

## Introduction

Federal law, the Omnibus Budget Reconciliation Act of 1990 (OBRA 90), requires that governmental employees who are not members of their employer's retirement system be covered by Social Security or an alternate plan.

As a part-time, seasonal or temporary employee with the Los Angeles Unified School District, you are enrolled in an alternate plan called the Public Agency Retirement Services Alternate Retirement System (PARS/ARS). PARS/ARS satisfies federal requirements and provides cost savings compared to Social Security to you and your employer. Social Security requires a 12.4% contribution of your salary each pay period; however, your PARS/ARS plan requires only a 7.5% contribution to your retirement account.

This information is a general description of what you can expect as a participant in PARS/ARS. The Plan Document provides a detailed description and contains all of the specific legal requirements of the plan. If this description states something that is different from the Plan Document, then the Plan Document will be followed, not this description. Ask your employer if you want to review a copy of the Plan Document and Adoption Agreement.

## Your PARS/ARS Account

As a PARS/ARS participant:

- Each pay period, 3.75% is deducted from your salary and deposited into your PARS/ARS account on a "pre-tax" basis.
- Each pay period, your employer also contributes the equivalent of 3.75% of your salary to your PARS/ARS account on a "pre-tax" basis.
- Investment activity minus plan administrative expenses is credited to your PARS/ARS account based upon your monthly account activity and will accumulate tax-free until your termination from the plan and PARS distributes your account balance.

## ARS Provides Additional Benefits

- As an ARS plan participant, you are immediately fully vested, from the first day of participation. Social Security requires 40 quarters of contributions before you can receive benefits.
- You own the ARS contributions, which are held in a separate pension account under your name. The contributions deposited grow with interest year after year until you terminate from the plan.
- Benefits are portable. If you leave LAUSD employment for any reason, you can take your money with you, either as a lump sum payment or as a roll over to an IRA or another qualified retirement plan. It's your money. You can choose how to spend it!

- You receive all the funds in your ARS account when you retire, not a monthly Social Security allotment based on a one-size-fits-all formula. Moreover, if you die, the ARS pension funds are either paid to your designated beneficiary or become part of your estate.

### **Designating A Beneficiary**

If you die while you are employed, your account balance will be distributed to your beneficiary.

If you are married at the time of your death, your spouse/registered domestic partner is automatically your beneficiary. If you wish to designate someone other than your spouse/registered domestic partner as your beneficiary, you must do so in writing and your spouse/registered domestic partner must sign a consent form.

If you are unmarried at the time of your death, your account balance will be paid to your estate unless you have designated another beneficiary.

You may obtain a Designation of Beneficiary Form from the PARS Trust Administrator.

### **Becoming Eligible For Benefits**

You or your beneficiary will receive your PARS/ARS account balance after your employment ends for any of the following reasons:

- Termination of Employment
- Retirement
- Death
- Permanent and Total Disability

If you become eligible for another qualified retirement plan such as STRS or PERS, your account balance must remain in PARS/ARS for twenty-four (24) months, after which you can request distribution of your account balance.

### **Receiving Your Account Balance**

1. Contact PARS, who will confirm with the District that your position is closed.
2. When the District confirms that your position is closed, PARS will send the appropriate distribution forms to you. Within 90 days of PARS' receipt of all necessary distribution forms, you will receive your account balance in a lump-sum distribution.
3. You do not pay income taxes on your account as it accumulates. When you begin to receive benefits, the funds received become taxable income. If you choose to receive retirement benefits before age 59½, those funds may be subject to federal, state and

additional taxes. If your account balance exceeds \$200, you may avoid immediate taxation by directing PARS to transfer the balance of your PARS/ARS account to an IRA or another retirement plan that accepts rollovers.

A Plan Summary describing PARS/ARS in more detail is available upon request. Please feel free to contact your employer or the PARS Trust Administrator:

**PARS Trust Administrator**  
**P.O. Box 12919**  
**Newport Beach, CA 92658**  
**800.540.6369**  
**949.250.1250 fax**

The PARS Trust Administrator is not licensed to and does not provide tax, accounting or legal advice. You are urged to consult with appropriate professionals regarding the tax, accounting and legal implications of participating in PARS/ARS.

### Frequently Asked Questions

#### 1. Am I required to participate in the PARS Alternate Retirement System (ARS)?

Yes, you must participate in the PARS/ARS. Federal law, the Omnibus Budget Reconciliation Act of 1990 (OBRA 90), requires that if a governmental agency does not allow its part-time, seasonal, and temporary employees to participate in their full time retirement plan, then PSTs must be covered either by Social Security or a qualifying alternate plan. PARS Alternate Retirement System (ARS) satisfies the federal requirements for a qualifying alternate plan. LAUSD implemented PARS/ARS in July, 1992.

#### 2. Who contributes to my ARS account?

Both you and LAUSD contribute to your ARS account. Each pay period you are employed by LAUSD in a PST position, you contribute 3.75% of your wages and LAUSD also contributes an amount equal to 3.75% of your wages, for a total contribution of 7.5%.

#### 3. How do I become eligible to receive my account balance?

When you terminate your employment with LAUSD, you are eligible to withdraw your funds from your ARS account. However, before PARS can distribute your ARS funds, we will need to confirm your resignation from LAUSD, and receive authorization from LAUSD to distribute your account balance.

4. If I am no longer working for LAUSD, does that mean I have officially resigned and therefore become eligible to receive my account balance?

No. For your LAUSD resignation to be official, you must submit your resignation directly to your former work site(s) in accordance with that work site's specific resignation procedures. It is your responsibility to make sure that your resignation has been officially processed.

5. What is the process to have my resignation confirmed by LAUSD?

If you notify PARS that you want to have your resignation confirmed by LAUSD, your name will be submitted to LAUSD for confirmation. If you have not officially resigned (see question #4), LAUSD will not be able to confirm your resignation and you will not be eligible for a distribution of your PARS/ARS account.

6. Can I receive my account balance if I am no longer participating in PARS, but I am still employed with LAUSD?

Yes. However, federal regulations prohibit distributing your account balance until 24 months after your last contribution to PARS/ARS.

7. How can I designate a beneficiary?

You must complete a PARS Designation of Beneficiary Form. If you would like to designate a beneficiary, please call PARS at (800) 540-6369 for a form or download a form from our web site at [lausd.parsinfo.org](http://lausd.parsinfo.org).