



Comparison between the 401(m) Plan and the OAS Retirement and Pension Plan (RPP)

**OAS Staff Association and
OAS Retirement and Pension Fund**

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OAS HQ, Washington, DC





Topics:

Definitions

Funding and contributions

Vesting and forfeitures

Investment risk

Taxation

Retirement pensions

Survivorship and disability benefits

Investment management

Fees

Loan and pre-termination withdrawals

Transfers from on plan to another

Reinstatements

401(m) and Continuing Contracts

Questions



Definitions

Pensionable Remuneration

A kind of before-tax remuneration

**Pensionable
Remuneration**

>

Basic Salary

+

Post Adjustment



Definitions (continued)

Vesting

Vested = Amount that I can withdraw when my employment ceases

Unvested = Forfeitures, the amount (if any) that remains in the Fund when my employment ceases



Definitions (continued)

Institutional Contributions

When we talk about the “institutional contributions” in the account, we refer not only to the contributions deposited by the employer there, but also the interest these contributions generated



Definitions (continued)

Personal Contributions

When we talk about the “personal contributions” in the account, we refer not only to the contributions deposited by the participant there, but also the interest these contributions generated



Sponsoring Institutions



OAS Retirement and Pension Fund Sponsoring Institutions

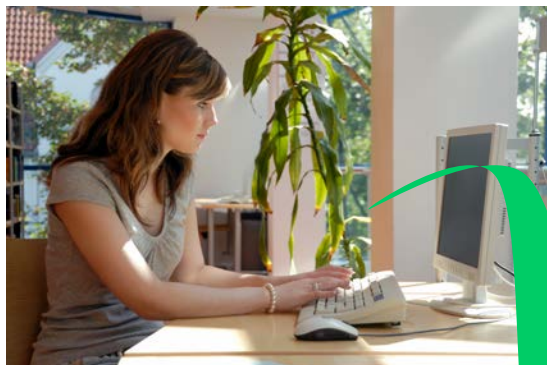


Funding and Contributions

OAS Retirement and Pension Plan

=

401(m) Plan



Participant



7% of Pensionable Remuneration

14% of Pensionable Remuneration



Vesting

Personal Contributions

For both the OAS Retirement and Pension Plan and the 401(m) Plan **personal contributions are vested 100% since the beginning.**



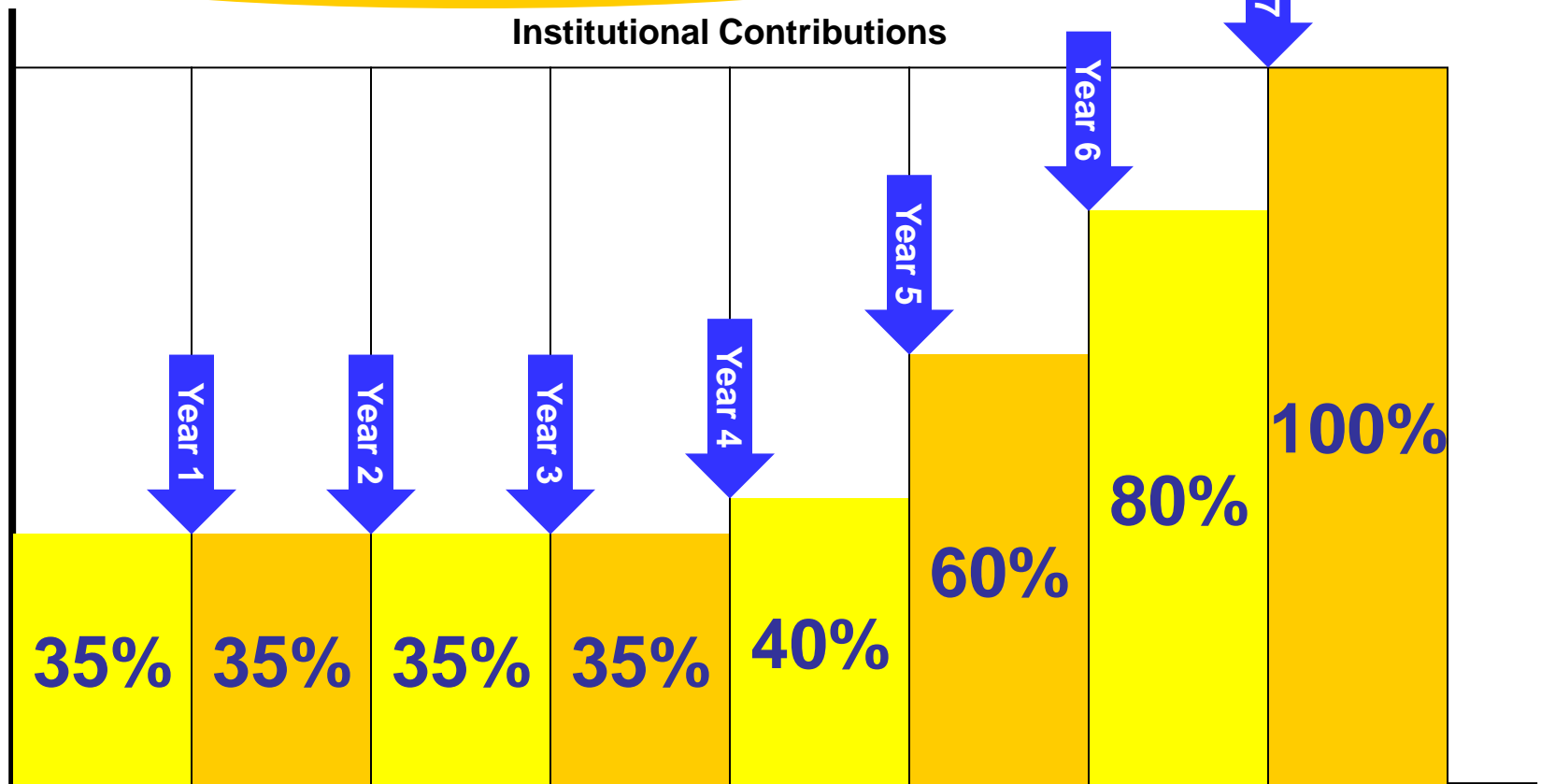
Vesting (continued)

