

# FICA Alternative Retirement Plan

## What is a 457(b) FICA Alternative Retirement Plan?

A 457(b) FICA Alternative Retirement Plan is a qualified retirement plan which takes the place of Social Security for government entities such as school districts, cities, etc.

## When did this type of plan get started?

In 1990, the Omnibus Budget Reconciliation Act was passed. Government entities who exercised their Social Security Section 218 exclusion (located in Section 3121 of the IRS Code) were provided the option of giving their part-time, temporary, and seasonal employees a meaningful, defined contribution retirement plan as an alternative to Social Security. Medicare contributions would continue as before. Once a government entity opts into this type of plan, they must continue the administration of the plan.

## Am I eligible to contribute to this plan?

If your type of employment is considered part-time, temporary, or seasonal, and the state and government entity opted for this plan, then you are eligible to contribute to the FICA Alternative Retirement Plan and you will automatically be enrolled. Retired participants that are currently receiving their State Pension for Retired Teachers are not eligible to contribute to the 457(b) FICA Alternative Plan. They are eligible for distribution from the plan.

## How much can I contribute to this plan?

Eligible employees contribute a flat rate of 7.5% of each paycheck (nearly the same as Social Security). Funds are contributed, pre-tax, so taxes are deferred until the money is distributed.

## How can I invest my money in the plan?

Generally, the funds are placed in an investment that doesn't decrease in value. The funds are placed in an investment model of the employer's choosing.

## How often will I receive account statements?

Statements are sent annually after the employer plan-year ends. The participant can call NBS to request additional statements or inquire about their account balance. Participants should update their address with the district and NBS to ensure that they receive their yearly statements.

## How do I qualify to withdraw money out of the plan?

Participants are eligible to withdraw the funds from the plan upon separation of service, if the employer verifies eligibility and the employer does not have a mandatory waiting period for the employee's account reconciliation. If the employee changes jobs, he or she may be eligible to leave their funds in the plan until a withdrawal is requested. All funds contributed to the 457(b) FICA Alternative plan are always 100% vested.

### Withdrawal Options:

- Cash Out
- Rollover to another eligible retirement plan
- Transfer - Purchase service credit (air time) from their State Pension for Retired Teachers
- Transfer to another employer's 457(b) FICA Alternative plan

## What are the options for distribution and what are the tax consequences?

The account is paid out as one lump sum (unless a Required Minimum Distribution is requested). If the participant chooses to have the funds sent directly to him or her, a check will be sent. Mandatory 20% federal taxes (and state taxes, if applicable) will be paid at the time of distribution. There are no additional tax penalties for early distribution.

## Can I ever opt out of the 457(b) FICA Alternative Plan?

All eligible employees are required to participate, per IRS regulations.

For more information, please call  
**1(800) 274-0503**

FICA Alternative Retirement Plan  
Automatic Enrollment Notification and Change Form

For Part-Time, Temporary and Seasonal Employees (PTS) of:

*Your employer has automatically enrolled you in their FICA Alternative Retirement Plan ("Plan"). Information contained in your Employer's payroll records will be used for Plan purposes unless you provide different information below and send it to National Benefit Services at the address shown on the reverse side of this form. Important information concerning the Plan is provided below. If you have any questions please call NBS at the number shown on the reverse side of this form.*

To provide for benefits under this Plan, I understand my Employer will deduct from each of my payroll checks beginning immediately, 7.5% of my gross compensation ("Deferred Compensation"). These monies will be placed in a Trust created by my Employer specifically for this purpose ("trust").

My benefits under the Plan are to be determined as if my Deferred Compensation were funded in the following manner: 100% to a Deposit Administration Contract with Life Insurance Company of the Southwest (LSW)

**Important items that you should understand about the Plan:**

1. This Plan has been adopted as an alternative retirement plan to Social Security for part-time, temporary, and seasonal employees.
2. Benefits under this Plan will be provided to you in the form of an account balance consisting of your Deferred Compensation, plus earnings, minus losses or withdrawals. Further information about the LSW Deposit Administration Contract in which Plan funds are held is on the back of this form.
3. The LSW Deposit Administration Contract listed above will be owned by the Trust and will be used by the Trust to provide benefits under the Plan. You will not have any ownership or control over the Trust. Your Employer does not guarantee the performance of the Trust.
4. If you are married, your beneficiary under the Plan will automatically be your spouse. Otherwise, your beneficiary is automatically your estate. You must change your beneficiary as provided in this form if you do not want your benefits to be paid in this manner.
5. The Plan Document is available for your review. Your rights and those of your beneficiary(ies), and the Employer's obligations under the Plan are set forth in the Plan Document. The terms, conditions and provisions of the Plan are hereby incorporated into this Enrollment Form.

