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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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.
- **Can I take a distribution at age 59 ½?**
  - Yes, you may take an in-service distribution once you attain age 59 ½.
- **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 10 business days.
  - The monthly processing cut-off is the 20th of each month. Distribution requests received after the cut-off will be processed the following month.
  - 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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3121 FICA Alternative Plan Overview

CARES Act Addendum

WHAT THE CARES ACT MEANS FOR YOU AND YOUR RETIREMENT PLAN

On March 27, 2020, U.S. congress passed The Coronavirus Aid, Relief, and Economic Security Act, known as the "CARES ACT", to provide financial relief to individuals and businesses affected by the coronavirus (COVID-19) pandemic.

As a result of The CARES Act, eligible 3121 FICA Alternative Plan participants facing financial challenges due to COVID-19 may have new means to access their funds or skip unwanted required distributions.

Who is eligible to withdraw money penalty-free?
To be eligible, you, your spouse, or your dependent must have been diagnosed with COVID-19, or suffered financially due to COVID-19 (e.g., furlough, reduced hours, unable to work due to childcare, loss of business, etc.).

If my plan and I are eligible, what penalty-free options are offered under The CARES Act?
You can:

- Withdraw funds
- Defer Required Minimum Distributions (RMDs) for 2020—**eligibility requirements do not apply**

What do I need to know if I want to withdraw funds?
COVID-19 related withdrawals can only be made between January 1, 2020 – December 31, 2020.

If I withdraw funds, will I be taxed?
All withdrawals are taxable after 3 years, unless you choose to repay them within the 3-year time period.

How can I avoid being taxed on my withdrawal?
You have up to three years from the day after the distribution was received to repay the withdrawn amount into a qualified retirement plan (or any other plan or IRA that can accept rollovers). Any amount that is not repaid within the three-year period will be taxed.

How much can be withdrawn penalty-free from my eligible retirement plan?
Up to $100,000 or 100% of the vested retirement account balance, whichever is less.

Do I have to take my Required Minimum Distributions (RMDs) in 2020?
No. Even if you were not directly impacted by COVID-19, you are not required to take RMDs in 2020. This also includes an individual's first RMD that is attributable to 2019, but was not paid by January 1, 2020.

What if I've already receive my Required Minimum Distribution (RMD) for 2020?
If an RMD has already been received during 2020, it can be rolled over to another retirement plan and paying taxes can be deferred, or it can be rolled back into the plan it was withdrawn from.

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What if I took my Required Minimum Distribution (RMD) in 2019?
Unfortunately, no relief is available for 2019 RMDs under The CARES Act.

How do changes to the Required Minimum Distributions (RMDs) benefit me?
RMDs are calculated based on the retirement account balance on December 31 of the prior year. On December 31, 2019 account values were up, because the financial market was up. Due to the coronavirus pandemic, markets have been negatively affected and many people have lost significant value in their accounts. Not requiring RMDs for 2020 will allow individuals to recoup this market loss.

What evidence or documentation is required to verify whether I qualify for The CARES Act retirement plan exceptions?
Nothing is required by SchoolsFirst Plan Administration. It is the responsibility of the individual to certify that they meet the qualifications under The CARES Act. However, evidence or documentation may be required when preparing your 2021 taxes.

Although The CARES Act is a great resource during this challenging time, we want to remind you that saving for your retirement and letting your balance grow is one of the best ways to achieve financial well-being for your future.

If you have any questions, please contact SchoolsFirst Plan Administration at 800.462.8328, ext. 4727.

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