

Collin County Community College District
Part-Time, Temporary, & Probationary Employees' Retirement Program (PERC or FICA)
Eligibility vs. Exemptions from Participation

The Omnibus Budget Reconciliation Act of 1990 (OBRA '90) mandates Social Security (FICA) coverage for most part-time employees unless they participate in an acceptable retirement system through Collin County Community College District (CCCCD) or the State of Texas (or unless they are an international employee working in the United States based on the following Visas: F1, J1, M1, or Q1--these employees are exempt from both FICA and Medicare contributions).

If you are an employee who is subject to FICA eligibility and you do not elect CCCC'D's FICA Alternative Plan (PERC), you will have to contribute 7.65% of your pay, up to the maximum contribution level. CCCC'D established a special retirement plan, the Program for Extra Retirement Compensation (PERC), for part-time, temporary employees as an alternative to Social Security (FICA) participation. Some return-to-work retirees who are part-time and not yet drawing TRS or ORP must participate in either FICA or PERC. The PERC plan features:

- Tax deferred contributions and interest accumulation
- 100% vesting immediately
- Portability or transfer to an individual IRA at termination of employment
- Financial strength of Metropolitan Life
- No annual service fee for active accounts
- Minimum 7.5% employee contribution

The PERC plan offers an opportunity for real tax-advantaged asset accumulation and results in higher take home pay. The election between the PERC plan and FICA is a choice that may not be revoked until employment in a covered position terminates with CCCC'D. If you have any questions concerning the PERC plan, please contact the Human Resources Office at the Central Park Campus at 972-548-6660 or metro 972-881-5660.

Illustration of Take-Home Pay Differential at 27% Income Tax Bracket

The following is for illustrative purposes only. Individual situations will determine the actual differential in take-home pay.

<u>PERC Plan</u>	
Gross Wages	\$1,000.00
Pre-Tax Deduction (7.5%)	- 75.00
Taxable Wages	= 925.00
Taxes (27%)	- 249.75
No FICA	NA
Take Home Pay	= \$675.25

<u>Social Security (FICA)</u>	
Gross Wages	\$1,000.00
No Pre-Tax Deduction	NA
Taxable Wages	\$1,000.00
Taxes (27%)	- 270.00
FICA (7.65%)	- 76.50
Take Home Pay	= \$653.00

NOTE: The MetLife Tax Sheltered Annuity plan through PERC is a qualified plan that may affect the eligibility of you and your spouse to contribute to an IRA. Consult a tax advisor for details.

FICA Alternative Plan (PERC) Questions and Answers

Q: What is the FICA Alternative Plan?

A: As a result of legislation passed as part of OBRA '90, certain employees are required to participate in either FICA (Social Security tax) or an alternative plan set up within guidelines established by the U.S. Treasury Department. In the Program for Extra Retirement Compensation or PERC plan, deductions otherwise made to FICA are contributed to an individual account with MetLife. MetLife holds these funds in a tax-sheltered annuity until they are withdrawn by the former employee.

Q: What are the advantages of electing the FICA Alternative Plan?

A: The funds placed in this account are taken out of the paycheck on a before-tax basis, so you are not taxed on the gross amount. Funds remain tax-sheltered until the time they are withdrawn by the individual participant. Also, funds are available to the participant when a separation of employment occurs, or when they are no longer employed on a part-time or probationary basis.

Q: If I contribute to this plan, will it affect any of my other tax-sheltered investments?

A: As with most tax-deferred plans, a maximum contribution allowance applies. Depending on your filing status and income, your IRA deduction could be reduced or eliminated. You may wish to consult your financial or tax advisor before making a decision, as this election may not be revoked until your employment in a covered position ends.

Q: Does the account earn interest?

A: Yes. Interest is credited daily based on MetLife's standard "retail" interest rates for funds deposited during the same month that your deposit occurred. Interest accumulates on a tax-deferred basis.

Q: How do I find out how much money is in my account?

A: Annual statements are sent to the home address of each participant within 30 days following the end of the calendar year. If you need to know your balance prior to the end of the year, you may call MetLife at 800-560-5001 and request information.

Q: How do I withdraw or rollover my money?

A: Once you have ceased employment in a covered position, you may request a withdrawal/rollover request form and/or a letter of termination (from a covered position) from Human Resources. Mail your completed form with a CCCC Human Resources representative signature or with a termination letter attached to MetLife. A check from MetLife will be forwarded to the address indicated on the form in 4-6 weeks. 20% Federal Income Tax will be withheld from the check, and if you are under 59½, you will be subject to a 10% IRS penalty for early withdrawal, which is assessed the following tax year.

Q: What else can I do with my money--Can I leave it in there?

A: The money can be left in the account, and will continue to accrue interest. A provision in the Plan allows MetLife to assess a \$20 administrative fee if an account remains inactive for 12 consecutive months; however, MetLife has chosen not to implement this provision and will provide 90 days written notice to participants if they decide to do so. The funds can also be rolled over to an IRA or another eligible plan. With a rollover, there are **no taxes and no IRS penalty**.

