

BENCOR Special Pay Plan Overview

The BENCOR Special Pay Plan is a retirement program consisting of two parts, the *first part* satisfying the requirements under **Section 401(a)** of the Federal tax law, the *second part* following the dictates of **Section 403(b)**. Together, these two parts are offered by BENCOR, Inc. as one Plan to help governmental units, as well as you as an employee, save up to 7.65% of Social Security and Medicare taxes on certain forms of "special pay" (as described below) contributed to the first and second parts of the Plan. The Plan also results in the *deferral* of your income taxes on that same special pay that is contributed under both parts of the Plan; income taxes are not imposed until you actually withdraw money from the Plan. The Social Security and Medicare tax savings are *permanent* because these taxes are not imposed on withdrawals from the Plan.



Frequently Asked Questions

Who participates in the Plan? To be eligible for the Plan, you must be in a category of employees designated as *covered by board policy*. If you are covered by such policy, then you will participate if you (i) are retiring or entering into DROP, and (ii) have accumulated at least \$2,000 in "special pay" (terminal pay, sick leave pay, annual leave pay, special bonus pay, etc.).

What should I do to set up my Plan account? Your employer establishes your Plan account for you. Once your account is created, you should log on to your account at bencorplans.com to:

- 1) select your statement delivery preference (electronic/paper) under **Statements/Forms**;
- 2) designate the person(s) who should receive the funds in your account in the event of your death by using the **Beneficiaries link** under the **gear icon**;
- 3) make an investment election under **Investments**; and
- 4) add your personal email address for plan communications, including statement notifications.

What are the options for investment of my account? The Plan offers different investment options in which you may choose to invest amounts contributed to your account. The options are listed and described on the website. If you do not choose investment options, your account will be invested automatically in your Plan's default option, which may or may not be the best option for your circumstances. Therefore, it is important for you to log on to your account at bencorplans.com as soon as possible to obtain information about all the available investments and choose the options that are appropriate for your own objectives and preferences.

What is contributed to the Plan? Contributions to the Plan consist of accumulated special pay that otherwise would be paid to you in cash at retirement or other separation from service.

If you enter DROP: or submit an Irrevocable Letter of Resignation, **Accumulated Sick Pay** – Contributions of accumulated sick pay are made to the Plan in each year of the DROP or resignation period leading up to your actual retirement date. The amount contributed each year depends upon the number of years in your separation period. For example, an employee participating for a period of five (5) years who has accumulated Sick Leave Pay, will have that Sick Leave Pay deposited as follows:

Year 1	20% of balance of terminal sick leave
Year 2	25% of remaining balance of terminal sick leave
Year 3	33% of remaining balance of terminal sick leave
Years 4+	50% of remaining balance of terminal sick leave
Upon Separation	100% of remaining balance of terminal sick leave

Employees terminating prior to the end date of their Irrevocable Letter of Resignation or DROP will be paid 100% of their eligible sick leave balance per policy. If the yearly sick pay contribution exceeds the amount of the contribution limit the excess amount will be rolled into the next plan year.

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).

In addition to these contributions of special pay made by your employer, you also may choose to "roll over" into the Plan monies invested in other eligible retirement plans or traditional IRAs, thereby consolidating your retirement savings in one place.

Is there a limit on the amount of Special Pay that can be contributed to the Plan? Yes. The IRS adjusts the annual dollar limit periodically to reflect cost-of-living increases. [Click here to see the current IRS limits.](#)

Your employer will not contribute more to the Special Pay Plan on your behalf than is permitted by law. Any amount that cannot be contributed to the Plan will be retained until the next plan year or paid to you as current taxable compensation, as applicable. Please consult your tax advisor or your BENCOR representative regarding your specific Plan contribution limits.

May I still make elective deferrals to another 403(b) or 457(b) plan? You still may elect to defer money into any other plans for which you are eligible, subject to all applicable limits imposed by Federal tax law, but no elective employee contributions may be made to the BENCOR Special Pay Plan.

Can I withdraw money from my account? Your account is always 100% vested and belongs only to you. The balance of your account is available for withdrawal at any time *after* your termination of employment, or upon total disability or death. In the case of your death, the beneficiary(ies) you name under the Plan will be able to withdraw your account balance. Funds may be withdrawn in one or more cash distributions, which are taxable for the year of withdrawal, or in the form of a direct rollover to an IRA or other eligible retirement plan, which results in continued deferral of your income tax obligation. To request a withdrawal, log on to your account at bencorplans.com and submit your request electronically. Additional information about income taxes and rollovers is provided online.

Are my funds taxable and are there any penalties when I withdraw my funds? Income taxes are imposed for the year of withdrawal. Income taxes are deferred in the case of a rollover to an IRA or other eligible retirement plan, although rollovers to a "ROTH" IRA are currently taxable. The Special Tax Notice included with the Distribution Request Form provides general information about the taxation of distributions from the Plan. For specific tax information, consult an independent tax advisor.

An additional 10% tax (early withdrawal penalty) may apply to withdrawals taken prior to the attainment of age 59½ if you retire or otherwise separate from service prior to the year in which you turned age 55.

Your account is subject to the IRS Required Minimum Distribution rules after you reach age 73 or retire, whichever is later, or following your death, if earlier. (If you reached age 72 before 1/1/2023, your required beginning date may be different.)

Can I borrow from my account? You may be eligible to borrow up to 50% of your account balance for up to 5 years. The minimum loan amount is \$1,000. The amount available to borrow is affected by any other Plan loans you have received. An initiation fee of \$75 is deducted from your account each time you take a loan. A quarterly loan maintenance fee of \$6.25 applies for the duration of the loan, but not in the quarter the loan is issued. A maximum of two (2) loans are allowed. Please visit bencorplans.com to view loan availability and request a loan.

Will I receive account statements? Statements showing your account activity, including beginning balance, contributions made, investment results and ending balance, are provided after the close of each calendar quarter. You may generate a statement on demand at any time by logging in to your account.

Are there any fees? There are no administrative fees charged to your account unless your balance is less than \$1,000 *and* no contributions have been made to your account for more than two years. At that time, if you do not elect a distribution, a monthly maintenance fee will apply.

