Social Security/Medicare

The Social Security (FICA) tax consists of two parts:

1. Old-age, Survivors, and Disability Insurance (Social Security)
   2002 – 6.2% from employee and employer based on gross salary
2. Hospital Insurance (Medicare)
   1996- 1.45% from employee and employer based on gross salary

An Amendment to the Social Security Act of 1950 permitted state and local governments to elect coverage of employees not already covered by a pension plan (effective 1951) such as LASERS, TRSL or ORP. On December 10, 1952, the State of Louisiana entered into a Section 218 Agreement with the Social Security Administration to provide social security coverage for certain state and local governmental employees. In Louisiana, the State Treasurer is the Social Security Administrator for Section 218 of the Social Security Act.

The 1954 Amendments to the Social Security Act (Section 218):

1. Permitted coverage of state and local government employees who were in positions already covered by a state and local pension plan, provided a majority of all employees who were members of the pension plan agreed, in a referendum, to such coverage.
2. Permitted coverage of ineligibles, in a modification which does not cover the retirement system coverage group, if direct reference is made to them in a proper modification submitted for that purpose.

State of Louisiana Employers with Section 218 Coverage may have employees in the following categories:

1. *Social Security and Medicare* by virtue of a Section 218 Agreement.
2. *Social Security and Medicare* by virtue of not having or participating in a retirement system (TRSL/ORP, LASERS), that meets the IRS Regulations for implementing mandatory Social Security.
3. *No Social Security or Medicare* for employees who are members of a qualified retirement plan and were hired before April 1, 1986.
4. *Retirement and Medicare* for employees who were hired or rehired after March 31, 1986.

Effective May 1, 1975, Modification No. 515 covered services by the TRSL/ORP and LASERS but who are ineligible to be members of such retirement systems. The Board of Trustees for State Colleges and Universities (University of Louisiana System) with the exclusions of elective positions, part-time positions, fee basis, agricultural labor, or students is covered by this modification.

Social Security - Mandatory Coverage

Effective July 2, 1991, most services performed for the State and local government by individuals who are not members of the State's qualified retirement system are mandated to be covered by Social Security and Medicare, if not already covered under a Section 218 Agreement.

Medicare – Mandatory Coverage

All State and local government employees hired after March 31, 1986, are subject to mandatory Medicare-only coverage of the FICA tax, if not already covered for full social security under a Section 218 Agreement. Employees hired before April 1, 1986, have Medicare coverage only if there was a break in state service and the employee was rehired after March 31, 1986. The University conducted a Medicare Referendum in July 2005 allowing employees to opt into Medicare-only coverage. Any newly hired employee at the University who participated in a Medicare Referendum and elected to participate in Medicare-only coverage must continue contributing to the Medicare-only tax even if there was no break in state service.

Students enrolled and regularly attending classes and who are employed by a school, college or university are not subject to Social Security or Medicare taxes.

For more information on how your Social Security benefits may be affected by your state pension, contact your local Social Security Office or visit the Social Security Administration webpage at www.ssa.gov.

For more information on Medicare visit www.ssa.gov/mediinfo.htm.

Additional references or provisions:

The Windfall Elimination Provision www.ssa.gov/pubs/10045.html
Government Pension Offset www.ssa.gov/pubs/10007.html
Statement Concerning Your Employment in a Job Not Covered by Social Security www.ssa.gov/form1945/SSA-1945.pdf