

## The Benefit of the BENCOR Special Pay Plan

The Special Pay Plan from BENCOR represents a significant retirement benefit for governmental and school district employees with accumulated vacation, sick, or other leave pay. Through this mandatory plan, all eligible employees with accumulated Special Pay will have the contributions automatically made into the Plan. By making the contributions in this manner, the employee has any income tax deferred on the contributions until they are withdrawn, and they avoid permanently the Social Security and Medicare taxes (7.65%) on those contributions.

The contribution limit to a 401(a) Special Pay Plan for 2020 is \$57,000 and is not offset by voluntary contributions to a 403(b) or 457 plan. Additionally, the contributions to the Plan are 100% vested to the employee and can be withdrawn at any point in time after the contribution to the Plan. Not only does this enable the employee to save the 7.65% in Social Security and Medicare tax immediately, it also provides an opportunity to manage the withdrawal of the funds at a time that can reduce the income tax based on the individual's personal circumstances.



### Special Pay Plan Example

	<u>Without BENCOR Plan</u>	<u>With BENCOR Plan</u>
Earned Vacation / Sick Pay	\$10,000	\$10,000
Federal Taxes	\$ 2,500	deferred
State Taxes	\$ 665	deferred
Social Security	\$ 620	\$ 0
Medicare	\$ 145	\$ 0
Take Home	\$ 6,070	deferred
Retirement Plan Contribution	\$ 0	\$10,000
<u>Tax Savings</u>		
<u>Employee</u>		
■ Social Security and Medicare	None	\$ 765
■ Deferred Income Tax	No	Yes
<u>Employer</u>		
■ Social Security/Medicare Match	None	\$ 765

### Employer Tax Savings

In addition to the benefit to the employee, the employer will save the Social Security match on the payroll for this employee, or \$765. When accumulated with all the other retiring employees, this can be a substantial savings for the employer.

## About BENCOR and Lincoln Financial Group

Lincoln Financial Group and BENCOR have worked together to bring government clients a customized solution for Special Pay Plans for their employees. Based on 25 years of experience, BENCOR provides all of the administration, plan documentation and client support, along with an open-architecture investment platform to provide a flexible and responsive solution for your employees with accumulated sick, vacation or other leave pay. Lincoln Financial provides an industry-leading stable value solution as the foundation of that investment lineup.

Stable Value Accounts are a critical option within the investment lineup for these types of plans because typical participants are already at or near retirement age, and the mandatory nature of these plans requires a default investment option. The Stable Value Account from Lincoln provides protection, stability and competitive guaranteed returns from a company with very strong industry financial ratings.

### Lincoln Financial Group



### The Lincoln Stable Value Account offers the following features

- **Stability:** Participant account balances are credited daily with interest and don't fluctuate with market ups and downs.
- **Liquidity:** Participants have daily liquidity at full book value (principal and interest) for all participant-initiated events. A 90-day equity wash applies for transfers to competing funds.
- **Yield:** Lincoln offers competitive interest crediting rates, protection from market volatility and the potential for improved earning power over other types of short-term investments.
- **Guaranteed minimum rate:** Lincoln guarantees that the interest credited will never fall below the minimum as specified in the contract — 1.50% for BENCOR clients.\*
- **Trading and portability:** The Stable Value Account trades through the National Securities Clearing Corporation (NSCC) or can trade manually, as needed. The product is also fully portable, which means it can be offered as an investment option on any recordkeeping platform based on the administrative capabilities of the new recordkeeper and underwriting approval by Lincoln.
- **Guaranteed crediting rate:** The guaranteed rate is reset semiannually. For the latest crediting rate information, please contact BENCOR at 800-264-6889.
- **Minimum investment:** There is no minimum investment requirement.

\* The guarantee is subject to the claims-paying ability of the issuing company.

## Important information about transfers

A 90-day equity wash provision restricts transfers from stable value funds directly to competing funds. The equity wash is a standard provision which enables the manager to invest in such a way as to generate a competitive field versus short-term investments. Transfers from stable value to a competing fund, must be invested in a non-competing fund for a period of 90 days. Examples of competing funds and investments may include money market funds, short-term bond funds, treasury inflation-protected securities (TIPS) funds, the self-directed brokerage account, and any other stable value product.

## Financial strength

The Lincoln National Life Insurance Company and Lincoln Life & Annuity Company of New York are rated among the highest for financial strength and ability to meet financial obligations.

### Rating agency

**The Lincoln National Life Insurance Company and Lincoln Life & Annuity Company of New York**

**A.M. Best A+** (2nd highest of 16)

**Fitch A+** (5th highest of 19)

**Moody's A1** (5th highest of 21)

**Standard & Poor's AA-** (4th highest of 21)

These ratings apply only to the company's claims-paying ability. The ratings do not imply approval of the product and do not refer to the performance of the product, including underlying investment options, if any. As of February 6, 2019, these ratings represent the most recently affirmed ratings by the respective agencies. Individual issuing companies are separately responsible for satisfying their own financial and contractual obligations. All ratings are subject to revision or withdrawal at any time by the rating agencies and, therefore, no assurance can be given that these ratings will be maintained. For more information on ratings, see [LincolnFinancial.com/Investor](http://LincolnFinancial.com/Investor). The current outlook for the insurance subsidiaries is stable from A.M. Best, Fitch, Moody's and Standard & Poor's.

## Intended for participant use as an investment only option.

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## The Lincoln National Life Insurance Company does not solicit business in the state of New York, nor is it authorized to do so.

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