

National Benefits Services

457(b) FICA Alternative Retirement Plans

What is a 457(b) FICA Alternative Retirement Plan?

A 457(b) FICA Alternative Retirement Plan is a qualified alternative plan to Social Security for government entities like school districts and cities, etc. Instead of contributing 6.2% (half Employee contribution/half Employer contribution) into Social Security each paycheck, your employer would deduct a total of 7.5% (plan specific on Employee/Employer contributions) from each paycheck and it would be sent in the form of a payroll to NBS and deposited into this 457(b) FICA Alternative Retirement Plan. An Account would be set up in your name at the NBS, as we are the record keepers. The amount you contributed would be reflected only at NBS, not the investment provider as the investment provider keeps the funds in a Group Annuity.

How did this plan come to be?

In 1990, the Omnibus Budget Reconciliation Act was passed. Government entities who exercised their Social Security Section 218 exclusion 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 administration of the plan.

Am I eligible to contribute to this plan and how do I get started?

If your type of employment is considered part-time, temporary or seasonal and the state and government entity opted for this plan, then you would be eligible to contribute to this plan? Enrollment is automatic and would be set up by your payroll and benefits.

How much can I contribute to this plan?

Eligible employees contribute a flat rate of 7.5% of each paycheck (nearly the same as Social Security). These are pre-tax contributions.

How can I invest my money?

The plan funds are placed in a group annuity and invested for you in a variety of fixed income securities. The Group Annuity provides a fixed rate of return and gains (interest) is applied to the account on a monthly basis. Your individual balance is kept at NBS who is the Third Party Administrator of this plan.

How often do I receive a statement of my account?

Statements are sent out once per year after the employer plan year ends. You can always call us and get an additional statement or just a balance of your account at any time.

How do I qualify to withdraw money out of the plan?

Some qualifications for distributable events may be plan specific, please review your distribution form to learn about your distributable events.

What are my options for distribution and what are the tax consequences?

- a) If you want the account to be paid out to you directly, it will be sent by check in form of a lump sum. Mandatory 20% Federal taxes and applicable State taxes must be paid on the money as it was placed into the account pre-tax. There is no 10% penalty that is withheld on this account for these types of plans for those who are under 59 ½.
- b) If you want to roll your funds over to another qualified retirement plan, you must contact the agent and investment provider of your choice. They must provide you with any necessary rollover paperwork and a letter of acceptance (this is required). No taxes are withheld on the money as long as the qualified account is not any type of Roth account.

How long does it take to process my distribution?

Distribution forms are collected for a quarter and processed the month following with checks going out in the mail typically by the last business day of that month (about 30 days past the end of the previous quarter).

Can I be rehired by the same employer at any time?

Once you have received your distribution, your employer may not rehire you for a period of one year. If you have plans to return to work within that year, you will need to delay your distribution so it doesn't interfere with your eligibility for rehire.

How do I elect my beneficiaries or change my account information?

When choosing/changing beneficiaries, changing and address information, or changing your last name you must fill out an Automatic Enrollment Notification and Change Form. This form must be sent to your district and they will forward it to NBS. The information will be uploaded into your account.

Can I ever opt out of the 457(b) FICA Alternative Plan?

For those participants that have retired from a state retirement plan for retired teachers and are currently receiving their pension, they are no longer eligible to contribute to the 457(b) FICA Alternative Retirement Plan and can opt out at that time. Their funds would also become eligible for distribution from the 457(b) FICA Alternative Retirement Plan. These participants would also not contribute to social security as the pension would take the place of contributing to either Social Security or the 457(b) FICA Alternative Retirement plan. They would however, continue to contribute to Medicare.

For questions about your plan, please call our service support center at (800) 274-0503 option 5.