

# Social Security & Medicare For Public Employees

(a.k.a. the OASI Program)

# OASI Program – Topics

- OASI Program - Purpose of
- Social Security 1935 - 1950
- Brief History from the 1950's
- Medicare
- Mandatory Social Security
- Section 218 Agreements
- The Referendum Process
- FAQs for Voters
- The Annual Billing Process



# What is the Purpose of the OASI Program?

To administer *voluntary* Social Security coverage for employees of state and local government in Washington State.

# What the heck does OASI stand for?

**Old Age & Survivors Insurance.**



*Ok. Still doesn't make sense though. The program deals with Social Security , but you call it the OASI program...*

# What the heck does OASI stand for?

Social Security taxes are deposited into the *Old Age and Survivors Insurance* (OASI) Trust Fund.

# What the heck does OASI stand for?

Actually, it's the OASIDI Trust Fund now:

- Old-Age and Survivors Insurance (OASI) Trust Fund
- Disability Insurance (DI) Trust Fund

The two funds were combined in 1957

# Social Security (1935 – 1950)



1935 – President Franklin D. Roosevelt signed the Social Security Act

# Social Security (1935 – 1950)

1937 – Taxing provisions taken out of Social Security Act and put into Internal Revenue Code (IRC). The new section of the code was named:

- Federal
- Insurance
- Contributions
- Act

IRS collects the tax (contribution)  
SSA administers the benefit

# Social Security (1935 – 1950)

*We the People*



No Social Security coverage for state & local government employees.

# Brief History from the 1950's



# Brief History from the 1950's

1951 - **Section 218** of the Social Security Act authorized

States could enter into agreements with the federal government to **voluntarily** elect Social Security coverage for public employees who were *not* already covered under a retirement plan

# Brief History from the 1950's

1955 – retirement system members could also be covered, *except* police officers and fire fighters



# Brief History from the 1950's



1959 – police officers and fire fighters in a retirement system could be covered



# Medicare Coverage



- In 1965, Medicare was enacted as Title XVIII of the Social Security Act
- Initially provided health insurance to people age 65 and older

# Medicare Coverage

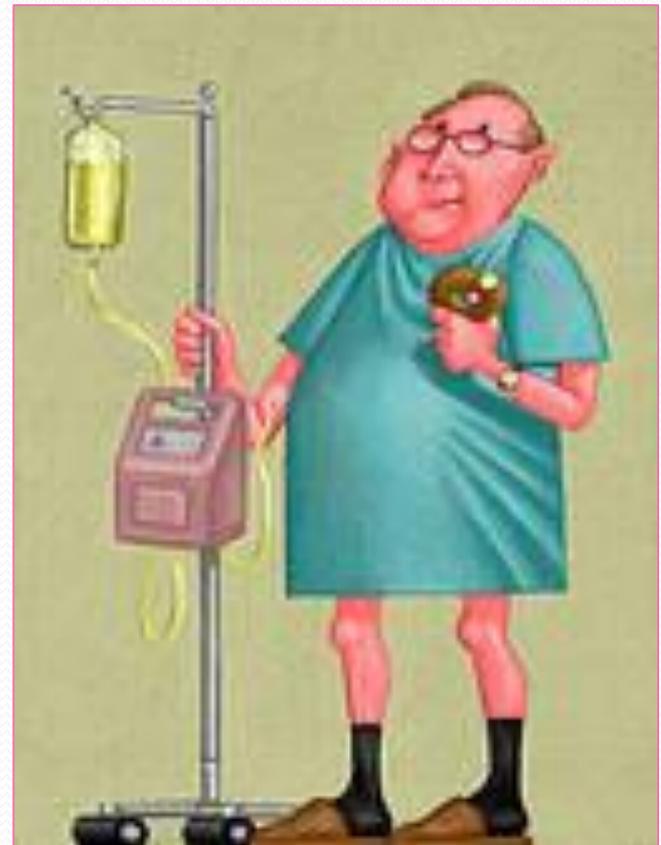
Over time, Medicare was expanded to cover younger individuals with:

