

Executive Summary

Prepared for Board of Trustees Meeting

September 10, 2013

3121 FICA Alternative Plan

Purpose of Report

This presentation is made as an update to the Board of Trustees, for their further review and discussion of the recommendation for a 3121 FICA Alternative Plan.

Objectives

Provide additional information as requested regarding the 3121 FICA Alternative Plan.

- Employee counts by group with financial impact
- Other districts offering this benefit
- More information related to BENCOR

Operational Impact

As a result of the recommended change:

- Participating employees are not subject to Social Security taxes while covered by this plan, and 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 No taxes are paid on the contributions until they are withdrawn.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

This recommendation represents an effort to offer competitive benefits as offered by other school districts and provide the best, most cost effective program to our employees with the resources available.