

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 3.75% of each paycheck (below the 6.2% Social Security tax). 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.

Contact us for more information.

1(800) 274-0503

Email: 403bsupport@nbsbenefits.com
or visit www.nbsbenefits.com/403b