- Permanent disabilities
- End stage renal disease
- Lou Gehrig's disease

# Mandatory Medicare Coverage

April 1, 1986 – mandatory Medicare coverage for most

- Everyone that participates in Social Security, also participates in Medicare
- Some employees participate in *Medicare-only*
- Some employees don't participate in either program



# Mandatory Social Security Coverage

July 2, 1991 – mandatory Social Security coverage extended to most state & local government employees, *unless* they are members of a retirement system



Now employees are covered in one way or the other – *Social Security* or a *public retirement system*

# Exemption from Mandatory Social Security

A full-time employee of a state or local governmental agency, working in a position covered by a qualified retirement system is *exempt from mandatory Social Security coverage*; but may participate in Social Security if the employer has voluntary coverage in place, also referred to as Section 218 coverage.

# Section 218 Agreements

Section 218 Agreements are the means by which state and local governmental employers obtain voluntary Social Security coverage



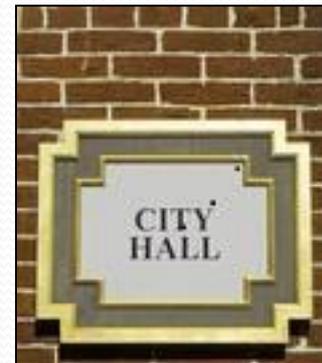
# Section 218 Agreements

The original 218 Agreement for each state is between the state and the federal government



# Section 218 Agreements

Each state administers their 218 Agreement by entering into separate agreements with state & local governments, then “modifying” the original Agreement.



# Section 218 Agreements



No voluntary coverage until the SSA gives the final approval

# Section 218 Agreements

All 50 states, Puerto Rico, the Virgin Islands, and approximately 60 interstate instrumentalities have Section 218 Agreements with the SSA



Estimated that one fourth of public employees do not participate in Social Security

# Section 218 Agreements

Two methods of entering into Agreement:

1. *Before* joining a retirement system, all that is needed to obtain Section 218 coverage is a resolution by the governing board



# Section 218 Agreements

Two methods of entering into  
An Agreement:

2. *After* joining a retirement system, a “majority vote referendum” must be held



# Section 218 Agreements



The referendum must be authorized by the employer. The employees cannot hold a referendum otherwise

# WA's 218 Agreement



1950's – retirement system members & non-retirement system members were covered at:

- State agencies (except State Troopers)
- Colleges
- School Districts

Political subs are covered on an individual basis

# State Social Security Administrator

- Each state has a person or agency assigned to be the State Social Security Administrator (SSSA)
- Employment Security Department was the SSSA from 1951 to June 2009
- DRS became the SSSA effective July 1, 2009

# SSSA Responsibilities

- Administer the provisions of Social Security and Medicare as it pertains to state and local government employees
- Advise new entities regarding OASI coverage. Many payroll officers are unaware of special provisions for coverage of government employees

# SSSA Responsibilities

- Monitor coverage at existing entities
- Respond to inquiries from employers regarding coverage



# SSSA Responsibilities



- Take appropriate steps to execute modifications to the original agreement
- Provide SSA with notice and evidence of the legal dissolution of covered entities



# The Referendum



# The Referendum

Most of the Referenda that have been held since DRS took over as SSSA, have been for entities that have been withholding Social Security in error for *years*.

# The Referendum

Must have at least 50% +1 'Yes' votes to result in a favorable referendum

To clarify: 50% +1 of the *eligible voter count*, not the number of ballots returned

- If there are 24 eligible voters then 13 "YES" votes are needed for a favorable result.

