

457(b) FICA Alternative Plan and Trust for Plano ISD

The Omnibus Budget Reconciliation Act of 1990 (OBRA '90) 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 ESC Region 10 457(b) FICA Alternative Plan satisfies federal requirements and provides substantial cost savings compared to Social Security.

1. **Eligibility:** An employee is eligible to participate in the FICA Alternative Plan if he/she meets one of the eligibility requirements listed below.

- Part-time (20 hours or less per week)
- Seasonal (five months or less per year)
- Temporary (contract of two years or less in duration)
- Not covered by TRS in a position otherwise covered by TRS

2. **Contributions:** Employees will contribute 7.5% of wages to the FICA Alternative Plan. Social Security contributions will no longer be made. Employee contributions are made on a "pretax" basis unlike Social Security contributions which are made on an "after-tax" basis.

3. **Investments:** The portfolio selection is designated by the employer. The portfolio selected is as follows:

Fixed Income Portfolio—All investment instruments issued by and/or backed by the U.S. Government, or a State or local municipality.

4. **Distributions:** The employee or his/her beneficiary will receive the FICA Alternative Plan account balance when the employee becomes eligible for a distribution for any of the following reasons:

- Retirement;
- Termination of Employment;
- Permanent and Total Disability;
- Death; or
- Changed employment status to a position covered by another retirement system (e.g., TRS).
 - If there have been no contributions to the account for two (2) years (i.e., you have been a full-time employee covered under TRS for 2 years therefore no FICA contributions have been made to the account) and the account balance is less than \$5,000 (IRS Regulation), the employee may be able to request a distribution.

5. **Taxation:** When the employee begins to receive benefits, the funds received become taxable income. If the taxable portion of the account balance exceeds \$200, the employee can avoid immediate taxation by directing the account balance to:

- A traditional IRA; or
- An eligible employer plan that accepts the rollover (i.e., TRS, 403(b), 457, etc.).

6. **Designating a Beneficiary:** If the employee dies while a participant, the account balance will be distributed to the employee's beneficiary. If the employee is married at the time of death, the spouse is automatically the beneficiary. If the employee wishes to designate someone other than the spouse as beneficiary, the employee must do so in writing and the spouse must sign a spousal consent form. If the employee is unmarried at the time of death, the account balance will be paid to the employee's estate unless another beneficiary has been designated.

7. **Company Offering Services:** The company chosen to provide the 457(b) FICA Alternative Plan is JEM Resource Partners (JEM), a company with many years of proven expertise in administering retirement plans to public sector employees.

8. **Protection from Liability.** The District as a 457(b) plan sponsor is responsible for the types of investments offered to participants. Most 457(b) plans do not protect the District from fiduciary liability. The ESC Region 10 457(b) FICA Alternative Retirement Plan offers fiduciary protection for the District through an Investment Advisory Agreement with TCG Investment Advisory Services LP (an affiliate of JEM).

9. **Fees:** JEM receives 1.00% of the plan assets as its administrative fee, TCG Advisors receives .40% of assets as the investment advisory fee, Region 10 receives \$.10 per participant per month (deducted from participant accounts) as its fee for running the RAMS program and the individual investments have fees that vary by type of investment. The investment fees are shown on the Region 10 RAMS website at www.region10rams.org.