

# **Denton Independent School District**

3121 FICA Alternative Plan

## **FICA Alternative Plan**

- The Omnibus Reconciliation ACT of 1990 (OBRA 90) introduced into the law IRS Section 3121(b) (7) (f). This act mandates that employees of public agencies, including school districts who are not members of the employer's existing retirement system as of January 1, 1992 be covered under Social Security or a qualifying alternate plan. The FICA Alternative Plan satisfies federal requirements under Section 403(b) of the Internal Revenue Code.
- FICA Alternative Plans and Special Pay Plans are BENCOR'S only business.
- BENCOR has been the leading provider of defined contribution, turn-key, FICA Alternative Plans to large government entities since 1994.
- US Employee Benefits Service Group (USEBG) Partner firm, BENCOR'S FICA Alternative Plan is a savings plan for all part-time, temporary and seasonal employees. This includes all Substitutes.

# FICA Alternative Plan

## Benefits

- For eligible employees, a pre-tax deduction of 7.5% of earnings will be deposited into their BENCOR account instead of the after-tax Social Security payment of 6.2%.
- Employees and employers permanently save the 6.2% Social Security tax (FICA) on eligible payroll.
  - **Denton ISD paid approximately \$256,000 for Social Security in 2012-2013.**
- Employees and employers continue to pay the 1.45% Medicare tax
- Allows pre-tax contributions and tax-deferred growth as an alternative to the Social Security tax.
- 100% vested immediately.
- No minimum age or service requirement.
- Beneficiary designations.
- Self-directed investment options.
- May transfer to other eligible plans at no cost to participant.

## FICA Alternative Plan Sample Paycheck

	<u>Without Plan</u>	<u>With Plan</u>
Monthly Earnings	\$1,000.00	\$1,000.00
Less 7.5% plan	0.00	75.00
Taxable Income	1,000.00	925.00
Less 15% income tax	150.00	138.75
Less 6.2% Soc.Sec.*	62.00	0.00
Less 1.45% Medicare	<u>14.50</u>	<u>14.50</u>
Net take-home pay	\$ 773.50	\$ 771.75
Accumulated savings		<u>+75.00</u>
Net-pay plus savings		846.75

\*Note that SS is after-tax

# FICA Alternative Plan

## Investment Account

- The Guaranteed Pooled Fund (GPF), backed by Transamerica, and a broad array of Transamerica Mutual Funds, provide participants with a flexible, low-cost retirement investment plan.
- All plan contributions are invested initially in the GPF. Participants may choose to remain invested in this fund or direct all or part of their account balances into various mutual fund options.

## Investment Account features and advantages

- Pre-tax contributions
- 17 investment options<sup>1</sup>
- Daily account valuations
- Fixed option with competitive interest rates (Guaranteed Pooled Fund)
- Variable options provided via Transamerica mutual funds
- No account maintenance or administrative maintenance fees<sup>2</sup>
- No charge for transfers among investment options
- No surrender charges<sup>3</sup>

<sup>1</sup> Investment return and principal value in the mutual fund options will fluctuate so that the investor's units, when redeemed, may be worth more or less than their original cost.

<sup>2</sup> Inactive account fee may apply

<sup>3</sup> Income taxes are payable upon withdrawal. Federal restrictions and tax penalties may apply to early withdrawals.

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## **Self-Directed Options**

- BENCOR Administrative Services processes all account changes.
- Participants may access their account information via Internet or they can call the customer service center.
- Reallocations and transfers – no charge
- Investment product expense fees apply

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## Retirement pay-out Options

- Lump-sum payment
- Partial payment
- Participants may roll funds into another qualified plan at separation from service
  - 401 (k) or 403(b) or Roth IRA if plan provider allow

## Withdrawal Options

- Separation from Service
- Retirement
- Attainment of age 70-1/2 or retirement, if later
- Total Disability
- Death (beneficiaries)