# Who is eligible to vote?

Employees of the agency that :

- were in a **PERS**-covered position on the date the Notice of Referendum was posted (**October 1, 2013**)  
***and***
- are still in a **PERS**-covered position on the date of the Referendum (**January 6, 2014**)

# The Referendum Process

DRS will provide the following to an employer for each eligible voter

- Ballot
- Security envelope with no identifying marks
- Outer mailing envelope that you must sign

# The Referendum Process

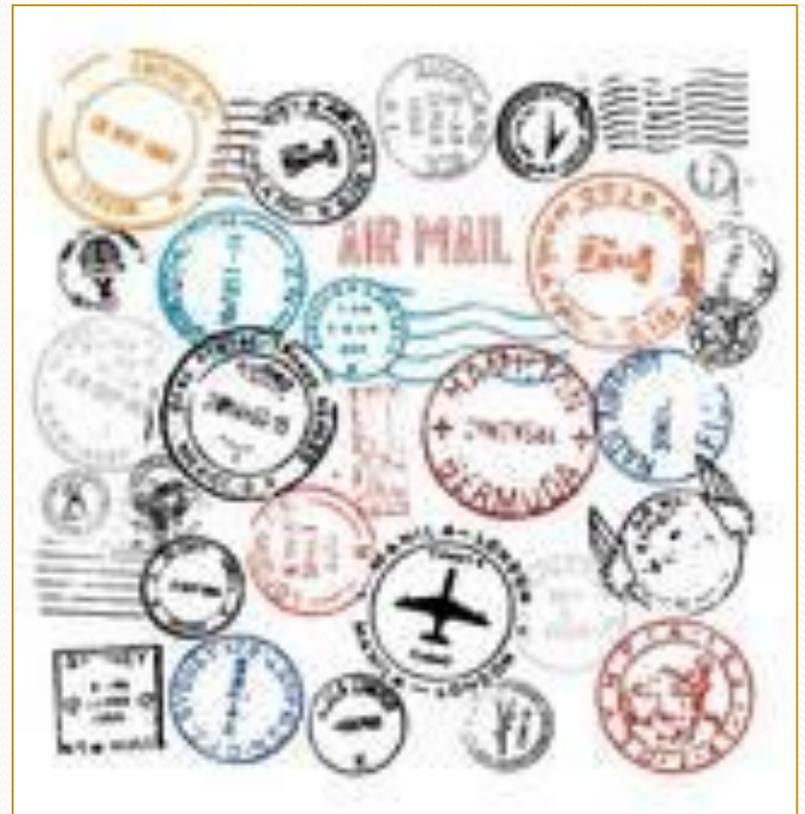


The employer will distribute the ballots and envelopes to you no earlier than 3 days before the referendum.

(01/03/2014)

# The Referendum Process

Ballots ,must be postmarked  
by **January 21, 2014** to count



# The Referendum Process

OCTOBER 2013						
Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
		1 Posted	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

JANUARY 201						
Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
			1	2	3 Ballots Distributed	4
5	6 Date of Referendum	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22 Postmark Date	23	24	25
26	27	28	29	30	31	

# The Referendum Process

A failure to return a ballot = a “No” vote



# The Referendum Process



- DRS will tally the votes using several different people to verify the count
- DRS will advise the employer of the results

# The Referendum – If Favorable



- After final approval is granted by the SSA, DRS will send the Section 218 documents to the employer
- Employees will not see or notice any change

