

AN OVERVIEW OF THE
BENCOR NATIONAL GOVERNMENT EMPLOYEES RETIREMENT PLAN™
(401(a) QUALIFIED RETIREMENT PLAN)
FOR ACCUMULATED SICK LEAVE PAY/ANNUAL LEAVE-VACATION PAY/
INCENTIVE PAY/"SPECIAL PAY"

Seminole Community College

MARKETED BY:
BENCOR, INC

SPONSORED BY:
VALIC/AMERICAN GENERAL FINANCIAL GROUP
BENCOR, INC

PLAN TRUSTEE:
FIRST UNION BANK

ADMINISTRATIVE SERVICES PROVIDED BY:
BENCOR ADMINISTRATIVE SERVICES
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The **BENCOR NATIONAL GOVERNMENT EMPLOYEES RETIREMENT PLAN™ (BENCOR NATIONAL PLAN)** is offered by BENCOR, Inc. to help governmental units and their employees take maximum advantage of federal tax laws. Provided below is an explanation and illustration of how the plan works and the advantages it offers:

Eligibility

- Employees who are retiring and eligible for terminal leave benefits from Seminole Community College are required to participate in this Plan.

Qualified Contributions

- Terminal Sick and Vacation Leave Pay will be placed into the BENCOR NATIONAL PLAN subject to contribution limits. (Please see *Contribution Limits* below)
- Vacation Leave Pay is included in FRS retirement benefit calculations whether paid to you or on your behalf to your 401(a) account *at retirement* or *at the beginning* of DROP.

Benefits to Employee/Participant

- Employees permanently save the 7.65% Social Security and Medicare tax on eligible contributions;
- Contributions are made on a pre-tax basis. Income taxes on this compensation and any interest earnings are deferred until distributions are taken.

Contribution Limits

- In the year immediately prior to entering DROP and/or the last year of employment, the Maximum Plan Contribution cannot exceed 50% of the Plan Year Compensation¹ or \$42,000, whichever is less;
- For all other years the Maximum Plan Contribution cannot exceed 100% of Plan Year Salary² or \$42,000, whichever is less. The Maximum Plan Contribution limit is calculated each year.

Vesting

- All contributions are 100% vested.

Trustee

- First Union Bank acts as Trustee for the BENCOR NATIONAL PLAN and handles all deposits into the Plan and distributions from the Plan.

Investments

- VALIC/American General Financial Group provides the investment product for this retirement plan (Potentia product). Please contact VALIC for additional information regarding the Potentia investment product options at 1-800-448-2542.
- All investments are participant directed. However, if a participant does not select an investment option, the participant's contribution will automatically go into the Potentia fixed account.
- In 2000, VALIC/American General Financial Group was rated A+ (Superior) by A.M. Best with more than \$118 billion in total assets.

Expenses

- There is no asset management fee charged against the Potential General (i.e. Guaranteed or Fixed) account. An asset management fee is deducted from variable accounts only. The fee is charged quarterly and will be indicated on the quarterly statements sent to all Plan participants.
- No front-end loads
- No back-end loads

¹ Plan Year Compensation = Wages (July 1-June 30) + Sick Leave Pay + Annual Leave/Vacation Pay + Incentive Pay ("Special Pay")

² Plan Year Salary = Wages (July 1-June 30) + Incentive Pay ("Special Pay")

- No distribution/checkwriting/1099R fees
- No statement fees

Plan Administration

- BENCOR Administrative Services provides a full range of administrative services to the BENCOR NATIONAL PLAN and its participants including:
 - Quarterly statements are mailed to each participant
 - Account balances are updated daily
 - Secure Internet Web Site (available 24 hours, 7 days/week)
 - Voice-Response System (toll free, available 24 hours, 7 days/week)
 - Telephone representatives
- For general Plan information, specific account information, or to change investment options, please phone toll free 1-888-258-3422.

