



Employee Benefit Summary

TOWN OF READING EMPLOYEE BENEFITS BENEFITS AVAILABLE TO REGULAR PART-TIME EMPLOYEES

(LESS THAN 20 HOURS PER WEEK)

Mandatory in Lieu of Social Security - For part-time employees who work less than 1,690 hours per year the Town has adopted a 457 Plan under the Internal Revenue Codes (*OBRA*). This means that 7.5% of your gross salary will be deferred and invested in an account in your name at ICMA-RC Retirement Corporation.

The plan is designed specifically for employees who are *Part-time, Temporary or Seasonal* and therefore are not covered under the Town's retirement system. This plan was adopted as an alternative to putting all part-time, temporary or seasonal employees in the Social Security System.

Upon separation of service from the Town, employees are afforded several options with regard to funds on account with ICMA-RC. Your options are as follows:

- 1) **Take the money out in Cash**
Taking a distribution in cash has tax consequences. With a lump sum distribution, you will be assessed 20% for federal taxes and the cash that you receive will be taxed as ordinary income.
- 2) **Transfer the money into your new employer's retirement plan**
This option allows you to transfer funds without penalty or tax implication to another 457, 403(b) or 401(k) plan. Contact ICMA-RC at 1-800-669-7400 for the necessary forms.
- 3) **Transfer the money into an IRA**
This option also allows you to transfer without penalty or tax implication into a current or new IRA or Roth IRA. Contact ICMA-RC at 1-800-669-7400 for the necessary forms.

When you terminate from the Town of Reading ICMA gets notified. If you have less than \$1000.00 on account you will receive a check minus taxes. If you have more than \$1000 on account your money remains in ICMA and you could be responsible to pay the monthly account maintenance fees. There is also a lack of fund choices.

Retirement for Teachers - For teachers who work less than 17.5 hours per week the Town has adopted a 457 Plan under the Internal Revenue Codes. This means that 7.5% of your gross salary will be deferred and invested in an account in your name at ICMA Retirement Corporation. Employees will not have a social security deduction. All employees are subject to the 1.45% Medicare tax and could be Medicare eligible at age 65 if he/she meets the requirements of the Social Security Administration.

Voluntary 457 Compensation Plan - A pre-tax 457 retirement savings plan is available through ICMA-RC Retirement Corporation.

Credit Union - Savings accounts and loans are available through the Credit Union. Payroll deductions may be deposited to a savings account or to pay a loan.

Direct Deposit - Payroll checks are issued bi-weekly and the Town encourages payroll checks to be electronically deposited into an account at any bank.

For any questions, contact the Human Resources office at the Town Hall at 781-942-9033 or by email at pclement@ci.reading.ma.us.