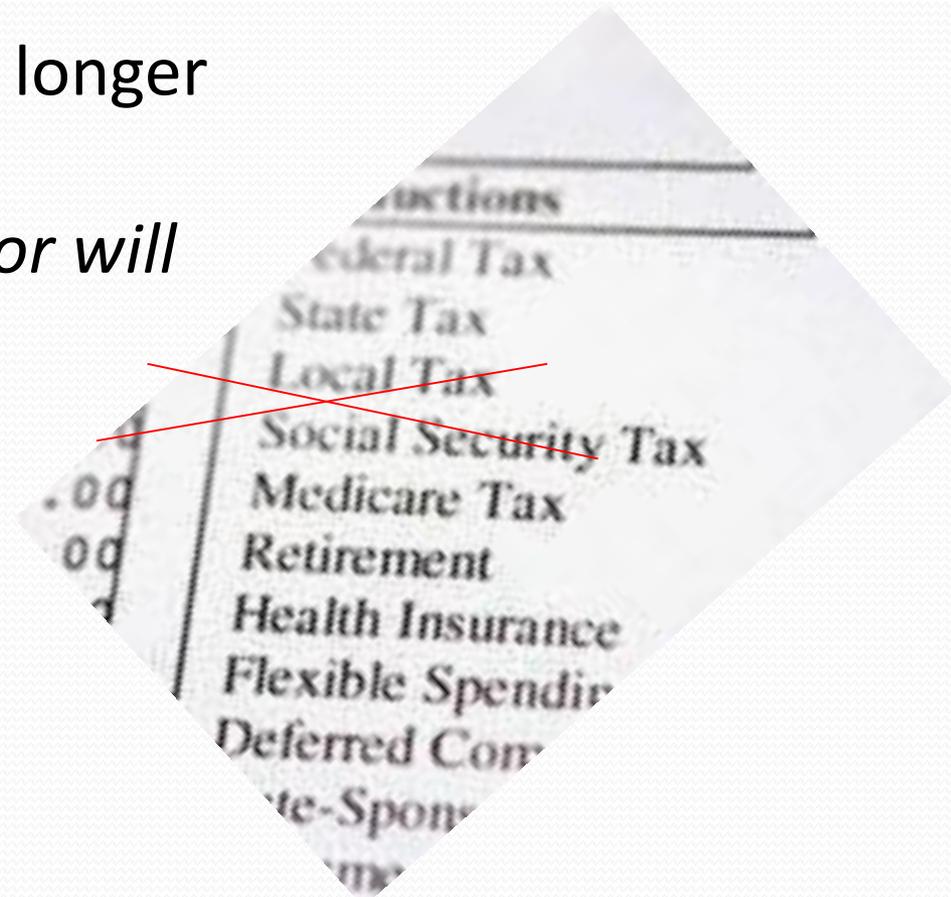
# The Referendum – If Favorable



- After final approval is granted by the SSA, DRS will send the Section 218 documents to the employer
- **Social Security coverage can never be terminated**, all future employees will be covered

# The Referendum – If Unfavorable

Social Security taxes will no longer be withheld from the employees paycheck; *nor will the employer pay Social Security taxes on the wages*



# The Referendum – If Unfavorable

The employer will:

1. Correct/remove the wage amounts previously reported to the SSA
2. Process a refund of SS taxes paid to the IRS

# The Referendum – If Unfavorable

The employer must send the SSA corrected Social Security wage data for Tax Years **2010 – present**. This means removing wages from the Social Security record. For example:

## Your Social Security Record:

Year	Before	After
2010	\$40,129	\$0.00
2011	\$45,874	\$0.00
2012	\$46,534	\$0.00
2013	\$40,761	\$0.00

# The Referendum – If Unfavorable

To send corrected data to SSA and obtain a refund of employer-paid Social Security taxes, the employer must:

- Process Form **W2-C** for each tax year open to correction (currently **2010**-present), reducing the Social Security wages and taxes to zero for each affected employee.
- File **941-X** forms for the appropriate periods to obtain a refund of the incorrectly paid employer share of the Social Security taxes.

# The Referendum – If Unfavorable

*Question:* How will the *employees* obtain a refund of Social Security taxes paid from 2010 – present?

*Answer:* There are two options.

