rule, contract, grant, or other document, the use, reference, or designation is deemed to refer to the PERS Board or the PERS Executive Director. All records, assets, and liabilities of the DC Board are transferred to the PERS Board. The PERS Board is successor to, and assumes the obligations of, the DC Board. The PERS Board or the PERS Executive Director must complete any business commenced, but not completed by, the DC Board or its Executive Director. The business must be completed in the same manner, and with the same effect, as if completed by the DC Board or its Executive Director. No validation, cure, right, privilege, remedy, obligation, or liability is lost or impaired because of the transfer.

The transfer does not affect any action or proceeding pending on the transfer provision's effective date. Any action or proceeding must be prosecuted or defended in the name of the PERS Board or the PERS Executive Director. In all actions or proceedings, the PERS Board or the PERS Executive Director, on application to the court, must be substituted as a party.

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<sup>168</sup> 26 U.S.C. 414(h)(2), IRS Revenue Ruling 2006-43, [Employer "Pick-Up" Contributions to Benefit Plans](#), which is available by conducting a keyword "Pick-up" search on the IRS website: [irs.gov](https://www.irs.gov); and [Employer Pickup Fact Sheet \(PDF\)](#), which is available by conducting a keyword "Employer pickup" search on the STRS employer website: [strsoh.org/employer](https://strsoh.org/employer).

<sup>169</sup> See [Frequently Asked Questions](#), which may be accessed by selecting the "FAQ" link on the Ohio Public Employees Deferred Compensation Program's website: [ohio457.org](https://ohio457.org).

The bill specifies that the Ohio Public Employees Deferred Compensation Receiving Account is a legal entity that is separate from the various funds created under continuing law to pay for retirement and other benefits under PERS.

## **Precinct election officials excluded from PERS**

(R.C. 145.012)

The bill excludes a person from PERS membership if the person is appointed to serve as a precinct election official (election worker) during a calendar year and received compensation for that service during the calendar year.<sup>170</sup> Under current law, a person is not a PERS member if the person is employed as an election worker and paid less than \$600 during a calendar year, or less than \$1,000 during a calendar year in which more than one primary election and one general election are held.

## **Exclusion of persons providing school health services from SERS**

(R.C. 3309.011)

The bill excludes a person from SERS membership who is employed by a private employer that has contracted with a school district to provide school health services to a child with a disability under the child's individualized education program (IEP).<sup>171</sup>

Under continuing law, a person employed by a private employer who "performs a service common to the normal daily operation" of a school under a contract is a SERS member. Currently, this includes providing school health services as a health aide or IEP nurse.<sup>172</sup> A person who is not a member of one of the state retirement systems and is employed by a private employer must participate in Social Security.<sup>173</sup>

## **Alternative retirement plan election or provider change**

(R.C. 3305.05 and 3305.053; Section 820.100)

The bill permits, beginning one year after the provision's effective date, a public college or university to allow an employee who elects to participate in an alternative retirement plan (ARP) to sign the election or a form to change investment option providers by electronic signature. Under continuing law, a full-time employee of a public college or university may elect to participate in an ARP, rather than the state retirement system that would otherwise cover the employee, by submitting a written election to the designated officer of the college or university. An ARP is a defined contribution plan that provides retirement and death benefits to participants

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<sup>170</sup> By reference to R.C. 3501.28 and R.C. 3501.22, not in the bill.

<sup>171</sup> By reference to R.C. 3323.01, not in the bill.

<sup>172</sup> R.C. 3309.01(B)(2), not in the bill. See also [Covered Employees](#), which is available by conducting a keyword "IEP" search on the SERS website: [ohsers.org](http://ohsers.org).

<sup>173</sup> See [Social Security: Who Is Covered Under the Program?](#), which is available by conducting a keyword "Social Security" search on the Congressional Research Service website: [crsreports.congress.gov](http://crsreports.congress.gov).

through investment options. A college or university enters into an agreement with one or more private providers to administer investment options under an ARP.<sup>174</sup>

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<sup>174</sup> R.C. 3305.02 and 3305.04, not in the bill.