

3121 Plan Overview

Who Is Offering The San Diego County Schools FBC 3121 Plan?

The Plan is a partnership between San Diego County Board of Education Fringe Benefits Consortium, Life Insurance Company of the Southwest (LSW), and National Benefit Services, LLC.

What Is The San Diego County Schools FBC 3121 Plan?

The 3121 Plan is a savings program for employees who are not eligible to participate in the State Employees' Retirement System.

How the 3121 Plan Came About

The Omnibus Budget Reconciliation Act of 1990 (OBRA) amended the Internal Revenue Code and the Social Security Act to include employees of state and local governments. The Act authorized the Secretary of the Treasury to adopt regulations and provide guidance to the Internal Revenue Service and Social Security Administration. The Act amended Internal Revenue Code Section 3121, under which Social Security participation became mandatory for all employers.

However, the Internal Revenue Code Section 3121 says that part-time, temporary, and seasonal (PTS) employees are exempt from the 3121 tax if they are provided a "comparable retirement system". In response, the 3121 Plan was created to meet those requirements. This alternative provides a retirement plan for PTS employees who are not normally covered like full time employees. The adoption of the 3121 Plan provides an economic benefit for the employer and their PTS employees.

How The 3121 Plan Benefits The Employee

Social Security Costs

Without the 3121 Plan, the employee must pay 6.2% after-tax into Social Security and the employer must also contribute 6.2% of pay.

Employee Account

With the 3121 Plan, the employee may be required to contribute up to 7.5% pre-tax (instead of 6.2% after tax) of gross compensation. The district may choose to contribute a portion of the required 7.5%.

Employee Benefits

- Mandatory pre-tax contributions, which may reduce the amount of your current income that is subject to tax
- Possible District contributions to your account
- Tax-deferred savings, which means you pay no taxes on your investment earnings as long as they remain in the Plan
- Interest earnings are credited to employee
- Annual statement mailed to residence
- No front end sales charge
- No back end surrender charge
- Money available to withdraw upon termination
- If you change jobs, you may be eligible to retain your funds in the plan until you request a withdrawal
- No 10% premature distribution tax
- Rollover/Transfer options
- 100% vested in account