Distributions

- When an eligible participant terminates employment, the participant may choose:
 - 1) to leave money in the Plan, self-direct future investments and take distributions as desired in a *tax-deferred manner*;
 - 2) a lump sum distribution;
 - 3) periodic payments taken monthly, quarterly, semi-annually or annually.
- Distributions are made due to total disability or death
- 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
- A terminating employee (or surviving spouse) can roll over the distribution into an IRA
- A terminating employee can roll over the distribution into another employer's qualified retirement plan
- There is no 10% IRS penalty if the employee is at least age 55 or older at separation from employment
- Retired employees who have left the system and fall within a certain age category (those who were less than age 55 at separation from employment) and elect to withdraw these funds are subject to a 10% early withdrawal penalty by the IRS.
- It may be most advantageous under Federal tax laws to delay taking distributions until a later tax year when the individual's tax rate may be lower. **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

Tax Sheltered Annuities (TSA 403(b))

- Contributions made to the BENCOR NATIONAL PLAN are Employer contributions to a 401(a) qualified retirement plan. *In most cases*, participants in the BENCOR NATIONAL PLAN will be able to make maximum contributions to their 403(b) plans, in addition to the maximum 401(a) contribution.
- **Please consult your TSA advisor or your tax advisor regarding your contribution limits.**

The following is an illustration of how this Plan works:

Martha is an employee with Seminole Community College with 30 years of service. Her annual salary is \$48,000 and she has a total of \$20,000 of accumulated sick leave, vacation leave, and incentive pay ("Special Pay"). Her Plan Year Compensation is \$68,000 (\$48,000 + \$20,000). Her maximum Plan Contribution is \$13,600 (\$68,000 x 20%). She intends to retire as of June 30th, the last day of the College's fiscal year. To illustrate the current year tax effect, her total income for the calendar year will be \$44,000, consisting of the sum of her half-year salary of \$24,000 and \$20,000 accumulated sick leave, vacation leave, and incentive pay ("Special Pay").

Without the BENCOR NATIONAL PLAN, Martha will have current calendar year taxes as follows:

Federal income tax	\$44,000 x 28%	= \$12,320
Payroll tax – FICA	\$44,000 x 6.20%	= \$ 2,728
Payroll tax – Medicare	\$44,000 x 1.45%	= <u>\$ 638</u>
	TOTAL:	\$15,686

With the BENCOR NATIONAL PLAN, \$13,600 (\$68,000 x 20% = Maximum Plan Contribution) of Martha's accumulated sick, vacation, and incentive pay ("Special Pay") will be deposited by the College into her plan account. Her current calendar year taxes now will be:

Federal income tax	\$30,400 ³ x 28%	= \$ 8,512
Payroll tax – FICA	\$30,400 x 6.20%	= \$ 1,885
Payroll tax – Medicare	\$30,400 x 1.45%	= <u>\$ 441</u>
	TOTAL:	\$10,838

With the BENCOR NATIONAL PLAN, Martha is able to defer **\$3,808** in income taxes (\$12,320 - \$8,512) to a future year when she withdraws her plan account. She realizes permanent savings in payroll taxes of **\$1,040** ((\$2,728 + \$638) – (\$1,885 + \$441)). In addition, if Martha so desires, she can possibly make a maximum contribution to her 403(b)-annuity program for the year, thereby deferring additional income tax.

SEMINOLE COMMUNITY COLLEGE DROP PARTICIPANTS

DROP participants' Terminal Sick Leave and Vacation Leave Pay will be processed as follows:

Vacation Leave Pay

- Employees participating in DROP have the following options:
 - Option (1): Receive their vacation leave as a lump sum distribution at the time of enrollment in DROP or;
 - Option (2): Receive a lump sum payment at the end of the DROP period.

³ This figure includes the \$6,400 paid to Martha at time of termination (\$20,000 - \$13,600 = \$6,400)

If option (1) is chosen, this dollar amount will be included in the employee's compensation for retirement benefit calculation purposes (FRS). If option (2) is chosen, this dollar amount is not included in the FRS benefit calculation.

Under option (1) or (2) above, vacation leave will be placed into the "BENCOR NATIONAL PLAN" subject to contribution limits. Any vacation leave in excess of Plan contribution limits will be paid to the participant subject to income tax, social security, and medicare. The participant does not have access to Plan contributions until the end of the DROP other than through loan provisions.

Terminal Sick Leave Pay

- An Employee participating in DROP will have an amount deposited into his or her account equal to that percentage for the time worked under the DROP option (*see table below*) multiplied by the value of the balance of the employee's accrued sick leave hours (excluding 225 hours, which is not part of the yearly payout calculations, and remains available for use until the final payout). This percentage will be modified in the first year of enrollment in DROP, if the first year amount exceeds the amount of the contribution limits (*see Contribution Limits on Page 2*). For 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

- Employees terminating prior to their pre-selected DROP end date will be paid 100% of their eligible sick leave balance. Allowing employees to shelter their terminal pay in this fashion maximizes the terminal pay that can be sheltered.