

Frequently Asked Questions about the 457 FICA Alternative Plan



What is a 457 FICA Alternative Plan?

The 457 FICA Alternative Plan is a savings program for employees who are not eligible to participate in the State Employees' Retirement System. These individuals are normally your part-time, seasonal, and temporary employees.

What is the History of the Plan?

The Omnibus Budget Reconciliation Act of 1990 (OBRA) Amended the Internal Revenue Code and the Social Security Act to include employees of state and local governments. The Act authorized the Secretary of the Treasury to adopt regulations and provide guidance to the Internal Revenue Service and Social Security Administration. The Act amended Internal Revenue Code Section 3121, under which Social Security participation became mandatory for all employers.

However, the Internal Revenue Code Section 3121 says that part-time, temporary, and seasonal (PTS) employees are exempt from the 3121 tax if they are provided a "comparable retirement system". In response, the 457 FICA Alternative Plan was created to meet those requirements. This alternative provides a retirement plan for PTS employees who are not normally covered like full time employees. The adoption of the 3121 Plan provides an economic benefit for the employer and their PTS employees.

Will my eligibility to receive Social Security benefits be affected by my participation in this Plan?

Your Social Security benefit and your eligibility to receive that benefit may be affected by your participation in this plan. We suggest you consult a Social Security Administration department with any questions regarding their benefit.

Who Is Offering the 457 FICA Alternative Plan?

It is a partnership between your employer, National Benefit Services, LLC and Life Insurance Company of the Southwest.

How do I enroll in the 457 FICA Alternative Plan?

You do not need to enroll. Enrollment is automatic; 7.5% of your gross pay automatically is deducted from your paycheck and invested for you.

How will my money be invested?

Your money will be invested in a group annuity with the Life Insurance Company of the Southwest (LSW).

Will I receive a statement of my account balance?

Yes, you will receive an annual statement from National Benefit Services, LLC.



8523 South Redwood Road • West Jordan, UT 84088

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How do I change my name, address, or beneficiary?

- a. To change your address, you must notify your district Payroll department. The district Payroll department will then be responsible for notifying National Benefit Services, LLC of any address changes.
- b. If you are no longer employed by the school district, you can write a letter with such changes to National Benefit Services, LLC at the address listed below:

National Benefit Services, LLC
Attn: FICA Administration
P.O. Box 6980
West Jordan, UT 84084

- c. To change your beneficiary, you need to complete a beneficiary form available at your District. You may also obtain this form from National Benefit Services, LLC. This form can be mailed directly to National Benefit Services, LLC at the address indicated on the bottom of the Beneficiary form.

Am I required to complete the beneficiary designation form?

No. If you are married, your beneficiary under the plan will automatically be your spouse. If not married, your beneficiary becomes your children or grandchildren. If you do not have children or grandchildren your beneficiary is automatically your estate.

What happens if I become a member of the state Retirement System?

You will no longer be eligible to participate in the Plan.

What happens when I leave service?

You will no longer be eligible to participate in Plan.

What are my options when I am no longer eligible to participate?

- You may retain your funds in the Plan.
- You may transfer your account balance to another eligible governmental plan
- You may take an in-service withdrawal from your account balance once if you have not made any contributions to the plan for at least 2 years, have a balance that is less than \$5,000, and have not had any previous distributions from the plan.



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When am I eligible for a distribution?

- If you terminate from your employer without any intention of returning to work for them in the next 12 months following.
- If you retire, and are no longer working for your employer, you are eligible for a distribution.
- If you become permanently disabled
- If you have not made any contributions to the plan for at least 2 years, have a balance that is less than \$5,000, and have not had any previous distributions from the plan.
- You may transfer your account balance to purchase permissive service credit from your state retirement plan.

How do I apply for a distribution?

You may obtain a "Distribution Form" from your district. Or you may contact National Benefit Services, LLC.

How long will it take to process my distribution?

Distributions are processed quarterly. Distributions are processed one month following the close of the current calendar quarter, in which National Benefit Services, LLC receives a distribution form. Checks are mailed directly from Life Insurance Company of the Southwest to the address provided on the "Distribution Form".

Are there any transaction fees?

The lesser of the interest credited to your account or \$10.00 will be deducted from your account for any distribution, transfer, or rollover.

Are distributions from the Plan subject to the premature distribution penalty tax?

No, they are not subject to the 10% excise tax on distributions to individuals who have not attained 59 ½.



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