

# Pick-up Plans

Presented by:  
OPERS Employer Services



# AGENDA

**1** What is a pick-up plan?

**2** Types

**3** Elected officials

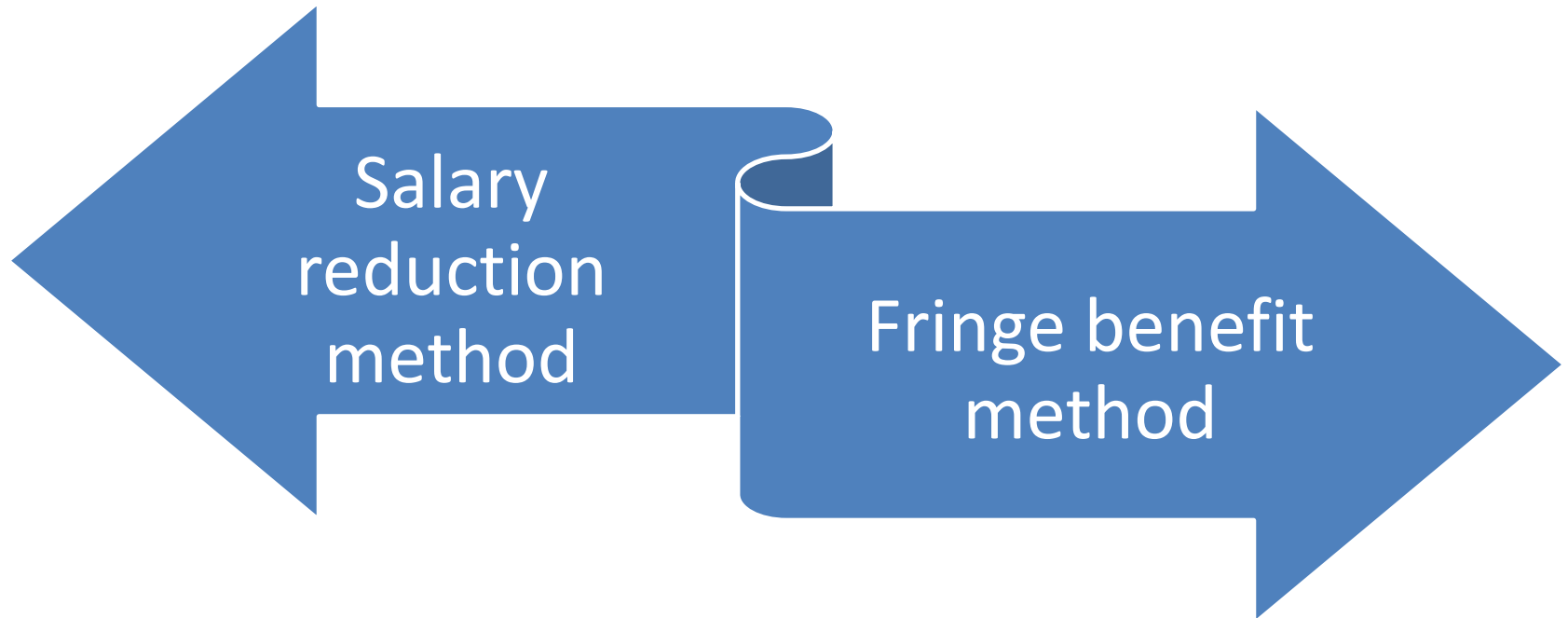
**4** Plan requirements



**Internal Revenue Code 414(h)(2)**

Allows  
employer to  
defer taxes  
on  
employee's  
retirement  
contributions

# Types of Pick-up Plans



# Salary Reduction

Do not receive pay increase

Pay less federal & state taxes

- No federal, state & school district taxes withheld from picked-up contribution

# Salary Reduction

Contribution not reported as taxable income on W-2

- For federal, state or school district purposes
- Reduced salary reported on W-2

Taxable for local tax and Medicare

# Fringe Benefit

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Direct increase in take-home pay

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FAS is not increased

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No federal, state or school district taxes withheld from picked-up contributions

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# Fringe Benefit

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Not reported as taxable income on W-2 for federal, state or school district purposes

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Contribution taxable for local tax and Medicare

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Elected officials and  
fringe benefit pick-up



