

# Staff Concerns—December 2016

**\*\*CONCERN (submitted 12/06/2016)\*\***

I am concerned that there are NO crosswalks to the new enrollment service building.

**RESPONSE was sent to Rick Linio, AVP Facilities Management**

**As of January 13, 2017, we have not received a response from Mr. Linio.**

**\*\*CONCERN (submitted 12/14/2016)\*\***

I recently saw this article in the Herald-Leader that talks about pay cuts beginning at the first of the year and it states "The settlement affects all governmental employers in various retirement plans, including the executive, legislative and judicial branches of state government; eight universities; the community and technical college system; and 1,471 county and city governments and local school districts."

Is MSU included in the "eight universities"? Will we see a pay cut beginning in January 2017?

<http://www.kentucky.com/news/local/education/article120559853.html>

**RESPONSE was sent to Harold Nally, Human Resources Director**

**Per the Employee's request is further explanation concerning the FICA Taxation change and an example showing the difference for an employee participating in KRS with 5% contribution.**

## **Brief Summary of IRS and Commonwealth FICA Taxation Change**

**1/1/2017**

**Recently, the IRS notified the Commonwealth that its method for withholding taxes for employee retirement contributions was not aligning with the United States Court of Appeals ruling (Public Employees Retirement Board v. Shalala) in May 2014. Therefore, effective January 1, 2017, it is mandated by the Personnel Cabinet to update the FICA computation method.**

**This means that all employees that participate in the KRS (5%) (6%), HKRS (8%) (9%), and KTRS (8.185%) at Morehead State University (other universities are also required to make this change if they participate in the state retirement systems) will now be subject to Social Security and Medicare taxation.**

The following example shows the difference for an employee participating in a KRS with 5% contribution:

	<u>Current Calculation</u>	<u>New Calculation</u>
Semi-Monthly Gross	\$1,265.00	\$1,265.00
Less Retirement Contributions	(63.25)	--
Base Wages for Social Security/Medicare	<u>\$1,201.75</u>	<u>\$1,265.00</u>
Social Security/Medicare Tax	\$91.93	\$96.77
Increase in Social Security/Medicare Tax		\$4.84

For this example, the employee will see a decrease of \$4.84 in each check (subject to change based on gross per pay period).

**Both employers and employees will have to pay the increased amount. The additional contributions in the FICA taxes will result in increased Social Security benefits upon retirement.**

**This interpretation is exclusively controlled by the IRS... the Commonwealth must comply.**