



3121 FICA Alternative Plan Overview

What is the 3121 FICA Alternative 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 Social Security tax if they are provided a “comparable retirement system”. In response, the 3121 Plan was created as an authorized alternative to Social Security to meet those requirements.

Who is Eligible for the 3121 FICA Alternative Plan?

Part-time, temporary, and seasonal (PTS) employees that are not eligible for CalPERS/CalSTRS participate in the 3121 FICA Alternative Plan.

Can I Choose Not to Participate in the 3121 FICA Alternative Plan?

No. If your district adopts the plan, you must participate in this plan.

What is the Mandatory Contribution to the 3121 FICA Alternative Plan for an Eligible Employee?

Without the 3121 FICA Alternative Plan, the employee must pay 6.2% after-tax into Social Security and the employer must also contribute 6.2% of pay. However, with the 3121 FICA Alternative Plan, the employee may be required to contribute up to 7.5% pre-tax (instead of 6.2% after tax) of gross compensation. The district may choose to contribute a portion of the required 7.5%.

Benefits of the 3121 FICA Alternative Plan

- Mandatory pre-tax contributions, which may reduce the amount of your current income which is subject to tax
- Possible employer contributions to your account
- Tax-deferred savings, which means you pay no taxes on your investment earnings as long as they remain in the Plan
- Interest earnings are credited to employee
- 24/7 access to account info by accessing the SchoolsFirst Plan Vue® Website
- Annual statement mailed to your residence
- Money available to withdraw upon termination
- If you change jobs, you may be eligible to retain your funds in the plan until you request a withdrawal
- No 10% premature distribution tax
- Rollover/Transfer options
- 100% vested in account

For Information Regarding the FICA Alternative Plan Contact

SchoolsFirst Plan Administration


Phone: (800) 462-8328 ext. 4727

Fax: (714) 258-4262

Email: rpa@schoolsfirstfcu.org

(Please do not email distribution, beneficiary, or enrollment forms)

For more information please contact SchoolsFirst Plan Administration, LLC

 **Call 800.462.8328, ext. 4727**

 **Click www.schoolsfirstfcu.org**

 **Email rpa@schoolsfirstfcu.org**

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This document is designed to inform Participants, Employers and Providers about the Plan in non-technical language. Every attempt is made to convey the Plan accurately. If anything in this Summary Plan Description varies from the Plan Document, the Plan Document governs.

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Frequently Asked Questions

- **How is this Plan different than paying Social Security?**
 - You are assured that your contributions and earnings are available to you when you terminate or retire and are no longer working for the school district.
- **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 that you contact the Social Security Administration Department with any questions regarding your benefit.
- **How will my money be invested?**
 - Your account will be invested in an unallocated group annuity account with National Life Group (NLG). The objective of this fund is to preserve principal while providing moderate growth.
- **Will I receive a statement of my account balance?**
 - Yes, you will receive an annual statement from SchoolsFirst Plan Administration.
- **How do I change my name, address, or beneficiary on the 3121 FICA Alternative Plan?**
 - The name reflected on your district's payroll system is the "social security name". In order to change your name in the district payroll system, your district requires a copy of the social security card (reflecting your new name).
 - To change your address, you will need to complete a 3121 FICA Alternative Plan Beneficiary/Address Change Form and submit the form to SchoolsFirst Plan Administration via fax at 714.258.4262.
 - To change your beneficiary, you will need to complete a 3121 FICA Alternative Plan Beneficiary/Address Change Form and submit the form to SchoolsFirst Plan Administration via fax at 714.258.4262.
- **Am I required to complete the beneficiary designation form?**
 - No. If you are married, your beneficiary under the plan will automatically be your spouse. Otherwise, your beneficiary is automatically your estate.
- **What happens if I change jobs?**
 - If your new job is in the same district, no changes are required.
 - If your new job is with another district that also participates in this program, you will be assigned a new account under that district. You will be eligible to take a distribution from your old account with your former district.
 - If your new job is in a district that does not offer this program, you will not be able to continue deposits into the plan with your former district, and are eligible for a distribution.
- **What happens if I accept additional employment at a second district that does participate in the 3121 Plan?**
 - You must participate in each district's 3121 Plan and will be subject to each district's mandatory contributions.

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- **What happens if I become eligible to participate in PERS or STRS?**
 - You will no longer be eligible to participate in the 3121 Plan.
 - You may retain your funds in the 3121 Plan.
 - You may transfer your 3121 account balance to PERS or STRS at any time if it is used to purchase state retirement credits.
 - You may take an in-service withdrawal from your account balance if you have not made any contributions to the 3121 plan for 2 years and have a balance that is less than \$5,000.
 - Contact SchoolFirst Plan Administration at 800.462.8328 ext.4727 to review your options.
- **What happens when I terminate my employment with the district?**
 - You will no longer be eligible to participate in the 3121 Plan.
 - You will become eligible to withdraw or rollover your funds in the Plan.
- **How do I apply for a distribution?**
 - You may obtain a 3121 FICA Alternative Plan Distribution/Rollover Form by contacting SchoolsFirst Plan Administration at 800.462.8328 ext.4727.
- **How long will it take to process my distribution?**
 - Normal authorization processing time for SchoolsFirst Plan Administration is 5 to 7 business days.
 - Once the distribution/rollover has been authorized, the request is forwarded to National Life Group (NLG) for processing. Depending on workflow NLG processing times may vary from 1 to 3 weeks.
- **Are distributions from the 3121 FICA Alternative Plan subject to early withdrawal tax penalties?**
 - No, they are not subject to the 10% early withdrawal penalties on distributions to individuals who have not attained 59 1/2.

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