

Missouri NEA works to solve problem with PSRS/Social Security change for select PSRS members.

Questions and Answers

What is the issue?

As a result of an IRS audit of two Missouri school districts, the Social Security Administration (SSA) has changed its position on which Missouri public school employees are exempt from paying social security taxes. This change in position by the SSA does not affect who is eligible for membership in PSRS. In other words, people impacted by this change would remain members of PSRS, but would now be required to contribute to Social Security also.

In the past, all school district employees working in any capacity who possess a certificate issued by the Department of Elementary and Secondary Education and who work at least 17 hours on a regular basis were excluded from social security coverage. The new ruling by SSA states that the only public school employees exempt from paying social security are PSRS members in the positions of teacher, teacher-secretary, substitute teacher, supervisor, principal, supervising principal, superintendent, assistant superintendent, nurse or librarian as those positions are described by the Office of Administration and SSA. Individuals employed in all other position must pay social security taxes beginning on July 1, 2009.

What is the basis for this change?

Over the last 40 years, Missouri school districts have entered into Section 218 agreements. These agreements said those covered by the Public School Retirement System (PSRS) were exempt from paying social security. At that time the group identified by state statute as members of PSRS included those individuals employed in the positions of teacher, teacher-secretary, substitute teacher, supervisor, principal, supervising principal, superintendent, assistant superintendent, nurse or librarian who were duly certificated under the laws governing the certification of teachers.

In 1984, Missouri statutes were changed and the definition of those eligible for PSRS became “any person who shall be employed by any public school on a full-time basis and who shall be duly certified under the law governing the certification of teachers...” It has been interpreted since that time that any public school employee who is eligible for PSRS is exempt from paying social security.

While the 1984 change does establish eligibility for PSRS, the IRS and SSA said the change has no impact on the earlier Section 218 agreements and the definitions remain as originally established for purposes of determining what positions are subject to FICA withholding.

Who is impacted?

The exact positions that will be impacted by this decision have not been identified by the Missouri Office of Administration. PSRS and Missouri NEA do not determine who will participate in Social Security. All questions about who will be impacted must be directed to the Office of Administration (oa.mo.gov/acct/ssa.htm). To date, NOT all decisions of who will or will not be impacted have been made. Tom Sadowski (573-751-4013) or Vandee DeVore (573-522-5863) at the Office of Administration (OA) can be contacted regarding the question of who is impacted. It is safe to say that thousands of Missouri educators will be impacted including some central office administrators, instructional aides, counselors, nurses that are not RNs, transportation employees, food service employees, maintenance employees, parent educators, and many others. As we understand it now, to be exempt from paying social security one of the following conditions must be met: (1) The position must be one of those

identified in the original Section 218 agreement or (2) if the position was created after the agreement, the employee is only exempt if the employee was required by State law to have a Missouri teaching certificate when the position was created. The Office of Administration has also indicated that most if not all extra-duty stipends will be subject to the social security withholdings. The PSRS attorney explains the issue in detail in a video available on the PSRS website at www.psrsmo.org.

How will this impact current PSRS members who could be required to pay social security taxes?

Employees who are now in PSRS will retain all the benefits and years of service credit they have accumulated until July 1, 2009. However, if they are a “non-exempt” employee, beginning July 1, 2009 they will pay two-thirds of the required PSRS contribution (9%) and full social security (6.2%) for a total estimated retirement contribution of 15.2% of his/her salary. The school district must match this amount paid to PSRS and the SSA.

If an employee is paying 2/3 of the PSRS contribution, how will the retirement benefits be impacted?

PSRS does control this part of the solution. PSRS is in the process of determining the impact of the statutory 2/3 provision of the PSRS benefits. Missouri NEA continues to monitor and report their action.

How much would a person with \$60,000 in PSRS “salary” pay for retirement?

If only the PSRS contribution calculation is in place on July 1, 2009: $\$60,000 \times 13.5\% = \$8,100$. But with the change, if the person is a non-exempt employee, the PSRS contribution calculation will be $\$60,000 \times 13.5\% \times .6666 = \$5,400$, plus social security of $\$60,000 \times 6.2\% = \$3,720$ for a total contribution of \$9,120 from both the employee and the district. This is obviously an increase.

What can a person do to fight this change?

Contact U.S. Senators McCaskill and Bond and your U. S. Congressman to ask them to help delay this decision until at least July 1, 2010. Tell them that this has a major impact on the career decisions of Missouri educators. More time is needed to fully understand exactly which employees are affected by this decision and the impact on their future retirement income.

What is Missouri NEA doing?

Missouri NEA is working to correct the problem in several ways. As a coalition member with other education groups in the Education Roundtable, we passed a joint resolution opposing the changes. You can go to the Missouri NEA website www.mnea.org to view the resolution and the magnitude of education groups involved in solving the problem. In addition, once the final decision is made regarding who will be impacted, Missouri NEA will provide sample letters so members can contact Governor-Elect Nixon, U.S. Senators, our U.S. congressional delegation, and President-Elect Obama with a long-term solution.

Missouri NEA’s message at this time is to reverse or postpone the decision.

Check the Missouri NEA website for updates. It is important that we exercise caution and proceed only when accurate information is available. We will mobilize with one voice once the misunderstandings and incorrect interpretations are cleared up.

www.mnea.org



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