



900 S. Capital of Texas Hwy.
Suite 350
Austin, TX 78746
Toll Free: (800) 943-9179 Fax (888) 989-9247
Email: jemtpa@jemtpa.com

December 16, 2014

Dear Participant:

You are receiving this letter because you are an employee in a position that is not covered by the Teacher Retirement System of Texas (TRS) and you are a participant in the Cypress-Fairbanks Independent School District Pension Plan for Non-TRS Employees. This includes most part-time, seasonal or temporary employees with Cypress-Fairbanks ISD, including substitutes. *The purpose of this letter is to tell you about changes in the CFISD retirement plan that covers you.*

The Omnibus Budget Reconciliation Act of 1990 (OBRA 90) mandated that employees of public agencies, including school districts, who were not members of the employer's existing retirement system, the Teacher Retirement System of Texas (TRS), be covered by Social Security or a qualifying alternate plan. The District adopted such an alternative plan on January 1, 1992 called the Cypress-Fairbanks Independent School District Pension Plan for Non-TRS Employees (the "Pension Plan"). This Pension Plan is a "defined benefit" plan that provides a very small guaranteed income for life at the participant's retirement or an equivalent lump sum payment. Due to the way this plan was structured, the plan is expensive for CFISD and has provided payment to a relatively small percentage of participants in the past, particularly in the last 10 years.

Effective December 31, 2014 CFISD has amended the Cypress-Fairbanks Independent School District Pension Plan for Non-TRS Employees so that (a) no additional benefits will be earned by current participants under the Pension Plan and (b) no employees hired after this date will be covered by the Pension Plan. However, current participants as of December 31, 2014 will keep their accrued pension benefit and will receive payment for this benefit when they terminate their employment with CFISD, subject to the terms of the Pension Plan (24 months from date of last CFISD pay check if not eligible to retire).

Beginning January 1, 2015 all CFISD employees who would previously have been covered by the Pension Plan will instead be in the ESC Region 10 457 FICA Alternative Plan. This plan satisfies federal requirements for a plan that is an alternative to Social Security and is offered to public school districts and other education agencies in Texas. This plan will require participants to contribute 7.5% of their pay. The plan offers the following advantages to covered CFISD employees vs. the Pension Plan:

- Your contributions to the plan will be tax deferred – you will not have income tax withheld on your contributions.
- When you leave CFISD you will receive your account balance in the plan, including any investment earnings on the 7.5% of pay you have contributed (employee essentially has a savings plan for retirement).
- Unlike the previous Pension Plan, there will be no 10% tax penalty on the distribution you take when you leave CFISD if you choose a lump sum distribution.
- With the Pension Plan, the District and not the plan participants benefit from investment gains on plan funds. With the 457 FICA Alternative Plan all investment gains go to participants.
- Employees will not have to wait 2 years to withdraw funds if not eligible to retire, which is a rule with the Pension Plan.
- Participants will be better off financially with the combination of the tax advantages of the 457 FICA Alternative Plan and the savings they put into the plan than with their pay if they paid FICA taxes.
- Most districts in the area have similar plans requiring employee contributions.

Here are the important things you need to know about this Plan:

1. On January 1, 2015, JEM Resource Partners in Austin, TX (JEM) will begin administering the 457 FICA Alternative Plan. JEM is the administrator for the ESC Region 10 RAMS plans. JEM is currently the administrator of both the CFISD 403(b) Plan and 457 Retirement Savings Plan.
2. Wilmington Trust will be the custodian holding the FICA Alternative Plan funds for CFISD participants.
3. ESC Region 10 RAMS is the sponsor of the FICA Alternative program. The Plan will be controlled by CFISD.
4. You will be able to view your account balance and information online at www.region10rams.org.
5. The Summary Plan Description, which includes the Plan rules and discloses Plan fees, can be viewed on this same website under Cypress-Fairbanks ISD, the tab marked FICA Alternative Plan.
6. Please review the enclosed RAMS FICA Alternative flyer for all details about the Plan including eligibility and distribution requirements.
7. CFISD, JEM and Region 10 want to assure you that your account balance and records are secure. You will be fully invested at all times.

You will be able to see your account balance updated daily on the Region 10 RAMS website at www.region10rams.org after the first contribution has been made for the January 15, 2015 payroll. You may also call us toll-free at (800) 943-9179.

