

FICA Alternative Plan Overview

Employee information

The Omnibus Budget Reconciliation Act of 1990 (OBRA 90) introduced into law Internal Revenue Code Section 3121(b)(7)(F). As a result, you, as a part-time, seasonal or temporary employee of a government employer, may deposit money into a private retirement plan, instead of Social Security.

Thus, you are not covered under Social Security.

Under the 401(a) FICA Alternative Plan, you contribute 7.5% of your compensation to an account in your name.

Any benefits which you have earned under any other retirement plan (as well as social security benefits) will not be reduced by participating in this plan.

Also, if you leave a position covered by this plan for any reason before retirement, you can withdraw the balance of your account, or continue to save the funds for retirement.

Eligibility

All employees who are not covered by their employer's retirement plan are automatically enrolled in this plan.

There is no minimum age or service requirement.

Contributions

You contribute 7.5% of your compensation in place of Social Security tax deduction.

You contribute before tax withholding is calculated, which reduces your current income taxes.

You pay no taxes on your contributions or the earnings in your account until withdrawal.¹ Social Security taxes are never deducted.

Vesting

You will always own 100% of your account balance.

Investments

The investment options for this retirement plan are comprised of a Guaranteed Pooled Fund (an interest bearing account) and variable investment options. U.S. Bank is the trustee and handles all deposits into and distributions from the plan.

Investments are controlled by the participants. You may choose to invest your money in one or more of the 17 different funds available, using the enclosed investment election form.

You may change the investments whenever you like by obtaining a new investment election form from BENCOR Administrative Services, by phoning 1-888-258-3422 or visit the www.bencor.com. However, if you prefer not to direct the investments of your funds, they will automatically be placed into the Guaranteed Pooled Fund (an interest bearing account) option. Information on all investment options is enclosed.

Administrative fees

There are no administrative fees for this plan.

Statements

Account balances are updated daily. You will receive a statement of your account after the end of each calendar year. Contributions, earnings, and any other activity in your account, will be reflected on your statement.

Withdrawals

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

1. Termination of employment
2. Retirement
3. Age 59 1/2
4. After age 70 1/2 or retirement, if later, when the IRS requires that minimum distributions be made to the participant each year
5. Your total disability
6. Your death

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 as a transfer into an IRA or into another retirement plan (no IRS penalty will apply). There are no loan or hardship withdrawal provisions in this plan.

To request a withdrawal, send a written request to BENCOR Administrative Services. Include on the request your name, mailing address, Social Security number, account number and the name of your plan sponsor. A distribution packet will be sent to you. After completing the distribution forms, return the packet to your employer. Distributions are processed once each month. Your employer may require a waiting period before you are eligible for distribution.

¹ Income taxes are payable upon withdrawal. Federal restrictions and a 10% tax penalty may apply to early withdrawals.

Effects of the FICA Alternative Plan contributions and Social Security payments on employee's take-home pay

The following illustrates the effects of the FICA Alternative Plan contributions and Social Security payments on the part-time, seasonal and temporary employee's take-home pay. This special retirement plan affords the eligible employee with the options of leaving the investments in the plan or taking the investments with him/her at employment termination, regardless of the amounts deposited or time worked. There is no minimum number of work hours required for participation or vesting. These contributions are made on a pre-tax basis with federal income taxes being deferred until withdrawal at retirement. Take-home pay is affected in a very small way, and in some cases can increase the employee's take-home pay. The employee has the ability to manage his/her own account.

Sample Paycheck Part-time, Seasonal or Temporary Employee

	Without the BENCOR Plan	With the BENCOR Plan
Monthly Gross Earnings	1,000.00	1,000.00
Less 7.5% Plan Contributions ¹	0.00	75.00
Taxable Income	1,000.00	925.00
Less 15% Income Tax ²	150.00	138.75
Less 6.2% Social Security Withholding ³	62.00	0.00
Less 1.45% Medicare Withholding	<u>14.50</u>	<u>14.50</u>
Net Take-Home Pay	\$ 773.50	\$ 771.75
Accumulated Savings		+ 75.00
Total Net Pay Plus Accumulated Savings	\$ 773.50	\$ 846.75

¹ Assumes no employer contributions deposited into employee's account.

² Actual income tax liability may be more or less depending on employee's other income, deductions, and tax filing status.

³ Note that Social Security contributions are after-tax contributions with plan contributions being before-tax.