

The FICA* Alternative Retirement Plan

The City of Kenosha has implemented a "FICA Alternative Retirement Plan" which is authorized under Section 401(a) of the Internal Revenue Code. This Plan is administered by the Precision Retirement Group, Inc (Plan Administrator – Pelion Benefits, Inc.). Below is a brief comprehensive summary of this Social Security alternative program which is for part-time, seasonal, and temporary employees who are not eligible to participate in the Wisconsin Retirement System through their City of Kenosha employment. **Participating employees are required to complete and submit a Form SSA-1945 to the City of Kenosha for enrollment in this plan. The "Participant Enrollment Form" provides for the employee's designation of beneficiaries, and should be completed and submitted to the address indicated at the bottom of that form.**

Employee Benefits

Under this Plan, the 6.2% after-tax Social Security (FICA) contribution is replaced with a 7.5% pre-tax contribution which is placed into a 457 deferred investment account in the employee's name. (Medicare contributions of 1.45% remain unchanged.) These funds are then invested in a group annuity contract. No taxes are paid on the contributions and interest earnings until funds are withdrawn.

The Plan has very little effect on an employee's net paycheck and is nearly cost neutral (*see below*).

Example of how pre-tax contributions of 7.5% nearly equals 6.2% after-tax contributions to Social Security:

| | FICA Alternative | FICA |
|--|---------------------|------------|
| Gross monthly salary | \$ 1000.00 | \$ 1000.00 |
| Less 7.5% pre-tax contribution | - 75.00 | - 0.00 |
| Taxable income | \$ 925.00 | \$ 1000.00 |
| Less assumed 15% federal income tax | - 138.75 | - 150.00 |
| Less assumed 5% state income tax | - 46.25 | - 50.00 |
| Less after-tax 6.2% Social Security (FICA) | - 0.00 | - 62.00 |
| Less after-tax 1.45% Medicare | - 13.41 | - 14.50 |
| New paycheck amount | \$ 726.59 | \$ 723.50 |

Unlike Social Security, the contributions and interest earnings in a FICA Alternative account are available to an employee: (1) upon termination from employment, (2) in the event of death or disability; or (3) at normal retirement age. When a distribution is taken (lump sum withdrawal or annuity), that amount may be subject to federal and state income tax in the year it is distributed unless it is transferred to a similar plan (for example, the account balance may be transferred tax-free to an IRA account). Distributions taken prior to age 59½ may be subject to a early withdrawal penalty by the Internal Revenue Service. In addition, there could be a distribution fee charged. However, this charge cannot exceed the interest earned on contributions.

Annual statements are provided to employees at the end of each fiscal year for their records. Further information and forms can be obtained from Precision Retirement Group (Plan Administrator – Pelion Benefits, Inc.) at:

Pelion Benefits, Inc.
3713-C University Drive
Durham, NC 27707
888-532-7526
www.pelionbenefitsinc.com

*FICA stands for the "Federal Insurance Contributions Act" which designates the withholdings made by an employer and employee towards Social Security.



**3121 FICA Alternative Plan
Participant Enrollment, Investment Election, And Designation of Beneficiary Form**

PARTICIPANT INFORMATION (Please Print Information Clearly)

Social Security Number: _____ Date of Birth: _____ Date of Hire: _____
 Name: _____ Married: _____ Single: _____
 Street: _____ City: _____ State: _____ Zip: _____
 E-mail Address: _____ Phone: _____
 Employer: _____

Investment Election

| I authorize all contributions to be invested as follows: | Contribution Percent % |
|--|------------------------|
| GUARANTEED FIXED OPTION | |
| Guaranteed Fixed Account | 100% |
| TOTAL | 100% |

Designation of Beneficiary

I hereby revoke any Designation of Beneficiary I may previously have made under the above Plan and designate the following as my Beneficiary (ies) under the Plan:

Primary Beneficiary (ies)

| Name | Relationship | Social Security Number | Date of Birth | Percentage |
|------|--------------|------------------------|---------------|------------|
| | | | | |
| | | | | |
| | | | | |
| | | | | |

Contingent Beneficiary (ies)

| Name | Relationship | Social Security Number | Date of Birth | Percentage |
|------|--------------|------------------------|---------------|------------|
| | | | | |
| | | | | |
| | | | | |
| | | | | |