**Not eligible to participate  
in fringe benefit pick-up  
plan while serving in term  
in which plan enacted.**



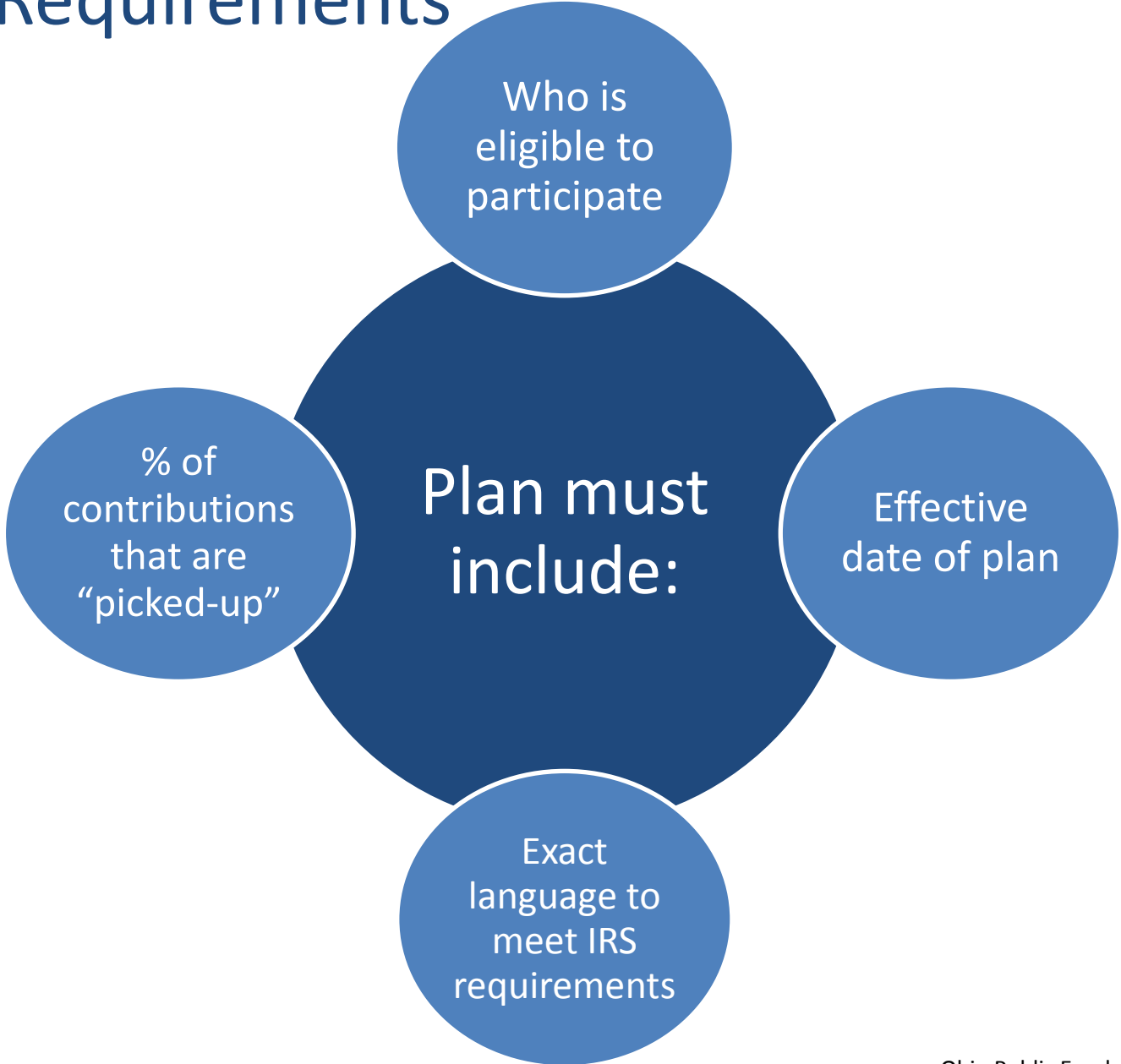
**Per AGO 2004-48**

Township  
elected  
officials are  
not eligible  
for a fringe  
benefit pick-  
up plan

# Comparison of Pick-up Plans

	No Pick Up Plan	Salary Reduction	Fringe Benefit
Salary	1,000.00	1,000.00	1,000.00
Salary with pick up reduction	1,000.00	900.00	1,000.00
Taxable income	1,000.00	900.00	1,000.00
Federal income tax (at 15%)	150.00	135.00	150.00
State tax (at 2%)	20.00	18.00	20.00
City tax (at 2%)	20.00	20.00	22.00
Medicare (at 1.45%)	14.50	14.50	15.95
Pension contribution	100.00	100.00	100.00
Additional take-home pay	0.00	17.00	96.55
Earnable salary (pensionable earnings)	1,000.00	1,000.00	1,000.00
Costs to employer	0.00	0.00	100.00

# Plan Requirements



# Plan Requirements

**1**

Cannot be retroactive

**2**

Submitted to OPERS prior to effective date

**3**

OPERS must accept plan as compliant

**4**

May be assigned new employer code

**5**

Employees cannot choose to participate

**6**

Plan changes must be submitted for approval

## Pick-up Plan Information



Publication with templates can  
be found on the OPERS  
website, [www.opers.org](http://www.opers.org)  
- Employer Publications  
- Instructions for  
Implementing an Employer  
Pick-up Plan

# Employer Services

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