

Chapter 01 Classification and Reporting of State Employees

100 Purpose

The purpose of this regulation is to define the term “state employee” for purposes of reporting for Social Security and retirement annuity coverage. It also clarifies PERS’ responsibilities for collecting and reporting Social Security Contributions.

101 Definition of State Employee for Social Security and Retirement Annuity Purposes

State employees are hereby defined as those who are under the control and direction of a state department, institution or agency. Each employee so covered shall be paid by the agency from funds under its control, or on the basis of budgets prepared by the agency, whether the funds involved are appropriated, donated or secured from Federal Government or from local units of state government, but which funds are mingled with the general funds or budgets of the agency, or into any fund of the State Treasury; provided that employees who are paid directly and solely from funds of a unit of local government, which funds are appropriated specifically for the operation of a department under the supervision, direction and jurisdiction of a state institution or agency, and which funds are expended on the basis of budgets prepared by the state agency and adopted by the local unit of government, shall be considered as state employees. Employees paid directly and solely from funds of a municipality or county or other political subdivision, not coming within the provisions set forth above, shall be classified as employees of local units of government. Employees paid directly and solely from federal funds by federal checks shall be classified as federal employees and shall not be included in Social Security coverage or state retirement annuity coverage.

102 Reporting of State Employees for Social Security Contributions

1. Reporting for periods prior to January 1, 1987

Prior to December 31, 1986, the state department, institution or agency which has the control and direction of state employees is responsible for the collection and remittance of the employees’ contributions and the remittance of the employers’ contributions, and have total responsibility for reporting such collections for each employee and for making the employers’ contributions for each employee to the board.

2. Reporting for periods from and after from and after January 1, 1987

The Omnibus Reconciliation Act of 1986 changed the manner in which Social Security contributions are deposited by State and local government employers. This legislation placed State and local employers under the Internal Revenue Service provisions with respect to the schedule for frequency of deposits and interest charges and penalties for late deposits. The law removed from the State the intermediary role of collecting Social Security payments from local governments and relieved the State from

liability for verifying and depositing such payments with respect to payments due on wages paid after December 31, 1986.

(History: Adopted May 29, 1951, page 11; amended June 21, 2005 to be effective August 1, 2005; reformatted August 1, 2007)