- Employer requests
- Employee requests

# The Referendum – If Unfavorable

*Option 1:* Employer recovers Social Security taxes for employee

- Employer follows the **941-X** instructions to obtain a refund of the employee's share of taxes
- Employer reimburses the employee for Social Security taxes at the time the Form **W2-C** is provided to them

# The Referendum – If Unfavorable

*Option 2:* Employee obtains refund of Social Security taxes from IRS

- Employee must file Form **1040-X** or **Form 843** to recover their portion of the Social Security taxes after the employer provides the Form W2-C to them
- Employee may need to consult a tax professional regarding which form to use

# FAQs

*Question:* Is a refund of employee-paid Social Security considered taxable income?

*Answer:* No. The employee's income or wages are not increased. The tax was already withheld from their wages

# FAQs

*Question:* What about the years prior to 2010?

*Answer:* Those years are closed to correction. That means that the employee cannot receive a refund for Social Security taxes paid prior to tax year 2010, and the wage data and Social Security credits stay on the books.

# FAQs

*Question:* Can another referendum be held?

*Answer:* Yes, it must be at least one year after the last referendum. The governing board of the agency must authorize by a resolution.

# FAQs

*Question:* If the retirement system members vote against voluntary participation in Social Security, is the employer required or obligated to provide some other benefit to replace it?

*Answer:* No

# FAQs

*Question:* Are the employees entitled to the employer-paid Social Security taxes that will be refunded to the employer if the referendum fails?

*Answer:* No

# FAQs

*Question:* Would an unfavorable vote impact employees that no longer work for that employer?

*Answer:* Yes. Social Security wages and credit will be removed from their records as well and they will also be due a refund.

# FAQs

*Question:* Could an unfavorable vote impact current or former employees that are already collecting a Social Security benefit?

*Answer:* There is the possibility that their benefit could be reduced.

# FAQs

*Question:* Is it possible that a employee's future Social Security benefit will be less than projected if they stop paying into Social Security now?

*Answer:* It is possible

# FAQs

*Question:* Is it possible that there is no advantage for me to stay in Social Security?

*Answer:* It is possible

# FAQs

*Question:* Does participating in Social Security impact an employee's DRS benefit in any way?

*Answer:* No

Go to [www.drs.wa.gov/employer](http://www.drs.wa.gov/employer) and click on “Social Security for Public Employees” for more information

