

Nevada System of Higher Education
FICA ALTERNATIVE PLAN
Effective July 1, 2005

Effective July 1, 2005, the Nevada System of Higher Education implemented a FICA Alternative Plan, administered by the State's Deferred Compensation Committee, for current and future NSHE employees who contribute to the FICA portion of Social Security. The State's FICA Alternative Plan will allow affected employees to accumulate retirement benefits and control their investment options in a manner different from Social Security. The FICA Alternative Plan is mandatory for some employees and voluntary for others. Contributions will be made on a pre-tax basis and participants become 100% vested upon enrollment. The FICA Alternative vendor is *The Hartford*. Hartford offers a guaranteed interest rate on all deposited funds. Current Medicare contributions, including the employer match will continue unchanged under the FICA Alternative Plan.

1. Who qualifies under this plan?

All new employees hired July 1, 2005 or later, who would normally contribute to Social Security, will be mandated to participate in the FICA Alternative Plan. Continuing employees will be granted the option of participating in either the Social Security program or the FICA Alternative Plan.

2. Will affected employees have a choice not to participate in this Plan?

Seasonal, part-time and temporary employees hired after July 1, 2005, who would normally contribute to Social Security will be mandated to participate.

Returning individuals on Letters of Appointment will be considered a new employee and mandated to participate if they have not been on the payroll for more than one year.

Continuing employees will be granted the option of participating in either the Social Security program or the FICA Alternative Plan if they have not previously enrolled in the FICA Alternative Plan. The definition of a *continuing employee*: if he/she was on the NSHE payroll one year prior to their current date of hire.

Succeeding Letters of Appointment are considered to be continuing employees and will have an option unless a one year break in service occurs.

Special Note: Once an employee is in a FICA Alternative Plan, the option of returning to Social Security while employed with NSHE is not available.

3. What happens if a continuing employee currently enrolled in FICA/Social Security fails to make a selection on the attached enrollment form?

The continuing employee will remain in FICA/Social Security.

4. What percentage of the participant's salary will be deducted and invested in the deferred FICA Alternative Plan?

7.5% pre-tax deduction will be withheld from the participant's total salary (not base salary) and placed in the designated deferred compensation plan.

5. Will participants receive credits towards Social Security retirement?

No, the FICA Alternative plan will be in lieu of Social Security.

(Over)

6. Will a participant be able to designate a beneficiary?

Both plans offer a participant to designate a primary beneficiary. To designate a beneficiary, contact the vendor you select.

7. Will participant receive a statement from the vendor?

Yes, a statement will be sent out on a quarterly basis.

8. What happens to the funds when a participant separates from service?

Participants who separate from service and choose to withdraw their funds must notify Hartford in order to receive the funds.

Participants who separate from their employer and wish their funds to remain deposited will **not** need to notify Hartford of their change in employment status.

Special Note: It has been determined that separation means an employee has not been paid within the NSHE system for one month.

9. Can a participant withdraw their funds early without a penalty?

There is no penalty for early withdrawal prior to retirement; however, a participant will be taxed on the amount of withdrawal. Refunds can take anywhere from 4 to 8 weeks.

10. Can a participant roll their funds into another qualified plan?

Yes, a participant can roll their funds into another qualified plan. The vendor will assist the participant with this process.

If you have any questions, please contact your Human Resource department.

Nevada System of Higher Education
FICA Alternative Enrollment Form
New Hire

NSHE has implemented a FICA (Federal Insurance Contributions Act) Alternative Plan administered by the State's Deferred Compensation Committee for employees who would typically contribute to the FICA portion of Social Security. The State's FICA Alternative Plan allows affected employees to accumulate retirement benefits and control their investment options in a manner different from Social Security. 7.5% pre-taxed dollars will be deducted from the participant's base salary and invested in the deferred compensation plan of choice. The FICA Alternative vendor is The Hartford. Hartford offers a guaranteed interest rates on all deposited funds of 3% or more.

For more information regarding rates, please contact Hartford at:

The Hartford: 888-457-7824 or www.retire.hartfordlife.com

----- cut here -----

I understand that I have to select Hartford for the FICA Alternative Plan and that I can contact the Hartford if I have any questions regarding the plan.

The Hartford

Name (print clearly): _____ Social Security/Employee ID #: _____

Mailing Address: _____

Signature: _____ Date: _____

Department where employed: _____

Campus: _____

Complete form SSA-1945. (Attached)

01/21/09

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

Employee Name: _____ **Social Security#** _____

Employer Name: Nevada System of Higher Education **Employer ID#:** 88-6000024 _____

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 2005, the maximum monthly reduction in your Social Security benefit as a result of this provision is \$313.50. 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 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/form1945. Paper copies can be requested by email at oplm.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.