



SERS Employer Surcharge

Revised May 2021

An additional employer charge is levied on the salaries of lower-paid SERS members. The minimum annual compensation is determined annually by the retirement system’s actuaries. This surcharge amount is exclusively used to fund health care.

The surcharge applies to all SERS members reported during the fiscal year except:

- members who retired, refunded their account, or received disability benefits effective before July 1
- members who died before July 1
- reemployed Ohio public retirees

The surcharge is limited to 2% of each district’s total qualified SERS payroll, not the total of the initial individual surcharge. The statewide limit is 1.5% of total qualified payroll for all employers.

Surcharge Calculations

The initial individual surcharge is figured at 14% of the difference between the member’s annual compensation and the minimum compensation level.

For example, for FY2021, if the minimum compensation level is \$23,000 and the employee earned \$10,000, the surcharge is:

Surcharge base	\$23,000
Covered compensation	10,000
Difference	13,000
Initial individual surcharge	$\$13,000 \times 14\% = \$1,820$

If the employee is paid for less than 120 days during the year, the surcharge is pro-rated. The fraction used is the number of days paid over 180 days, a school year. This is the same fraction as used in determining the amount of contributing service credit for a member.

For example, the surcharge on the employee above who works only 100 days is:

Initial individual surcharge	\$1,820
Pro-rated fraction	$100 \text{ days} / 180 \text{ days} = 0.556$
Pro-rated Surcharge	$.556 \times \$1,820 = \$1,011.92$

SURCHG

The purpose of this program is to produce reports that will assist with the SERS surcharge calculations and GAAP reporting. The SURCHG program must be run prior to clearing fiscal year to date amounts via the QRTRPT program.



SERS places a surcharge on SERS employees whose salaries fall below a predetermined minimum annual compensation amount. This amount is stored within the USPS software and updated each year. The amount is then used by this program to generate reports of individuals who are included on the monthly SERS reports and who fall below the minimum compensation unless they retired, are deceased, or are refunded during the year. The retirement and refunded status must be pending in the SERS office prior to June 30 to be excluded from the reporting.

An initial list of employees subject to the surcharge is available to school districts on eSERS each August. SERS requests that this list be verified, any exclusions noted (i.e. retirees or deceased employees that should be removed) and reported to SERS Employer Services. In order for the SURCHG program to handle any exclusions correctly, the "Surcharge Exempt" flag must be set to "Y" (yes) on the employee's 400 deduction record in USPSCN/DEDCSN.

Surcharge amounts for rehired retirees are not included on the reports. The surcharge is only calculated on "regular" earnings, not on earnings earned as a rehired retiree. Service days for a rehired retiree will not include days after the rehired date.

The SURCHG program compares the minimum annual compensation amount to the employee's calculated earnings, which is the total SERS contributions divided by ten percent. If the calculated earnings are less than the minimum annual compensation amount and the "Surcharge Exempt" flag is not set to yes, the program then counts service days. An employee without SERS days or earnings will not appear on the reports.

Next, the total surcharge amount is calculated. If the employee has worked at least 120 days, the surcharge is equal to 14% of the difference between the calculated earnings and the minimum compensation level.

The SURCHG program generates two reports. The first report is similar in format to the one on eSERS. It lists the employee, earnings, days, and the calculated surcharge amount. The default name for this report is SURCHG.TXT.

The second report contains the same information as the first but includes pay account information. The surcharge amount is prorated over the pay accounts the employee was paid from during the fiscal year. This report may be helpful when sorted by function code for GAAP reporting. It may also be useful when charging the surcharge expense. This report includes an option to include or exclude fixed pay accounts in the proration. For example, if an employee has fixed pay accounts for one time payments for services that do not have retirement withheld, you can exclude the fixed pay accounts from the proration. This is an all or none option and if chosen will exclude all fixed pay accounts. The default name for this report is SURACCT.TXT.

Occasionally an employee will show up on the report on eSERS with a lesser surcharge amount than the amount calculated by the SURCHG program. SERS offers a discount on the surcharge amounts when an employee works in more than one school district. All employers involved will have a reduced surcharge for these shared employees. Since the software does not know which districts this employee has worked for, it is not possible for it to calculate the reduced surcharge amount correctly. In this case, you will need to depend on the report on eSERS.