



TO: Re-employed Retirees

FROM: Charles M. Peccolo

A handwritten signature in black ink that reads "Charles M. Peccolo".

DATE: November 27, 2007

SUBJECT: FICA Taxation of Wages Earned Under Temporary Employment Provisions

The State of Tennessee has an agreement with the Social Security Administration, commonly called a Section 218 Agreement, governing social security coverage for all state employees, including employees of the University of Tennessee.

In October of 2007, the state clarified the provisions of this agreement regarding the proper handling of the Federal Insurance Contributions Act (FICA) portion of Social Security taxes for retirees working under temporary employment provisions. As a result, the University of Tennessee will no longer withhold the 6.2% FICA tax for rehired retirees who participated in the University's retirement plan during their full-time employment and are currently receiving a benefit from that plan.

Your November 30th paycheck for monthly paid employees or your December 4th paycheck for biweekly paid employees includes a refund of the FICA taxes withheld from your calendar year 2007 paychecks and corrects your year-to-date taxable wages. Only the FICA taxes withheld on wages earned after you retired will be included in this refund. If you have any questions or need further information, please call the University-wide Administration Payroll Office at (865) 974-5251.