



## Compensation to Include in Contributions

Generally, withhold employee KPER contributions from gross compensation before any deductions or reductions.

Compensation means, except as otherwise provided, all salary, wages and other remuneration payable to an employee for personal services performed for the employer. But for a few exceptions, (e.g., long-term disability, some military leave), KPER contributions must be linked to actual participating service or paid leave. Contributions need to have service tied to them.

Compensation Type	Include	Don't Include
Pay eligible for federal withholding	✓	
Pay eligible for Social Security tax	✓	
Pay eligible for Medicare tax	✓	
Any pay sheltered for 403(b), 457 plans and 125 plans (flex spending accounts)	✓	
Employer-paid service purchase	✓	
Employer-paid moving expense reimbursement (effective July 1, 2019)	✓	
Maintenance, board, lodging, tuition assistance, goods and services, and other allowances in lieu of money eligible for federal withholding	✓	
Fringe benefits that are considered part of gross compensation unless they are specifically excluded from gross income by a section of the IRS code. Consult your fiscal or financial office or tax professional for guidance.	✓	
(Hired before July 1, 1993) Lump-sum payments for annual, vacation and sick leave.	✓	
(Hired before July 1, 1993) Lump-sum payments for compensatory time at termination or retirement.	✓	
Compensatory time paid during regular employment, regardless of hire date.	✓	
Pay deducted for health insurance, even if pre-tax	✓	
Cash in lieu of health insurance	✓	
"Back" pay	✓	
Bonus payment (e.g. incentive pay, longevity pay, Christmas bonus, performance bonus, etc. before termination)	✓	
Value of health insurance paid by the employer		✓
Any amount not counted in final average salary at retirement		✓
Taxable amount of life insurance premium for coverage over \$50,000		✓
Reimbursement for actual expenses		✓
Early retirement incentive paid before retirement		✓
Membership date before July 1, 1996: Pay over \$520,000 for 2025		✓
Membership date on or after July 1, 1996: Pay over \$350,000 for 2025		✓
Severance: Payment by an employer to an employee beyond his wages on termination of employment.		✓
(Hired on or after July 1, 1993) Lump-sum payments for annual, vacation and sick leave.		✓
(Hired on or after July 1, 1993) Compensatory time paid in lump sum at termination or retirement.		✓
Worker's compensation payments		✓
Short-term disability payments from 3rd party		✓
Bonuses paid while employee is on leave of absence		✓