Participant's Signature: _____ Date: _____

Please Submit Form To:
PELION BENEFITS, INC. • 3713-C University Drive • Durham, NC 27707
 Telephone 888.532.7526 • Fax 919.942.2804

Statement Concerning Your Employment in a Job Not Covered by Social Security

Employee Name _____ Employee ID# _____

Employer Name _____ Employer ID# _____

Your earnings from this job are not covered under Social Security. When you retire, or if you become disabled, you may receive a pension based on earnings from this job. If you do, and you are also entitled to a benefit from Social Security based on either your own work or the work of your husband or wife, or former husband or wife, your pension may affect the amount of the Social Security benefit you receive. Your Medicare benefits, however, will not be affected. Under the Social Security law, there are two ways your Social Security benefit amount may be affected.

Windfall Elimination Provision

Under the Windfall Elimination Provision, your Social Security retirement or disability benefit is figured using a modified formula when you are also entitled to a pension from a job where you did not pay Social Security tax. As a result, you will receive a lower Social Security benefit than if you were not entitled to a pension from this job. For example, if you are age 62 in 2013, the maximum monthly reduction in your Social Security benefit as a result of this provision is \$395.50. This amount is updated annually. This provision reduces, but does not totally eliminate, your Social Security benefit. For additional information, please refer to Social Security Publication, "Windfall Elimination Provision."

Government Pension Offset Provision

Under the Government Pension Offset Provision, any Social Security spouse or widow(er) benefit to which you become entitled will be offset if you also receive a Federal, State or local government pension based on work where you did not pay Social Security tax. The offset reduces the amount of your Social Security spouse or widow(er) benefit by two-thirds of the amount of your pension.

For example, if you get a monthly pension of \$600 based on earnings that are not covered under Social Security, two-thirds of that amount, \$400, is used to offset your Social Security spouse or widow(er) benefit. If you are eligible for a \$500 widow(er) benefit, you will receive \$100 per month from Social Security (\$500 - \$400=\$100). Even if your pension is high enough to totally offset your spouse or widow(er) Social Security benefit, you are still eligible for Medicare at age 65. For additional information, please refer to Social Security Publication, "Government Pension Offset."

For More Information

Social Security publications and additional information, including information about exceptions to each provision, are available at www.socialsecurity.gov. You may also call toll free 1-800-772-1213, or for the deaf or hard of hearing call the TTY number 1-800-325-0778, or contact your local Social Security office.

I certify that I have received Form SSA-1945 that contains information about the possible effects of the Windfall Elimination Provision and the Government Pension Offset Provision on my potential future Social Security Benefits.

Signature of Employee _____ Date _____

Information about Social Security Form SSA-1945 Statement Concerning Your Employment in a Job Not Covered by Social Security

New legislation [Section 419(c) of Public Law 108-203, the Social Security Protection Act of 2004] requires State and local government employers to provide a statement to employees hired January 1, 2005 or later in a job not covered under Social Security. The statement explains how a pension from that job could affect future Social Security benefits to which they may become entitled.

Form SSA-1945, **Statement Concerning Your Employment in a Job Not Covered by Social Security**, is the document that employers should use to meet the requirements of the law. The SSA-1945 explains the potential effects of two provisions in the Social Security law for workers who also receive a pension based on their work in a job not covered by Social Security. The Windfall Elimination Provision can affect the amount of a worker's Social Security retirement or disability benefit. The Government Pension Offset Provision can affect a Social Security benefit received as a spouse, surviving spouse, or an ex-spouse.

Employers must:

- Give the statement to the employee prior to the start of employment;
- Get the employee's signature on the form; and
- Submit a copy of the signed form to the pension paying agency.

Social Security will not be setting any additional guidelines for the use of this form.

Copies of the SSA-1945 are available online at the Social Security website, www.socialsecurity.gov/online/ssa-1945.pdf. Paper copies can be requested by email at ofsm.oswm.rqct.orders@ssa.gov or by fax at 410-965-2037. The request must include the name, complete address and telephone number of the employer. Forms will not be sent to a post office box. Also, if appropriate, include the name of the person to whom the forms are to be delivered. The forms are available in packages of 25. Please refer to Inventory Control Number (ICN) 276950 when ordering.