Davis Technical College
Social Security Retirement Benefit Policy and Procedures

Effective Date: 16 May 2024

1. Purpose

The purpose of this policy is to establish a policy for the administration of Social Security taxes and benefits for employees of the Davis Technical College (College).

Eligible employees of Utah College of Applied Technology (UCAT) voted in a UCAT-wide referendum to opt not to participate in the Federal Social Security system as permitted under Internal Revenue Service regulations. As a result of that referendum vote, beginning October 1, 2011, eligible employees of the College will no longer participate in the Social Security System.

2. References

2.1. Davis Technical College Employee Tax Shelter Programs Policy and Procedures

2.2. Davis Technical College Retirement Programs Policy

3. Definitions

3.1. Tax Shelter Program - Under regulations of the Internal Revenue Service, educational institutions may establish salary-or-annuity option (tax-sheltered annuity) programs in addition to their retirement plans. Under these programs, College personnel may, through a properly drawn salary deferral agreement, divert part of their compensation on a tax-free basis to purchase supplemental annuity benefits.

3.2. Salary Deferral Agreement - A salary Deferral Agreement is a binding contract, as required by Treasury regulations, between the College and the employee to accept a Deferral in salary payments or to forego receipt of an increase in salary. The deferred portion of the employee’s compensation described in the agreement is then used to purchase supplemental annuity benefits, which are tax-sheltered, i.e., federal and state taxes on the premiums remitted and, on the investment, earnings credited to them may be deferred until the employee receives them in the form of retirement or annuity benefits. At that time, the payments received may be taxed as ordinary income in the year or years in which they are received.

4. Policy

4.1. Refund - In accordance with the Social Security referendum, the College will seek a refund of the OASDI taxes or Old Age, Survivors, and Disability Insurance tax paid during the period eligible for refund. The refunded employer contributions will be deposited into the individual employee’s deferred compensation retirement account. Eligible employees who wish to obtain a refund of their employee portion of contributions are able to choose whether they will retain some or all of their refund. They may also choose to increase their employee contributions into their deferred compensation retirement account.

4.2. Future Contributions - For eligible employees who are not participating in the Social Security system, the College will maintain the same percentage of employer contribution (currently 6.2%) as is required for employers participating in Social Security. However, in lieu of paying this amount in FICA taxes, these funds will be directed to the employee’s individual deferred compensation account. Employees have the option to choose if they wish to contribute some or all of their employee portion into this account as well.

4.3. Duration - The elements of this policy will remain in effect unless this portion of the compensation funding the College receives from State appropriated money is reduced or eliminated.

5. Procedure

5.1. FICA Withholdings - Under Social Security, the employee is required to pay FICA social security taxes as a percentage of their gross wages, and the employer also pays a matching amount. This tax is referred to by the Federal government as the OASDI tax. The percentages of this tax may change from time to time as adjusted by the Federal government. The employee and employer both pay an additional tax for Medicare, which may also change from time to time as adjusted by the Federal government. These funds are remitted regularly to the IRS for those College employees who are participating in the Social Security system.

5.1.1. For eligible employees who are not participating in the Social Security system, the College will maintain the same percentage employer contribution (currently 6.2%) as is required for employers participating in Social Security, taking into account maximum contribution limits. However, in lieu of paying this amount in FICA taxes, these funds will be directed to the employee's individual deferred compensation retirement account.

5.1.2. Employees hired on or after July 1, 2021, will be automatically enrolled to have the employee contribution of the social security equivalent amount of their gross salary automatically deferred into the employee's URS 401(k) Plan. Employees wishing not to make this salary deferral may opt out at any time.

5.1.3. The Medicare taxes paid by the employee and employer will continue to be paid to the IRS for all employees.

5.1.4. The contributions made to an employee's deferred compensation retirement account as a result of not participating in Social Security will be in addition to the amount paid into an eligible employee's employer-paid retirement plan as defined in the Retirement Programs Policy.

5.2. Approved Retirement Accounts - The designated contributions from the employer will be directed into the individual's deferred compensation account. Only deferred compensation plans approved by the College administration will be used for this purpose.

5.3. Contribution Limits - The annual maximum contribution amounts allowable for both employee and employer contributions are governed by applicable provisions of the Internal Revenue code and may vary from year to year. Information regarding these amounts is available from the College Human Resources department.

5.3.1. Additional Elective Deferrals - Employees are permitted to make additional elective contributions into their deferred compensation retirement accounts by completing a Salary Deferral Agreement, as described in the Employee Tax Shelter Programs Policy and Procedures. Employees may choose their account options from the approved vendors and accounts offered by the College.

6. Approvals and Notes

Revised Board Approval: 16 May 2024
President's Council Approval: 15 April 2024
Effective Date: 1 October 2011
Board Approval: 15 September 2011
President's Council Approval: 13 September 2011