



Official State Social Security Administrator

About the State Social Security Administrator Program Newsletter

The State Social Security Administrator Program Newsletter provides information about Social Security and Medicare coverage for state and local government employees.

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State Social Security Administrator Program

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Reconciling Your W-2 with Social Security

Once again, it is everyone's favorite time of year...Tax Season! Before you complete your Federal tax return and file your financial documents away, we recommend you add one more important financial check to your list – cross reference your W-2 information with your Social Security account to ensure the correct earnings are reflected.

Why is it important to make sure the correct wages are reported to the Social Security Administration (SSA)? Your annual gross wages affect your future monthly benefit calculation. The SSA applies several formulas and calculations to determine your benefit. The SSA reviews your reported wages, indexes them at today's dollars, and uses the highest 35 years to determine the first part of their calculation called the Average Indexed Monthly Earnings (AIME). If there is a discrepancy in your wages, your AIME will be affected.

Sign up for a MySocialSecurity Account at ssa.gov to view your statement, review your earnings history, and look for errors that could lead to smaller benefits than you would otherwise be entitled to receive. If you find mistakes, contact the SSA and have them corrected to ensure you will not take a reduction in your benefits. It will be easier to make corrections now than waiting for a few years before retirement.

Please note your 2020 data will not be available yet, as the SSA updates the earnings records by the middle of the year for the prior year's information. Take this opportunity to review the rest of your past work history and set an annual reminder for the summer/fall to check your prior year's earnings records. This annual check puts you in a much better position to meet the

challenges of retirement planning to ensure a financially healthy retirement for yourself and your family.

Rehired Annuitants: Retirement System Coverage under Section 218 Agreements

In our Fall 2020 newsletter we reviewed considerations for withholding Social Security for rehired annuitants hired into positions covered by an absolute Section 218 Agreement, but what if a public employer is covered by a retirement system Section 218 Agreement? All retired annuitants hired and re-hired after April 1, 1986, are mandated to contribute to Medicare; however, Social Security tax withholding is not as definitive.

For agencies that provide a retirement system in addition to social security, when the agency first enters into the Section 218 Agreement, the agency must hold a referendum by either a majority or divided procedure. Social Security withholding requirements will depend on the voting method utilized.

In a majority referendum, if the majority (50% plus 1) of the eligible employees vote "Yes," then the entire group of employees in positions covered by the retirement system are covered for Social Security. This group of employees includes those considered ineligible to join the retirement system such as rehired annuitants and those given the option to join the retirement system, unless an exclusion applies.

In a divided referendum, employees covered by the retirement system are divided into two groups, those who individually accept Social Security participation, and those who decline participation. If the agency chooses this type of referendum, retirement system ineligibles such as rehired annuitants are not automatically covered. The Section 218 Agreement must contain specific language to extend coverage to those considered ineligible to join the retirement system.

If you are not sure if your agency has a Section 218 Agreement, which type of an agreement you have, or would like assistance in determining withholding for a specific rehired annuitant, we are happy to assist you. Contact us via email or call us directly (916) 795-0810.