

## Understanding State Social Security Fees

Since 1955, CalPERS has been designated as the State Social Security Administrator (SSSA) for California. As the SSSA, CalPERS is primarily responsible for administering Section 218 agreements between the federal Social Security Administration and state and local government employers that have chosen to provide Social Security benefits to their employees. The agreements detail benefits and coverage amounts, and are so-named because they are authorized by Section 218 of the Social Security Act.

CalPERS also processes agreement modifications, provides education to employers about Social Security and Medicare coverage, and collects and reports employer and coverage information to the Social Security Administration through annual information requests (AIR).

Although the SSSA program resides within CalPERS, it is not part of core pension and health benefit programs. Prior to 2019, funds to pay for SSSA-related administrative expenses came from interest earned on past Social Security tax payroll withholdings. Those funds are now exhausted. Because CalPERS is legally prohibited from using pension and health funds to cover the SSSA's administrative expenses, it must now collect a fee from those public agencies that have Section 218 agreements.

### What changed? How were the costs for administering this program paid before?

From 1955 to 1986, CalPERS collected Social Security tax withholdings from public agencies and then remitted the withholdings to the Social Security Administration. Those funds earned interest while on deposit, and the interest earnings were utilized to pay for SSSA-related administrative expenses. Although the IRS took over the collection activities in 1987, residual interest earnings continued to fund administrative expenses through 2018. In 2019, the resources will be depleted. The federal Social Security Administration does not reimburse CalPERS for its SSSA expenses, and CalPERS cannot legally use pension or health care funds for this purpose. Therefore, an annual fee must now be collected from the public agencies directly.

### Which public agencies are required to pay?

Any state or local government public agency or school that has a voluntary Section 218 agreement must pay the fee. This includes state agencies, cities, counties, special districts, schools, colleges, and universities.

### How do I know if my agency has entered into a voluntary agreement?

Please contact the SSSA at 916-795-0810 or via email at [sssa@calpers.ca.gov](mailto:sssa@calpers.ca.gov)

### What if my public agency is not coordinated with Social Security?

If your agency does not have a section 218 agreement in place, then your agency will not receive an invoice for the annual fee.

### What if only some of my employees are coordinated with Social Security, but not all?

Your agency will still be assessed the fee, based on the full employee population.

### What if my public agency doesn't contract with CalPERS for pension or health care?

The SSSA program is not part of core pension and health benefit programs and is unrelated to other contracts with CalPERS. The fee is applicable regardless of whether a public agency has a pre-existing contract with CalPERS for pension or health care benefits.

### What do the fees pay for?

The fees collected will be held in a distinct account and utilized to fund the staff, resources, and administrative expenses incurred by CalPERS to administer the Social Security program. This includes administering new Section 218 agreements, processing Section 218 coverage modifications, providing education to employers about Social Security and Medicare coverage, and collecting and reporting employer and coverage information to the Social Security Administration. The fees will not be used to cover any expenses related to pension or health care benefit programs. CalPERS will annually review the account balance and adjust the fee schedule as necessary to maintain no more than a one-year reserve of funds.

### Why is CalPERS involved in Social Security?

The California Government Code designates CalPERS as the State Social Security Administrator for California.

### How is the fee schedule determined?

The fees are based on the number of employees working at each public employer. The delineations between the categories are based on employer sizes used by the U.S. Department of Labor. The amount of the fee is based on the cost of administering the program. The fees collected are designed to maintain one year of reserves for the program, on a rolling annual basis.

## How much is the fee?

There are two types of fees that may be assessed:

- A \$650 fee to establish a new or amend an existing Section 218 agreement
- An annual maintenance fee based on the number of employees as follows:

Number of employees	Fee
1 – 4	\$200
5 – 9	\$250
10 – 19	\$300
20 – 49	\$400
50 – 99	\$500
100 – 249	\$1,000
250 - 499	\$1,500
500 – 999	\$2,000
1000+	\$2,500

## When is this fee due and when will public agencies receive an invoice?

CalPERS will assess the annual maintenance fees annually through the AIR process. Beginning in August 2019, CalPERS will assess approximately 600 employers/month in alphabetical order. Employers will have 30 days to pay the fee. The implementation or modification fee for Section 218 agreements are due within 60 days of initiating the process. The invoice can be viewed and paid through your agency's my|CalPERS account. CalPERS will assist those agencies that do not have pension or health care contracts to establish a my|CalPERS account. Please contact the SSSA at 916-795-0810 or via email at [sssa@calpers.ca.gov](mailto:sssa@calpers.ca.gov) for assistance with account setup or usage.

## What happens if a public agency does not pay the fee?

The fee is mandatory. Late fees and interest will be assessed after 30 days, and collections activities will be initiated for unpaid accounts.