



Hotsheet

February 2010

THE CITIES OF BEAUMONT AND COPPELL CHOOSE WIN-WIN FOR PART-TIME EMPLOYEE'S

*They join 236 public agencies in adopting the
PARS FICA Alternative Retirement System (ARS)*

"The PARS program is a win-win for our employees and the City. It provides better benefits to the employees while reducing our contribution rate from 6.2% under Social Security to 1.3% with PARS."

*-Laura Clark
Chief Financial Officer
City of Beaumont*

As public agencies across Texas struggle to balance their budgets in the face of cutbacks, there is one step ALL eligible agencies should take: Move part-time, seasonal and temporary (PST) employees from Social Security into a federally-approved alternative plan to reduce payroll costs on a permanent basis.

If your PST employees are still in Social Security, your agency can reduce PST retirement contribution costs by 79% or more with a PARS Alternative Retirement System (ARS) plan. And, if your PST's plan is currently administered by another provider, there are significant advantages to moving your plan to PARS, including superior service. Here are examples of two more Texas cities that recently made the change:

CITY OF BEAUMONT

In July 2009, PARS presented an analysis to the City that showed at least \$27,000 in annual savings on its approximately \$658,000 payroll for 128 part-time, seasonal and temporary employees under the PARS plan. The City subsequently made the decision to join the PARS Trust along with 236 other public agencies representing over 270,000 part-time, seasonal, and temporary participants. The City had concluded that the new plan was better for the City and its part-time employees than Social Security.

Laura Clark, Chief Financial Officer comments, "The PARS program is a win-win for our employees and the City. It provides better benefits to the employees while reducing our contribution rate from 6.2% under Social Security to 1.3% with PARS."

CITY OF COPPELL

The City of Coppel recently implemented the PARS ARS Plan which will produce savings of approximately \$18,000 per year, money which can be used elsewhere in their budget.

PARS: GOOD FOR EMPLOYERS

- **Reduced Ongoing Costs:** this plan reduces payroll contributions from 12.4% (FICA) to 7.5% (PARS-ARS) per OBRA 90 passed by Congress.
- **Flexible Contribution Levels** totaling 7.5% can be divided in any way between employer and employee and can be changed in the future.
- **PARS' Defined Contribution** approach eliminates unknown future funding obligations.
- **Administrative Ease:** Agencies can have the plans they need without assuming administrative, compliance or fiduciary burdens.

FOR MORE INFORMATION ON HOW PARS CAN ASSIST YOUR AGENCY, CONTACT:

- MITCH BARKER, EXECUTIVE VICE PRESIDENT
AT 800.540.6369 x 116 OR AT
MBARKER@PARS.ORG
- DON PASCHAL, MUNICIPAL CONSULTANT
AT 214.726.6559 OR AT
DON@PASCHALCONSULTING.COM

VISIT PARS ONLINE WWW.PARS.ORG

PARS also offers:

OPEB Trust Pre-Funding (GASB 45):

A multiple-employer Section 115 Irrevocable Trust approved by the IRS to meet the pre-funding obligations of public agencies

Retirement Enhancements (REP):

Gives agencies the ability to locally design and implement an ongoing defined contribution retirement plan that complements existing state retirement plans

PARS: GOOD FOR PART-TIMERS

PARS ARS plan benefits are designed with the needs of part-time, seasonal and temporary employees (PST) in mind. PST's prefer PARS because of:

- **More Take Home Pay:** Unlike Social Security, PARS ARS contributions are made with before-tax dollars resulting in more income. Contributions and earnings accumulate tax-free until cashed out.
- **Immediate Ownership:** PARS ARS participants are immediately and fully vested in their accounts from the first day of participation, unlike Social Security's 40-credit vesting requirement.
- **Protected Assets:** PARS ARS plans are fully funded so participants know account balances right up to the moment of retirement. They also have the fiduciary protections of a tax-qualified retirement trust and corporate trustee, Union Bank.
- **Flexible Distribution Options** include taking distributions in cash or rollover to an IRA, 457, 401(k) etc..
- **Prompt Distributions:** PARS distributions are paid on average 23 days after PARS receives completed forms.
- **No Early Withdrawal Penalty:** Because PARS ARS utilizes IRC Section 457, employees who take an early withdrawal are not subject to the 10% IRS excise tax.

For more information on this plan and others,
please contact:

Mitch Barker, Executive Vice President, PARS at:
(800) 540 - 6369 ext 116 or
mbarker@pars.org

Don Paschal, Municipal Consultant at:
(214) 726-6559 or
don@paschalconsulting.com

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The contents of this publication reflect PARS' understanding of the facts.

Before taking any action based on this information,

we recommend that you consult professional advisors regarding your agency's specific objectives and circumstances.

Implement PARS ARS - and save

*An Agency with 200 PST employees,
each of whom earns an average of \$5,000/year,
can save \$73,500 each year when the 7.5%
minimum contribution rate is paid 1.3% by the
employer and 6.2% by the employee.*

Social Security Cost

PST Employees:	200
Avg Annual Compensation:	\$5,000
PST Payroll:	\$1,000,000
Employer Contribution Rate:	6.2%
Social Security Cost:	\$93,000

PARS ARS Cost*

PST Employees:	200
Avg Annual Compensation:	\$5,000
PST Payroll:	\$1,000,000
Employer Contribution Rate:	1.3%
PARS Employer Contribution:	\$13,000

Employer Savings: \$49,000

**Assumes PARS' administrative fees are
paid by the agency,
1.3% employer contribution
6.2% employee contribution*



Making retirement work for you.

PARS
PUBLIC
AGENCY
RETIREMENT
SERVICES

4350 Von Karman Avenue
Suite 100
Newport Beach, CA 92660