Public School Retirement and Social Security
Frequently Asked Questions

Can you tell me about what is happening with teacher retirement and Social Security?
The Social Security Administration (SSA) has changed its position regarding which Missouri public school employees are exempt from paying Social Security taxes. In the past, all members of the Public School Retirement System of Missouri (“PSRS”) were excluded from Social Security coverage.

The new ruling by SSA states that PSRS members employed in certain positions are exempt from paying Social Security. Individuals employed in all other positions must pay Social Security taxes beginning on July 1, 2009.

Who is in this select group?
The SSA has determined that only Public School Retirement System (PSRS) members in the positions of teacher, teacher-secretary, substitute teacher, supervisor, principal, supervising principal, superintendent, assistant superintendent, nurse or librarian are exempt from paying Social Security. See the attachment for a complete description of these positions.

I am a teacher, so I am not affected. Right?
We’re not sure. The Missouri Office of Administration (OA) is the State Social Security Administrator in Missouri. Many of the exact positions that will be impacted by this decision have not been identified by the OA or the Social Security Administrator. It is safe to say that thousands of Missouri educators who are members of PSRS and exempt from paying Social Security will be impacted including some central office administrators, instructional aides, counselors, certificated transportation employees, certificated food service employees, certificated maintenance employees, certificated parent educators, and many others.

Can you give me an example?
According to Vandee DeVore at OA, a vocational education instructor was not a “teacher” position as defined in statutes applicable to PSRS because teacher certification was not required for the position when the agreements were executed. Even though there was a change in 1981 in teacher certification requirements for that position, it would remain covered for Social Security despite the subsequent change in certification requirements. (Per email from Vandee DeVore on October 30, 2008)

I am a retired teacher who occasionally substitutes. Am I impacted?
Yes. Once you begin to collect your PSRS retirement benefit, you are no longer considered an active member of PSRS; you are considered an annuitant. The only time rehired PSRS annuitants are excluded from social security is when they are allowed to start new PSRS memberships and are making current contributions to PSRS. State law (§169.561 RSMo) requires members of PSRS to be defined as contributing members.
What makes a position exempt?
To be exempt from paying Social Security one of the following conditions must be met: (1) The position must be one of the original positions identified or (2) the employee was required by State law to have a Missouri teaching certificate when the position was created. The OA has also indicated that most, if not all, extra-duty stipends will be subject to Social Security withholdings. (NOTE: Districts should verify this last sentence with the OA/SSA).

What prompted this change?
We are not sure, but we believe that the issue began with an audit of two school districts by the IRS. The SSA(OA) determined that many Missouri school districts have been improperly excluding some employees from Social Security coverage when the employees were working in positions covered by the district’s Section 218 agreement.

What is a Section 218 Agreement?
A Section 218 agreement is a written voluntary agreement between the State, the political subdivisions (such as school districts), and the SSA to provide Social Security and Medicare coverage for state and local government employees. Under Missouri Section 218 agreements, the only school district positions excluded from Social Security coverage are those positions that were under a retirement system (defined by state law) on the date the district executed its Section 218 Agreement.

You mean my district has been doing it wrong all this time?
No. School districts have been operating under the guidance provided by the SSA (OA) as to who was exempt from Social Security. As late as January 2006, the SSA sent a letter to the Missouri SSA (OA) indicating that all members of PSRS were exempt from paying into Social Security.

I’m confused. Are you saying that I can be a member of PSRS and pay Social Security?
Yes. Employees who are determined to be “non-exempt” 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.

When does this change take effect?
The change is slated to go into effect on July 1, 2009.

If I am affected will I have to drop out of PSRS?
No. This change in position by the SSA does not affect who is eligible for membership in PSRS. Individuals who are currently in the Public Education Employees Retirement System (PEERS) do not appear to be affected by this issue.

If an employee is paying 2/3 of the PSRS contribution, how will the retirement benefits be impacted?
PSRS is in the process of determining the impact of the statutory 2/3 provision on PSRS benefits.
What happens to my contributions already made to PSRS?
Employees who are now in PSRS will retain all the benefits and service credit they have accumulated.

I heard that as a teacher I might not be able to collect Social Security, even if I have enough quarters to qualify. Is this correct?
You’re asking about the Windfall Elimination Provision (WEP). The WEP affects how the amount of your Social Security retirement or disability benefit is calculated if you receive a pension from work where Social Security taxes were not taken out of your pay.

How does the WEP affect me?
The Windfall Elimination Provision primarily affects you if you earned a pension in any job where you did not pay Social Security taxes and you also worked in other jobs long enough to qualify for a retirement or disability benefit. In this case, a modified formula is used to calculate your benefit amount, resulting in a lower Social Security benefit than you otherwise would receive.

Why was the WEP put in place?
Social Security benefits are intended to replace only a percentage of a worker’s pre-retirement earnings. The way Social Security benefit amounts are figured, lower-paid workers get a higher return than highly paid workers. For example, lower-paid workers could get a Social Security benefit that equals about 55 percent of their pre-retirement earnings. The average replacement rate for highly paid workers is about 25 percent.

Before 1983, people who worked mainly in a job not covered by Social Security had their Social Security benefits calculated as if they were long-term, low-wage workers. They had the advantage of receiving a Social Security benefit representing a higher percentage of their earnings, plus a pension from a job where they did not pay Social Security taxes. Congress passed the Windfall Elimination Provision to remove that advantage.

For more information on the Windfall Elimination Provision, visit http://www.ssa.gov/pubs/10045.html

I’m not happy about this change to my retirement! What can I do?
There are several avenues you can use to voice your concerns about this change. First, you can call Tom Sadowski (573-751-4013) or Vandee DeVore (573-522-5863) at the OA and tell them to stand up for Missouri educators and fight this decision by the Social Security Administration and IRS. Tell them that this has a major impact on the career decisions of Missouri educators. Ask them to delay this decision until at least July 1, 2010.

Second you can call your state representative, state senator and Governor. Ask them to intervene to delay this decision and explore ways to resolve this issue.

Finally, call or email Senator Kit Bond, Senator Claire McCaskill and Missouri members of the US House of Representatives. Ask that any decision relating to a change in the determination of Social Security exemption be delayed until at least July 1, 2010 to...
adequately inform employees who will be impacted; to allow school districts and PSRS to make the necessary changes in accounting procedures; and to train school employees on how to calculate the new retirement contributions.

Ask them to contact the Social Security Administration and IRS to allow Missouri school districts to modify their Section 218 agreements to reflect the current practice of exempting PSRS members from contributing to Social Security.

The St. Louis Cooperating School Districts has an excellent internet portal that provides contact information for both state and national elected officials. This portal can be accessed at www.csd.org by clicking on the link in the lower right part of the page.

The only way to solve this issue is for a large number of school employees to contact their elected officials. Please do not delay – start calling and emailing today!