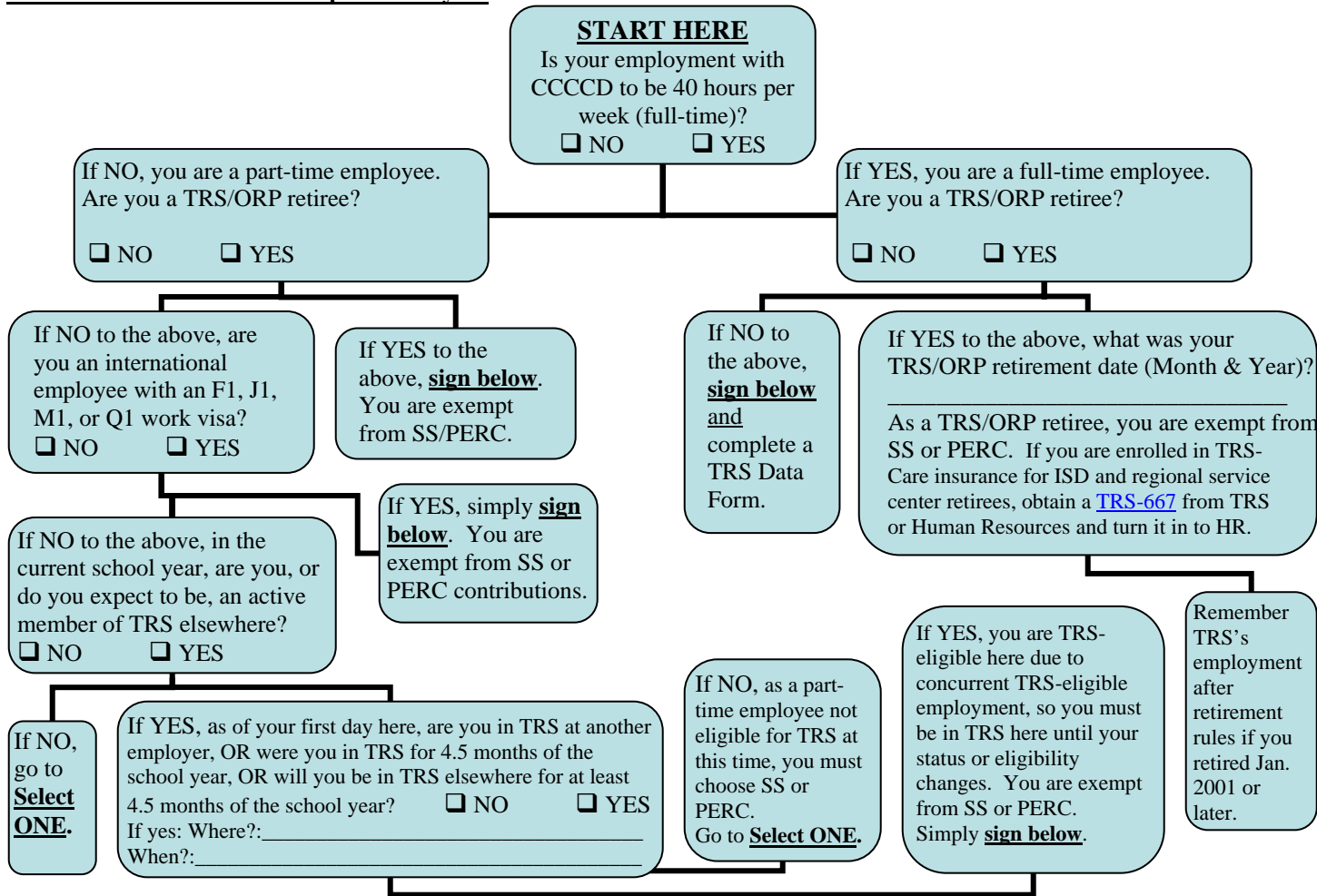
Q: What if I leave and come back at a later date?

A: You may continue participating as though there were no break in service. You will have the same options, as though you were a new hire, and will be eligible to make a new election between FICA and PERC.

**Collin County Community College District
PERC FORM / RETIREMENT PLAN ELIGIBILITY FORM**

Name: _____ CWID/SSN #: _____

FIRST: Check the boxes that pertain to you.



THEN: Select ONE (unless you are full-time, an international worker, a TRS/ORP retiree, or a part-time employee in TRS elsewhere).

I elect to participate in **Social Security / FICA**. 7.65% SS tax (6.2% FICA and 1.45% Medicare) will be deducted on an after-tax basis and remitted on my behalf.

OR

I elect to participate in a MetLife Tax Sheltered Annuity, also referred to as **PERC** (Program for Extra Retirement Compensation). In consideration of my employer's obligations under the CCCCD Tax Sheltered Annuity Plan (the "Plan"), I elect to defer 7.5% of my total compensation (as defined in the Plan) for services rendered after the date of this Agreement. I authorize my employer to effect such deferrals by payroll deduction each pay period. Deferrals will be made on a before-tax basis which means I agree to have my compensation reduced by the stated percentage and, in turn, my employer will contribute my compensation on the annuity contract obtained for me pursuant to the Plan. I understand that my employer has a right to reduce my elected percentage as may be legally required to comply with Section 403(b) and other sections of the Internal Revenue Code.

I understand that I may not revoke this election until my covered employment ends.

IF YOUR STATUS OR ELIGIBILITY FOR PERC OR TRS CHANGES, YOU MUST INFORM HUMAN RESOURCES BY COMPLETING A NEW UPDATED PERC FORM.

Employee Signature _____

Date _____