FICA Alternative Plan Overview

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The Omnibus Reconciliation Act of 1990 (OBRA 90) introduced into the law IRS Section 3121(b) (7) (f). As a result, temporary employees of a government entity may deposit money into a private retirement plan instead of Social Security. The FICA Alternative Plan is a defined contribution plan authorized under Section 401 (a) of the Internal Revenue Code. BENCOR, Inc. is the plan administrator for Florida State University. Wachovia Bank is the trustee and handles all deposits into and distributions of the plan for the University and BENCOR.

Effective Date of the Plan

The University will implement the plan for the pay period beginning 12/16/05.

How the Plan Works

Social Security payroll taxes are collected under authority of the Federal Insurance Contributions Act (FICA). Social Security is currently withheld at 6.2% of eligible wages and matched by the university. Participants (primarily temporary employees) in this plan will no longer contribute to the Social Security Administration nor will the amount contributed by the employee be matched by the university. Instead, employees will contribute 7.5% of their wages into an investment account in their name. Medicare contributions at 1.45% will continue to be withheld and matched by the employer. The plan is mandatory for eligible employees and employees will be automatically enrolled or un-enrolled based on their salary plan status during the affected pay period. There is no minimum age or service requirement.

Once a contribution has been made to the plan, the employee will receive an Enrollment/Designation of Beneficiary form and an introduction letter from Bencor, the plan Administrator. They will also be available on the BENCOR web site. These forms will allow the employee to choose between a Guaranteed Pooled Fund (an interest bearing account) and a variable investment option. As a participant in the plan, you will have the option of investing in a mutual fund plan or a fixed account and will also be asked to identify a beneficiary. If an employee does not direct the investments of your funds, they will automatically be placed into the Guaranteed Pool fund which has a fixed rate of 3.50 % through June 30, 2006.

Withdrawals

Withdrawals from the plan may be made at the following times:

- Separation/termination of employment
- Retirement
- age 59 ½
- After age 70 ½ or retirement, if later, when the IRS requires that the minimum distributions be made to the participant each year
- Participant’s total disability
- Participant’s death

Distributions can be made to the participant 1 month after the date of termination from Florida State University.
Withdrawals from your account may be made in a lump-sum cash payment (the IRS 10% penalty on early withdrawals does not apply to withdrawals upon separation at age 55 or later) or plan balances may be rolled over to an IRA or other eligible retirement plan. No IRS penalty applies to these transfers.

Who is eligible?

Employees that are not covered by the university’s retirement plan and currently pay social security taxes will be eligible. Adjunct faculty, Postdocs, and hourly and exempt OPS employees (who are not otherwise exempt from social security taxes, also known as OASDI or Old Age, Survivors, and Disability Insurance) are eligible to participate in the FICA Alternative Plan.

Who is not eligible?

Faculty and staff employees participating in a university retirement plan are excluded from the FICA Alternative Plan. Also excluded are students, graduate assistants, phased retirees, rehired retirees, and any employees covered by current university retirement plans.

Advantages of the plan

- Participating employees are not subject to Social Security taxes while covered by this plan, and Social Security taxes are never due on these funds.
- Any benefits previously earned under another retirement plan (including Social Security) will not be reduced by participation in this plan.
- Contributions to this plan are pre-tax. Therefore, the total amount of taxes paid will be reduced. No taxes are paid on the contributions until they are withdrawn.
- The account balance is portable and there are no administrative fees.

Sample Paycheck

<table>
<thead>
<tr>
<th></th>
<th>Without Plan</th>
<th>With Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly Earnings</td>
<td>$1,000.00</td>
<td>$1,000.00</td>
</tr>
<tr>
<td>Less 7.5% plan</td>
<td>0.00</td>
<td>75.00</td>
</tr>
<tr>
<td>Taxable Income</td>
<td>1,000.00</td>
<td>925.00</td>
</tr>
<tr>
<td>Less 15% income tax</td>
<td>150.00</td>
<td>138.75</td>
</tr>
<tr>
<td>Less 6.2% Social Security*</td>
<td>62.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Less 1.45% Medicare</td>
<td>14.50</td>
<td>13.41</td>
</tr>
<tr>
<td>Net take-home pay</td>
<td>$773.50</td>
<td>$772.84</td>
</tr>
<tr>
<td>Accumulated savings</td>
<td></td>
<td>75.00</td>
</tr>
<tr>
<td>Net-pay plus savings</td>
<td></td>
<td>$847.84</td>
</tr>
</tbody>
</table>

*Note that SS is after-tax

Investment and Plan Questions

BENCOR Administrative Services (BAS) is a recordkeeping and administrative firm that specializes in qualified retirement plans. They provide services to over 3200 plans in 40 states. For more information about individual investments, participants may contact BENCOR Administrative Services at 1-888-258-3422 or by accessing their website. [https://www.bencor.com/index.asp](https://www.bencor.com/index.asp)