

# **Executive Summary**

## **Prepared for Board of Trustees Meeting**

### **July 30, 2013**

## **3121 FICA Alternative Plan**

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### **Purpose of Report**

The purpose of this presentation is to provide the Board of Trustees, for their review and discussion, information related to a 3121 FICA Alternative Plan.

### **Objectives**

- Show the benefit that would be gained by temporary, part-time and seasonal employees as well as substitute teachers of Denton ISD if a FICA Alternative Plan is utilized rather than contributing to Social Security.
- The FICA Alternative Plan will allow the district to offer competitive benefits offered by other school districts while using the resources available in a cost effective matter.

### **Operational Impact**

As a result of the addition of a FICA Alternative Plan:

- Participating employees are not subject to Social Security taxes while covered by this plan. Social Security taxes are never due on these funds.
- Any benefits previously earned under another retirement plan (including Social Security) will not be reduced by participation in this plan.
- Contributions to this plan are pre-tax. Therefore, the total amount of taxes paid will be reduced. No taxes are paid on the contributions until they are withdrawn.
- Withdrawals from this account may be made in a lump-sum cash payment (the IRS 10% penalty on early withdrawals does not apply to withdrawals upon separation at age 55 or later)
- Plan balances may be rolled over to an IRA or other eligible retirement plan. No IRS penalty applies to these transfers.
- The account balance is portable and there are no administrative fees.

### **Other Options**

The district could continue with the current practice of participation in Social Security for all temporary, part-time and seasonal employees as well as substitute teachers.