



## 3121 Plan Benefits

The 3121 plan provides an economic benefit for the employer and their PTS employees.

### Employer Benefits:

Without the 3121 plan, the employer and the participant both contribute 6.2 of after-tax (gross compensation) pay into Social Security. With the 3121 Plan, a total of 7.5% of each participant’s paycheck is contributed. The employer may opt to contribute a portion of the 7.5%. This plan provides a significant savings to the district (up to 6.2%). No fees are paid by the district as the fees are paid off the assets of the plan. The plan account is set up as a Guaranteed Interest Contract (GIC) and the interest rate to the employee is guaranteed never to be less than 1%.

### Employee Benefits:

Instead of contributing after tax contributions, the employee contributes pre-tax which reduces taxes paid on their gross compensation. No taxes are paid on the investment as long as they remain in the plan. The employer may opt to contribute a percentage of the 7.5%. The interest earnings from the plan are credited to the employee on a monthly basis.



There are no front-end sales charges or back-end surrender fees. Because this plan is set up as a 457(b) plan, there is no additional 10% premature distribution tax. When the plan is cashed out to the participant, 20% will be paid for Federal Taxes and 2% will be paid for State taxes.

A participant is eligible to withdraw the funds upon separation from service. If the employee changes jobs, they may be eligible to retain their funds in the plan until they request a withdrawal. The good news is, all funds contributed to the 3121 Plan are 100% vested.

Once the participant is ready to withdraw their funds they have options:

- Cash out
- Rollover to another Eligible Retirement Plan
- Transfer – Purchase service credit from CalPers or CalStrs; or transfer funds to another employers’ 457(b) FICA Alternative Plan.

Let’s suppose an employee goes from a part-time position to a full-time position with one of the schools with the SDCOE. The part-time funds would become available for withdrawal, transfer or rollover as soon as two years have passed since their last contribution into the plan. If their 3121 balance is over \$5,000; the funds can be transferred as a purchase of service credit; or they would need to remain in the part-time plan per the IRS.

For account balance information, a statement is mailed to the participant’s residence on an annual

Date	Time	Topic	Location
10/8/2016	9:00am	PERS Workshop along with Social Security	Palomar Community College Room MD157
10/19/2016	4:30pm	PERS Workshop	Sweetwater School District Board Room
10/22/2016	9:00am	STRS Workshop along with Social Security	Palomar Community College Room MD157
10/29/2016	9:00am	PERS Workshop along with Social Security and the Cost of Medical in Retirement	Sweetwater School District Board Room
10/29/2016	10:30am	STRS Workshop along with Social Security and Cost of Medical in Retirement	Sweetwater School District Board Room
11/19/2016	9:00am	STRS Workshop along with Social Security and Cost of Medical in Retirement	North County Regional Education Center San Marcos COMM LABS 1-4

To place a reservation to attend any of the workshops above please call Lauren Nickerson at (619) 501-5561