



Finance and Administration Committee

Agenda Item 6a

September 17, 2019

Item Name: Proposed Regulations for Social Security Administration Fees

Program: Customer Services and Support

Item Type: Action

Recommendation

Approve the proposed regulation establishing a fee structure to fund the State Social Security Administrator (SSSA) program.

Executive Summary

Per Government Code (GC) sections 22200 and 22204, the California Public Employees' Retirement System (CalPERS) Board of Administration (Board) serves as the SSSA. The Social Security Administration (SSA) does not provide funding for the SSSA program however GC sections 22551, 22552, and 22560 authorize CalPERS to collect fees to cover the costs associated with administering the program. The proposed regulation establishes and clearly details the fee structure that CalPERS will charge public agencies with employees covered under the state's Section 218 Agreement (herein after referred to as public agency) to administer the SSSA program.

Strategic Plan

This proposed regulation supports the 2017-22 CalPERS Strategic Plan goal to mitigate risks by ensuring that CalPERS has the funds necessary to operate the SSSA program.

Background

The SSA requires each state to designate an official to administer the state's Section 218 Agreement. A Section 218 Agreement is a voluntary agreement between the state and the SSA to provide Social Security and Medicare coverage for state and local government employees. In 1955, the Governor's Office designated CalPERS as the SSSA per GC sections 22200 and 22204. CalPERS' SSSA program processes requests from employers for coverage under the Section 218 Agreement and for modifications thereto, executes employer Annual Information Requests, responds to employer inquiries, and performs education and outreach.

Between 1955 and 1986, the SSSA was also responsible for collecting Social Security and Medicare taxes from all public employers in California. CalPERS stopped collecting taxes from public employers when the Omnibus Budget Reconciliation Act of 1986 moved the responsibility of collecting taxes from CalPERS to the Internal Revenue Service. The SSSA has been operating since 1987 using the interest that was earned in the Old Age and Survivors' Insurance (OASI) Revolving Fund per GC section 22601. The OASI fund reserves have diminished during the past 22 years. This proposed regulation would establish a new fee structure necessary to cover the costs of administering the SSSA program.

In July 2019, CalPERS notified employers of its intent to collect fees to cover the SSSA program's administrative costs.

Analysis

The SSSA program costs approximately \$1.014 million annually. To ensure SSSA program funding, this proposed regulation would implement the following fee structure:

- Establish initial coverage under the Section 218 Agreement, \$650
- Modify coverage under the Section 218 Agreement, \$650
- Annual fee for public agencies with coverage under the Section 218 Agreement:

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
1,000 and over.....	\$2,500

The annual fee is a nine-tiered fee structure based on the total number of persons employed by each public agency and is designed to support equity among employers of different sizes. In addition, the proposed fees will be adjusted annually for inflation. Pursuant to GC section 22551, the California Department of Finance approved the fee structure methodology.

The proposed regulation would help increase transparency by providing public agencies with a clear fee structure and inflation adjustment calculation.

Budget and Fiscal Impacts

Due to the depletion of the OASI fund, CalPERS does not have the funds required to sustain the administration of the SSSA program. In addition, the SSA does not provide any funding for the SSSA program. Assessing the proposed fees will ensure that the SSSA program is funded and CalPERS can fulfill its delegated responsibility of administering the SSSA program.

Benefits and Risks

This proposed regulation establishes the fees necessary to continue administering the SSSA program now and into the future. If CalPERS is unable to assess the fees, CalPERS will no

longer be able to administer the SSSA program and would be out of compliance with its delegated authority.

Attachments

Attachment 1 – Proposed Regulation

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