

Jeremiah W. (Jay) Nixon
Governor



Kelvin L. Simmons
Commissioner

State of Missouri
OFFICE OF ADMINISTRATION
State Social Security Administrator
570 Truman Building, 301 West High Street
Post Office Box 809
Jefferson City, Missouri 65102
(573) 751-3289
INTERNET: <http://www.oa.mo.gov/acct/ssa.htm>
E-MAIL: 218agreements@oa.mo.gov

Mark A. Kaiser
Director

MEMORANDUM

TO: Missouri School Districts with §218 Agreements
FROM: Vandee DeVore, Assistant Social Security Administrator
DATE: May 15, 2009
RE: Social Security & Medicare Withholding—Category 4

This memorandum serves to amend and clarify the Office of Administration's October 22, 2008, letter to your school district concerning Social Security withholdings on public school employees. **Please use this as guidance for implementation and future reference.**

The *Federal Section 218 Task Force for Missouri School Districts* was formed to address Section 218 Social Security coverage issues that arose in Missouri school districts. On March 31, 2009, the Social Security Administration (SSA) issued its Task Force Report summarizing its determination. A copy of the report can be found at the Missouri State Social Security Administrator (MSSSA) website through the Office of Administration at www.oa.mo.gov/acct/ssa.htm by selecting the *Information for School Districts* heading. The SSA determined that some school district employees were improperly covered and, in some cases, not covered by Social Security. The SSA report provides further clarification regarding the reduction in the number of employees originally thought to be impacted by this issue. The report outlines the reasons for this conclusion and the requirement by SSA for affected school districts to implement changes effective July 1, 2010.

A Section 218 agreement is a voluntary written agreement between the State and the Social Security Administration (SSA) to provide Social Security and Medicare coverage for state and local government employees, including school districts. In 1951, Missouri requested Social Security coverage and extended coverage to the school districts.

Since that date, much has changed in the federal and state statutory scheme resulting in a need to classify school districts into four distinct categories for the purpose of determining which employees are covered by Social Security and which ones have coverage options. The four categories are identified below based upon applicable coverage modification events related to each school district.

- Category 1: Modifications executed 1/01/51 – 10/31/65 (477 school districts)
- Category 2: Modifications executed 11/01/65 – 8/12/84 (33 school districts)
- Category 3: Modifications executed 8/13/84 – 8/28/91 (3 school districts)
- Category 4: Modifications executed 8/29/91 – 8/27/03 (1 school district)

Because your school district executed its coverage modification between 8/29/91 and 8/27/03, it is a "Category 4" school district. All employees are covered by Social Security except full-time employees with a license to teach who are PSRS members.

Coverage for Part-Time Employees:

The part-time employees who were given the option to join either PSRS or PEERS, and chose PSRS, will be covered by Social Security beginning July 1, 2010.

The part-time employees who were given the option to join either PSRS or PEERS, and chose PEERS, will continue to be covered for Social Security.

Extra Duties or Positions:

If an employee occupies a position excluded from Social Security coverage as discussed above, then any compensation received by the employee for **extra duties** performed while in that position for the same school district will be excluded from Social Security coverage as well. If the employee occupies any **additional positions** for the same district, compensation received for the additional positions will be excluded from Social Security coverage.

- Example #1: If the full-time Speech Teacher is the Drama Club Sponsor and receives a stipend for sponsoring the Drama Club, then the stipend is not Social Security covered earnings.
- Example #2: If the full-time Math Teacher also coaches the freshman Cross-Country Team after school and receives a stipend, the stipend will not be Social Security covered earnings.

Conversely, if an employee occupies a position covered by Social Security as discussed above, then any compensation received by the employee for **extra duties** performed while in that position for the same school district will be covered by Social Security. If the employee occupies any **additional positions** for the same district, compensation received for the additional positions will be covered by Social Security.

- Example: If a Custodian also coaches the Girls' Volleyball Team and receives a stipend, both the Custodian wages, and the coaching stipend are covered by Social Security.

Rehired Annuitants:

Individuals who are drawing their PSRS retirement and return to work in a school district less than 550 hours per year will contribute to Social Security regardless of position, unless a new PSRS membership is established.

Critical Shortage Hires:

Critical Shortage Hires are covered by Social Security regardless of position.

Unused Sick or Annual Leave Payouts:

This type of compensation is treated the same as the position's wages for Social Security and Medicare coverage.

For further information please see our *Frequent Asked Questions* page at www.oe.mo.gov/acct/schooldistricts.htm . School districts may email questions to 218agreements@oe.mo.gov.

If a **position** remains in question, a district's superintendent may request a determination by using the form at www.oe.mo.gov/acct/resources.htm and submitting it to the MSSSA.

If employees have questions about their Social Security benefits, they should contact their local SSA field office. Locations for those offices can be found at www.socialsecurity.gov. SSA also provides online resources for WEP and GPO at www.ssa.gov/gpo-wep. The MSSSA cannot assist in these benefit questions.

If employees have questions regarding PSRS/PEERS retirement benefits and calculations, they should contact the retirement system at www.psrsmo.org.

We understand that this is a complex issue that will require each school district time to fully process the impact to it and its employees. The Office of Administration wants to provide necessary assistance in this process and will schedule conference calls in the near future so that school districts will be able to ask questions in a collective format for state and federal officials. We will be providing additional information on the www.oe.mo.gov/acct/schooldistricts.htm website regarding the dates and locations of these calls.