



457(b) FICA Alternative Plan

FREQUENTLY ASKED QUESTIONS



What is the FICA Alternative Plan?

Legislation passed as part of the Omnibus Budget Reconciliation Act of 1990 (OBRA 90) mandated that all employees of state and local governments, including public school employers, colleges and universities, either cover their employees under Social Security or provide a retirement plan that the Internal Revenue Service (IRS) determines is comparable to Social Security. Since the Teacher Retirement System of Texas (TRS) meets the comparability requirement, full time employees covered by TRS do not have to be covered by Social Security. Since substitute teachers, temporary employees and part-time employees are not covered by TRS, the law requires that they participate in either FICA (Social Security Tax) or an alternative retirement plan set up under guidelines established by the Internal Revenue Service. A "FICA Alternative Plan" meets these requirements if at least 7.5% of the employee's compensation is contributed to a defined contribution retirement plan. The contribution can be made by the employee, employer or any combination. The plan can be set up under Sections 401(a), 403(b) or 457(b) of the Internal Revenue Code (IRC).

The FICA Alternative Plan is set up under Section 457(b) of the IRC. This FICA Alternative Plan is a part of the Region 10 ESC RAMS program. The deductions for the FICA Alternative Plan are taken out of your paycheck in lieu of deductions normally made to FICA (Social Security taxes). Since contributions are made to the FICA Alternative Plan on a pretax basis and Social Security taxes are after-tax, the employee pays less income tax on the deductions for the FICA Alternative Plan.



Who is eligible for the FICA Alternative Plan?

You are eligible to participate in the Plan if you are an active employee and are not eligible to participate in the TRS Pension Plan.



How much do I contribute to the FICA Alternative Plan?

Social Security requires that the equivalent of 12.4% of an employee's salary be contributed each month (6.2% employee, 6.2% employer). However, the FICA Alternative Plan requires only a 7.5% contribution to a retirement account. The Employer determines the amount of the contribution made by the employee. You are always 100% vested in your account balance in the Plan, whether contributions are made by you or your Employer.



What are the advantages of participating in the FICA Alternative Plan?

The contribution to the Region 10 ESC RAMS FICA Alternative Plan will be deducted from your paycheck on a pretax basis, so you are not taxed on the gross amount. Funds remain tax- sheltered until they are withdrawn. Unlike Social Security withholding, if your employment with your Employer ends, you may withdraw funds subject to the Internal Revenue Code distribution guidelines under a 457(b) Deferred Compensation Plan.



How do I participate in the FICA Alternative Plan?

Enrollment in the Plan is automatic for eligible employees.



Do I still pay the Medicare portion of FICA?

Yes, Medicare withholding will be made from your paycheck in addition to the contribution to the FICA Alternative Plan.



Where are the funds invested?

RAMS FICA Alternative Portfolio: The RAMS FICA Alternative Portfolio is directly overseen by the Region 10 Investment Committee. The portfolio is comprised of a broad range of equity and bond mutual funds, as well as individual bonds typically held to maturity, and is periodically changed to adapt to changing market conditions.



How do I find out how much money is in my account?

You will receive annual statements from TCG Administrators, the Third Party Administrator for the Plan (an affiliate of HUB Investment Partners, LLC) outlining your account activity. You may also call TCG Administrators to receive your account balance at (800) 943-9179 or log into your account at www.ramsretirement.com.



How do I withdraw or rollover my money?

Upon termination of employment, attainment of retirement age, or in the event of death, you will have access to your account. You will also have access to your funds if you have a change of employment status at your Employer to a position covered by TRS, if there have been no contributions to the account for two (2) years, and if the account balance is less than \$5,000. If the account balance is greater than \$5,000, the account will only be eligible for distribution due to termination, retirement, or death.



Do retire-rehires need to pay into the FICA Alternative Plan?

No. Employees are exempt from contributing into the FICA Alternative Plan if they retired through the Employer's pension plan.



How do I designate a beneficiary?

If the employee dies while a participant in the Plan, 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.

If you would like to change your beneficiary, please contact the Plan Administrator, TCG Administrators at 457@tcgservices.com or call toll free: 800-943-9179.



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