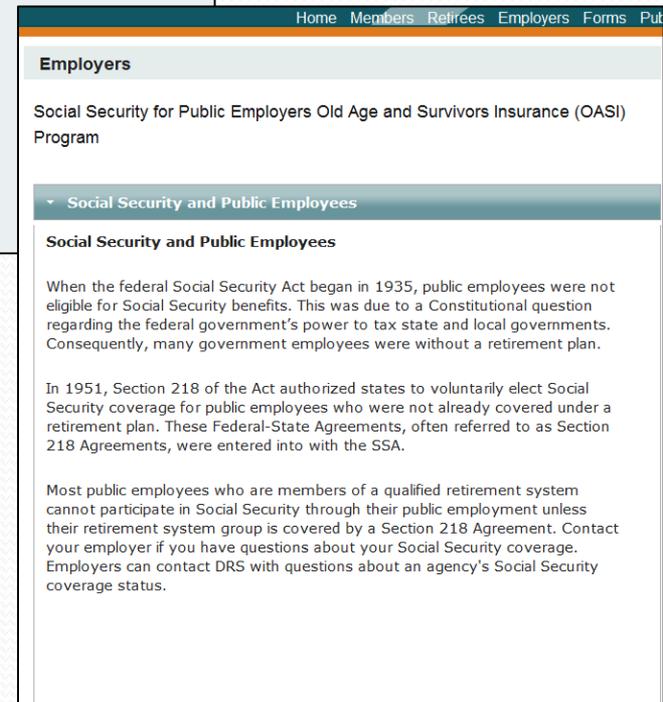


**DRS**  
WASHINGTON STATE  
Department of  
Retirement Systems

Contact Us | Login | **Search**

Home Members Retirees **Employers** Forms Publications Education General

- Resources**
  - ❖ Publications
  - ❖ Forms
  - ❖ Workshop Registration
  - ❖ Handbook
  - ❖ Employer Advisory Committee
  - ❖ Employer Reporting Project
  - ❖ FAQs
  - ❖ Frequently Used Tables
  - ❖ **Social Security for Public Employers**
  - ❖ GASB Standards
- Training**
  - ❖ Payroll and Human Resources
  - ❖ New Hire Pyramid
- Retirement Planning**
  - ❖ Help for your Employees
  - ❖ Deferred Compensation Program
- Services**
  - ❖ eServices Login
  - ❖ Self Audit Program
- Updates**
  - ❖ DRS Communications
  - ❖ What's New
  - ❖ Legislation



Home Members Retirees **Employers** Forms Publications

**Employers**

Social Security for Public Employers Old Age and Survivors Insurance (OASI) Program

▼ Social Security and Public Employees

**Social Security and Public Employees**

When the federal Social Security Act began in 1935, public employees were not eligible for Social Security benefits. This was due to a Constitutional question regarding the federal government's power to tax state and local governments. Consequently, many government employees were without a retirement plan.

In 1951, Section 218 of the Act authorized states to voluntarily elect Social Security coverage for public employees who were not already covered under a retirement plan. These Federal-State Agreements, often referred to as Section 218 Agreements, were entered into with the SSA.

Most public employees who are members of a qualified retirement system cannot participate in Social Security through their public employment unless their retirement system group is covered by a Section 218 Agreement. Contact your employer if you have questions about your Social Security coverage. Employers can contact DRS with questions about an agency's Social Security coverage status.

# Annual Billing

- DRS will request the total FICA earnings for the previous year
  - Late January/early February
- DRS bills for a total of \$75,000 depending on the employer's earnings for the year will depend on the amount

# Annual Billing

- The larger the earnings the larger the invoice amount
- Invoice minimum is \$25.00

The screenshot shows the DRS website interface. At the top left is the DRS logo with the text "WASHINGTON STATE Department of Retirement Systems". To the right is a navigation bar with "Contact Us | Login | Search" and a search input field. Below the navigation bar is a menu with "Home", "Members", "Retirees", "Employers", "Forms", "Publications", "Education", and "General". The main content area is divided into two columns. The left column is titled "Employers" and contains a section "In the Know" with a sub-section "New to Payroll or Human Resources?" and a paragraph about WebEx training. Below that is a sub-section "Old Age and Survivors Insurance Program (OASI)" with a paragraph about annual invoices and a link to "OASI@drs.wa.gov". The right column is titled "Employer eServices Login" and contains a "Log in" button. Below that is a section "Employer eServices Information" with three links: "Obtain or Change a Password", "Request a Change in Personnel", and "Overview of eServices Available". At the bottom of the right column are two sections: "Popular Links" and "Contact ESS".

**DRS**  
WASHINGTON STATE  
Department of  
Retirement Systems

Contact Us | Login | Search

Home Members Retirees Employers Forms Publications Education General

## Employers

### In the Know

#### New to Payroll or Human Resources?

Sign up for one of our new Payroll classes. Watch the presentation and ask questions from your own desk through WebEx. One of our Employer Support Specialists will present two hours of training to get you started with the basics of retirement reporting. Classes offered monthly. Contact [Employer Support Services](#) to sign up.

#### Old Age and Survivors Insurance Program (OASI)

DRS will send annual OASI invoices to participating employers in March. Watch for an email requesting 2013 wage data. DRS is responsible for administering the OASI Program (Social Security for Public Employers) for state and local government employers in the state of Washington. If you have any questions, please email [OASI@drs.wa.gov](mailto:OASI@drs.wa.gov).

### Employer eServices Login

#### Employer eServices Information

- ❖ [Obtain or Change a Password](#)
- ❖ [Request a Change in Personnel](#)
- ❖ [Overview of eServices Available](#)

#### Popular Links

- ▶ [Contact ESS](#)