

Casco Bay Island Transit

As a participant in the Casco Bay Island Transit Money Purchase Pension Plan, you know it is solely funded by CBIT and does not allow for voluntary participant contributions. We are meeting to discuss the available options and the required process to update the plan to allow participants to make individual contributions.

What do voluntary participant contributions mean to me?

Allowing voluntary participant contributions means that you will be able to choose to contribute money from your paycheck (either on a pre-tax or Roth basis) to your retirement plan, enabling you to save more money for your retirement years.

What are the options?

Option #1

Maintain the Money Purchase Pension Plan and add a Payroll Deduction IRA

Since a payroll deduction IRA is not a qualified retirement account, it can be offered in conjunction with the MPPP.

Pros:

- Allows for participant contributions through payroll
- Maintains the Money Purchase Pension Plan as it is

Cons:

- Maximum current participant contribution is \$7,000 (\$8,000 for participants ages 50+)

Option #2

Install a 401k Retirement Plan and roll in the Money Purchase Pension Plan

A 401k is a qualified retirement plan and only one qualified plan can be offered by a plan sponsor, requiring the MPPP to roll into the new 401k.

Pros:

- Allows for participant contributions through payroll
- Maximum current contribution level is \$23,500 plus additional catch-up amounts for participants age 50+

Cons:

- Would require rolling over the Money Purchase Pension Plan
- Would require auto enrollment into the plan and auto escalation of contribution percentages up to 10%

For Consideration

Individual, no advisory fee Brokerage accounts for interested participants

Allen Wealth Management can set up individual brokerage IRAs that would allow participant contributions through a direct bank link.

Pros:

- Enables participants to contribute to a retirement account with automatic contributions
- Fully portable – if a participant leaves CBIT they can still contribute to their brokerage account and move it to another advisor if desired

Cons:

- Requires a bank link to enable automatic contributions