JEM is an affiliated company of TCG Advisors, LP. TCG Advisors is the Investment Advisor to the Region 10 RAMS. Both companies are completely independent of the investments used in the Plan and do not receive any type of compensation from any of the investment companies used in the Region 10 FICA Trust.

JEM looks forward to serving you as the Plan administrator. If you have any questions, please contact us by email at info@jemtpa.com or by calling (800) 943-9179.

Sincerely,

The Region 10 Retirement Asset Management Services (RAMS) Team

*For more information on your Plan please go to the website www.region10rams.org or contact CFISD at (281) 897-4020.

INSTRUCTIONS FOR USING THE JEM/REGION 10 RAMS WEBSITE

Note: If you do not have Internet access or need assistance, please call us at (800) 943-9179 and we can assist you with these services by phone.

To view your FICA Alternative Plan account balance online, please follow the instructions below:

1. Go to www.region10rams.org
2. Click on “Login” on the upper right side of the screen
3. Select the first letter of your Employer from the navigation bar
4. Click on your Employer from the list of Employers
5. Click on Login
6. Enter your SSN (xxxxxxxx)
7. Enter the last four digits of your SSN for the password (xxxx)
8. If you have any problems, please call JEM Customer Service at (800) 943-9179

457(b) FICA Alternative Plan and Trust

Retirement Plan for Part-Time, Temporary & Seasonal Employees Including Substitutes

1. What is the Region 10 457(b) FICA Alternative Plan? Legislation passed as part of the Omnibus Budget Reconciliation Act of 1990 (OBRA 90) mandates that substitute, temporary and part-time employees participate in either FICA (Social Security Tax) or an alternative plan set up within the guidelines established by the Internal Revenue Service. The deductions for the FICA Alternative Plan (OBRA) are taken out of your paycheck in lieu of deductions normally made to FICA.

2. Who is eligible for the Region 10 457(b) FICA Alternative Plan? You are eligible to participate in the Plan if you are an active employee and are not eligible to participate in the TRS Pension Plan. TRS retirees are considered covered by TRS, are not required to pay FICA taxes and thus are not included in the Plan.

3. How much do I contribute to the Region 10 FICA 457(b) Alternative Plan? The FICA Alternative Plan requires a 7.5% contribution by the employee.

4. What are the advantages of participating in the Region 10 457(b) FICA Alternative Plan?

- You are 100% immediately vested (meaning you own the money) on your contribution to the Plan.
- The Plan lowers your current income taxes since contributions to the Plan are made on a "pretax" basis, unlike Social Security withholdings, which are made on an "after-tax" basis
- When you leave your employer, you can rollover your account balance to an Individual Retirement Account or another qualified retirement plan, or take a cash distribution subject to taxation.
- There is no IRS penalty for taking a cash distribution prior to retirement.
- If you become eligible later for TRS, you can use your Plan account balance to purchase service credit.
- Plan assets are managed by a professional registered investment advisor, TCG Advisors, LP.

5. How do I participate in the Region 10 457(b) FICA Alternative Plan? Enrollment in the Plan is automatic.

6. How do I designate a beneficiary? Your spouse if married or estate if not married is automatically defaulted as your beneficiary. If you would like to change this default, you will find the designation of beneficiary form on the Region 10 Rams website, www.region10rams.org.

7. Do I still pay the Medicare portion of FICA? Yes, Medicare withholding will be made from your paycheck in addition to the contribution to the Region 10 457(b) FICA Alternative Plan.

8. Where are the funds invested? The funds are held at Wilmington Trust. Funds are invested in an investment portfolios made up of bonds, other fixed interest investments, mutual funds and other investments judged by the trustees to be appropriate for this type of plan.

9. How do I find out how much money is in my account? You will receive annual statements from JEM, the plan administrator, outlining your account activity. You may also go online to www.region10rams.com or call the third party administrator, JEM Resource Partners, at (800) 943-9179, to find out your account balance.

10. How do I withdraw or rollover my money? Upon termination of employment, attainment of retirement age, or in the event of permanent disability or death, you will have access to your account. You will also have access to your funds if you have a change of employment status at your District to a position covered by TRS if there have been no contributions to the account for two (2) years and the account balance is less than \$5,000. If the account balance is greater than \$5,000, the account will only be eligible for distribution due to termination, retirement, or death.

Administered by:



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