**You Do Not Have To Complete Anything Below Unless You Want To Change Your Beneficiary Or Other Information**

To Make Changes Check One:  New Enrollment  Address Change  Beneficiary Change  Name Change

**1. Participant Information (Always Complete This Section)**

Employee Name (Last, First, Middle) \_\_\_\_\_  Male  Female

Home Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Social Security No. \_\_\_\_\_ Date of Birth \_\_\_\_\_

Home Phone ( \_\_\_\_\_ ) \_\_\_\_\_ Work Phone ( \_\_\_\_\_ ) \_\_\_\_\_

**2. Beneficiary Designation (Complete For Change in Beneficiary)**

The designation(s) below revoke any prior designation(s) which are in effect for this Plan and will remain in effect until such time as revoked by me in writing. I understand that absent a written designation any benefits that become payable to me will be paid to my lawful spouse or, if none, to my estate. I further understand that nothing in this Agreement shall be construed as providing benefits that are not payable under the Plan, and I hereby affirm my understanding of the items listed under the Salary Deferral Election above.

**NOTE: Your Spouse, if you are married, must sign the Spousal Consent on the back of this form if someone other than your Spouse is named as the Primary Beneficiary for the change to be effective.**

Primary Beneficiary Name: \_\_\_\_\_ Relationship: \_\_\_\_\_

Home Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Social Security No. \_\_\_\_\_ Date of Birth \_\_\_\_\_

**Beneficiary Designation (Continued)**

Contingent Beneficiary Name: \_\_\_\_\_ Relationship: \_\_\_\_\_  
Home Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
Social Security No. \_\_\_\_\_ Date of Birth \_\_\_\_\_

**3. Name Change**

From: \_\_\_\_\_ To: \_\_\_\_\_  
Reason for Change:  Marriage  Divorce  Other: \_\_\_\_\_

**Signature (Must Complete For Any Item Above)**

NOTE: Your Spouse must sign the Spousal Consent below if someone other than your Spouse is named as the Primary Beneficiary.

Participant's Signature: \_\_\_\_\_ Date: \_\_\_\_\_

**Spousal Consent**

I hereby agree to waive my right to receive benefits under this Plan and acknowledge that I willingly consent to the designation of the Beneficiary named on this form.

Spouse Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Witness Signature: \_\_\_\_\_ Date: \_\_\_\_\_

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**LSW FLEX 3121 Employee Disclosure**

**The FICA Alternative Retirement Plan**

FLEX 3121 is a Deposit Administration Contract that your Employer has chosen to use as the funding vehicle for a Retirement Plan that offers an alternative to Social Security contributions. This FICA Alternative Plan is only available to qualifying governmental employers. As long as you qualify to remain in this Plan you do not have to pay Social Security (FICA) taxes on your pay from your employer.

You may monitor the growth of your retirement fund instead of having your deductions sent to Social Security. You and/or your employer must contribute a minimum of 7.5% of pre-tax compensation. FLEX 3121 imposes no loads, so all of your contributions earn interest. The interest rate is guaranteed to be at least 1% at all times.

An independent administrator tracks each employee's allocations and handles the Plan's record keeping. You will receive an account statement at least once each year.

**FLEX 3121 Distributions**

When you qualify to receive benefits under the plan you will generally receive the sum of your contribution plus interest, less an administrative distribution fee. The administrative distribution fee is the lesser of \$10 or the interest credited to your account. A withdrawal charge in accordance with the terms of the Deposit Administration Contract will only be assessed if your employer terminates the plan or the LSW Deposit Administration Contract in the first ten years from the contract's issue date.

**Who to Contact**

**Administration Company**  
National Benefit Services (NBS):  
8523 South Redwood Road  
West Jordan, UT 84088  
(800) 274-0503