

THE BENCOR PLAN DESCRIPTION

The BENCOR National Government Employees Retirement Plan™
BENCOR Special Pay Plan

SCHOOL BOARD OF POLK COUNTY

The BENCOR NATIONAL GOVERNMENT EMPLOYEES RETIREMENT PLAN™ (BENCOR SPECIAL PAY PLAN™) is offered by BENCOR, Inc. to help governmental units and their employees save up to 7.65% of Social Security/Medicare taxes and to defer income taxes on eligible Plan contributions. Provided below is an explanation of how the Plan works, subject to employer policy:

Eligibility

- Employees covered under this Plan by board policy, who are retiring, separating from service or entering into DROP and have accumulated at least \$2,500 in "Special Pay" (terminal/sick leave pay, annual leave-vacation pay, incentive pay, etc.), will participate in this Plan.
- Accumulated "Special Pay" will be placed into the BENCOR NATIONAL PLAN™ subject to contribution limits.

Contribution Limits

- Contributions to the 401(a) Plan cannot exceed 100% of Plan Year Salary or \$49,000 – whichever is less.
- Contributions to the 403(b) Plan cannot exceed 100% of Plan Year Salary or \$49,000 – whichever is less.
- If your Plan Year Salary is less than \$49,000, a different calculation will be used to determine your Plan contribution limit.
- The maximum Special Pay Plan contribution limit is calculated each year.
- Employer with multiple BENCOR Plans: If your Special Pay contribution exceeds the 401(a) contribution limits, you may also qualify for contributions to the employer's 403(b) Plan.
- Contributions to your elective-deferral 403(b) account may reduce your BENCOR Special Pay Plan contribution limits.
- Please consult your tax advisor or your BENCOR advisor regarding your Plan contribution limits.

Investments & Investment Expenses

- Initially, Special Pay Plan contributions are automatically invested into the Transamerica Financial Life Insurance Company Guaranteed Pooled Fund. This is a principal-guaranteed, interest-bearing account. There are no front-end loads, back-end loads, surrender charges, administrative fees, 1099 fees or any other fees charged against this account. This account is fully liquid. **There is a guaranteed minimum rate of return.**
- An asset management and administration fee is reflected in the guaranteed interest rate on the fixed investment option and the unit values of the mutual fund investment options.
- Subsequently, the participant can self-direct among an array of investment choices.

Distributions

- Distributions may be taken at termination of employment, or upon total disability or death.
- The participant may choose to leave money in the Plan, self-directing future investments and taking distributions as desired in a *tax-deferred manner*. Distributions may be taken in a lump sum or periodic payments may be taken monthly, quarterly, semi-annually or annually. (Remember, it may be advantageous under Federal tax laws to delay taking distributions until a later tax year when the individual's tax rate may be lower).
- A participant (or surviving spouse) may "roll over" the Plan balance into an IRA or into another qualifying plan. In addition, participants can roll money from an IRA or another plan into the BENCOR Plan.
- To receive a distribution, the participant must initiate the process by *requesting a distribution packet* from BENCOR Administrative Services at **1-888-258-3422**.

- Distributions will be processed in a timely manner with minimum waiting.
- There is no 10% IRS penalty if the employee is at least age 55 in the year of separation from employment.
- Employees who have separated from service and fall within a certain age category (*those who were under age 55 in the year of separation from employment*) and elect to withdraw these funds are subject to a 10% early cash withdrawal penalty by the IRS. Subject to your employer policy, the employer has chosen to "make whole" those employees who fall within this category *if* they request all of their funds in cash from the Plan Administrator within **45 days** of separation from employment. This would normally require a make-up of 2.35% (10% penalty minus 7.65% previous savings on Social Security taxes). However, individuals who have met their FICA salary limit before retiring would receive an 8.55% (10% penalty – 1.45% savings) reimbursement for amounts over the FICA limit.
- Please consult your tax advisor for information regarding the taxability of Plan distributions.
- Loans – For *loan* provisions, contact the BENCOR Administrative Services at **1-888-258-3422**.

DROP participants' Annual Leave/Terminal Sick Leave Pay will be processed as follows:

- **Annual Leave** – Employees participating in DROP *subject to employer policy* have the option to
 - (1) receive their annual leave as a lump-sum distribution at the time of enrollment in DROP or
 - (2) receive a lump-sum payment at the end of the DROP period. If option (1) is chosen (annual leave paid as a lump-sum at the time of enrollment in DROP), this dollar amount will be **included** in the employee's compensation for retirement benefit calculation purposes (FRS). If option (2) is chosen (wait until end of DROP period), this dollar amount is **not included** in the FRS benefit calculation.

Under option (1) or option (2) above, annual leave will be placed into the "BENCOR NATIONAL PLAN™" subject to contribution limits. Any annual leave in excess of Plan contribution limits will be paid to the participant subject to Federal tax and related payroll taxes (Social Security and Medicare).

Terminal Sick Leave Pay – An employee participating in DROP will have a percentage of their accumulated sick-leave pay balance deposited into their account at the end of each year of DROP. The percentage is determined by the participant's DROP year. **EXAMPLE:** An employee participating in DROP for a period of five (5) years will have terminal-sick-leave pay deposited as follows:

Year 1	20% of balance of terminal sick leave
Year 2	25% of balance of terminal sick leave
Year 3	33.33% of balance of terminal sick leave
Year 4	50% of balance of terminal sick leave
Year 5	100% of balance of terminal sick leave

EXAMPLE: An employee participating in DROP for a period of two (2) years will have terminal-sick-leave pay deposited into their account as follows:

Year 1	50% of balance of terminal sick leave
Year 2	100% of balance of terminal sick leave

If the yearly sick-pay contribution exceeds the amount of the contribution limit (*see Contribution Limits* above) the excess amount will be rolled into the next Plan year. Employees terminating prior to their pre-selected DROP-end date will have 100% of their remaining eligible sick-leave balance paid into the Plan, subject to contribution limits. Any excess amount will be paid in cash, subject to all applicable taxes. This method of payment allows employees to take maximum advantage of Federal tax law.