

April 4, 2017

State Social Security Administrator Program Newsletter

Making Sense of Section 218 Agreements

Beginning in 1951, states were allowed to enter into voluntary agreements for Social Security and Medicare coverage authorized by Section 218 of the Social Security Act—thus called Section 218 Agreements. To offer Social Security benefits in conjunction with a retirement plan the agency must have a Section 218 agreement. For state and local government employers to participate in the Social Security and Medicare program they must request participation through the State Social Security Administrator (SSSA). The SSSA, through the modification process will amend California's Section 218 agreement to extend coverage to the employer. Every employer with a Section 218 agreement has an assigned modification number that identifies the agency's Section 218 Agreement, the terms, and effective date of coverage.

The laws and rules that affect the federal insurance contributions act (FICA) tax are straightforward in the private sector but can be very complex for government employers. Social Security coverage can vary widely within a state or even local area. Do not make an assumption about Section 218 coverage based on the status of a similar entity. If your organization needs to verify the existence or terms of a Section 218 agreement, contact that State Social Security Administrators office.

(916) 795-0810 or email: SSSA@calpers.ca.gov

New Annual Information Request Process

Has your Agency received an Annual Information Request (AIR) form? If not, you should expect to receive one in the mail soon.

The State Social Security Administrator (SSSA) began its annual information request (AIR) process in 2016. Going forward, all of California's state and local government employers, including those that do not have Section 218 coverage agreements will receive the AIR form on an annual basis. The form helps the SSSA take the appropriate coverage related action to notify the Social Security Administration of new agencies and those that became inactive, merged, dissolved, or change names.

For The Record

In 2004 new legislation required state and local government employers to provide Social Security's form SSA-1945 to new employees hired on or after January 1, 2005 in jobs not covered under Social Security. The form explains the potential effects of the two provisions in the Social Security law for workers who also receive a pension based on their work in a job not covered by Social Security. The first provision is the Windfall Elimination Provision (WEP) which can affect the amount of an employee's Social Security retirement or disability benefit. The second provision is the Government Pension Offset (GPO) which can affect a Social Security benefit received as a spouse or an ex-spouse.

We recommend the employer:

- Provide the form to the employee prior to start of employment.
- Obtain the employee's signature on the form.
- Maintain the original form in employee's file.
- Submit a copy of the signed form to the agency's pension system.

For more information and to obtain a copy of [SSA Form 1945](#) visit the Social Security Administration website.

August 17, 2017

State Social Security Administrator Program Newsletter

Making Sense of Section 218 Agreements (part II)

Common reasons to modify an existing Section 218 Agreement

A Section 218 Agreement is the contract that allows state and local government employers the option to participate in the federal Social Security and Medicare programs. Many of these Agreements were initiated between 1955 and 1970. There may have been changes at the Agency that require a modification of the agency's existing Section 218 Agreement.

Check out the top 3 reasons agencies are modifying Section 218 Agreements today:

1. To include new classification(s) or additional coverage groups. For example, elected positions were not in existence at the time the original contract was created.
2. To cover positions previously excluded in the original contract. For example, the original Agreement excluded part-time positions and the agency would like to include those positions in coverage.
3. To correct erroneous reporting. For example, the Agency has reported Social Security or Medicare on positions not covered by a Section 218 Agreement and needs to comply with federal laws and regulations.

For more information on Section 218 Agreements contact the Official California State Social Security Administrator's office.

(916) 795-0810 or email: SSSA@calpers.ca.gov

Section 218 Agreement Records

As the Official California State Social Security Administrator (SSSA), we are the keepers of all Section 218 Agreement-related documentation for all public agencies in the State of California. These documents were signed as early as 1950. The SSSA is in the process of converting the fragile documents into electronic versions to maintain back-up copies. The SSSA has scanned over 5,000 Section 218 Agreements, Modifications and correspondence documents, and over 200,000 election ballots. The documents have been placed into fire and waterproof cabinets to protect the files in the event of a fire or a flood.

We are currently working on a plan to upload these documents directly into each agency's my|CalPERS account. This accessibility will aid employers in their Federal Insurance Contributions Act (FICA) tax compliance efforts. More information will follow when this effort is complete.

Medicare Coverage for Public Sector Employees

Medicare Insurance was signed into law in 1965 for those over the age of 65. Coverage became effective July 1, 1966. Although private sector employees were automatically included and contributed Medicare taxes to the program, public sector employees are only able to participate and contribute under a Section 218 agreement.

Effective April 1, 1986 Medicare became mandatory for all employees, private and public sector. All employees hired on or after this date, not covered under a Section 218 agreement, are mandatorily covered for Medicare. Public sector employees hired prior to April 1, 1986 may be excluded from the mandatory coverage. However, employers may cover employees excluded from mandatory Medicare coverage by completing the Section 218 Agreement for Medicare-Only coverage. These contracts can allow up to 5 years retroactive coverage.

If your agency has employees in this situation and would like to offer this benefit, please contact the State Social Security Administrator's Office for assistance or visit our [webpage](#) for general information.

If employees have questions regarding Medicare eligibility please refer them to the [Social Security Administration](#) or they may sign up for a [mySocialSecurity](#) account to view eligibility.