Institutional Contributions

The 401(m) Plan has full vesting since the beginning, the OAS Retirement and Pension Plan has a vesting schedule with changing rights from year 0 to year 7 when the participant becomes fully vested

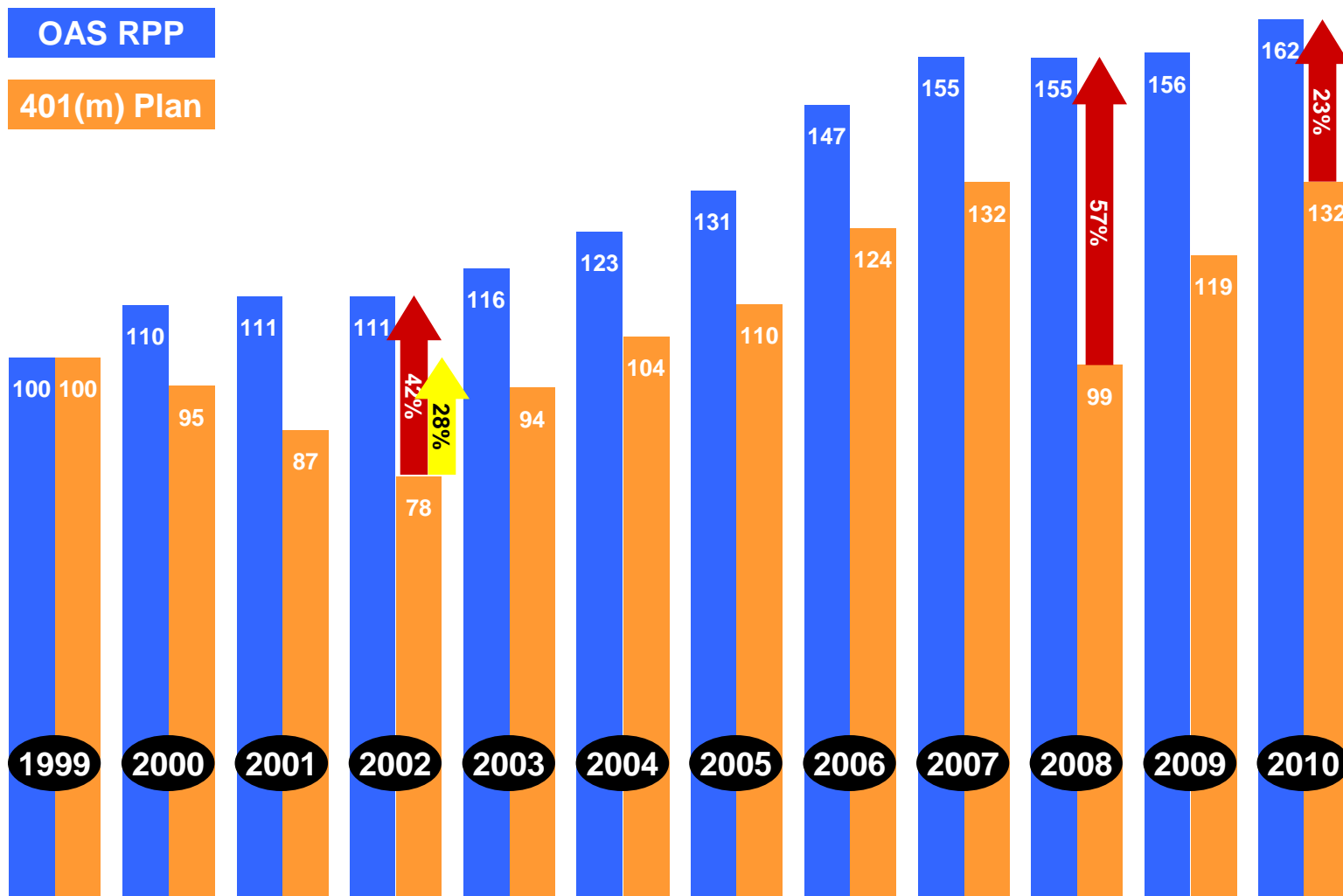
Vesting (continued)

Vesting Schedule RPP





Investment Risk



All dates are as of December 31 of the year. Assumes similar investment portfolios with a policy of around 60% in equity and 40% in fixed income. 401(m) returns are net of 1% annual fees. RPP are actual accreditations.

Taxation



**I WANT
YOUR
MONEY!!**

If you are a US tax payer, no matter what Plan you select, you will have to pay taxes when you withdraw funds.

Taxation (continued)



G-4 visa holders in 401(m) Plan

The agreement does not apply

Federal Income Tax: 30% of my gains

i.e. If I had \$200,000 in gains, the tax is \$60,000

In the example, if the person was younger than 59 ½ he/she would end paying half his/her gains in taxes

State Income Tax: Up to 11% in some jurisdictions

i.e. If I had \$200,000 in gains, and State Income tax is 10%, then the tax is \$20,000

Penalty Tax, if younger than 59 ½: 10% of gains

i.e. In the example the penalty tax would be \$20,000

Retirement Pensions



Participant

In OAS RPP

Could be eligible for a PENSION

for life

with COLAs

In 401(m) Plan

~~PENSIONS~~

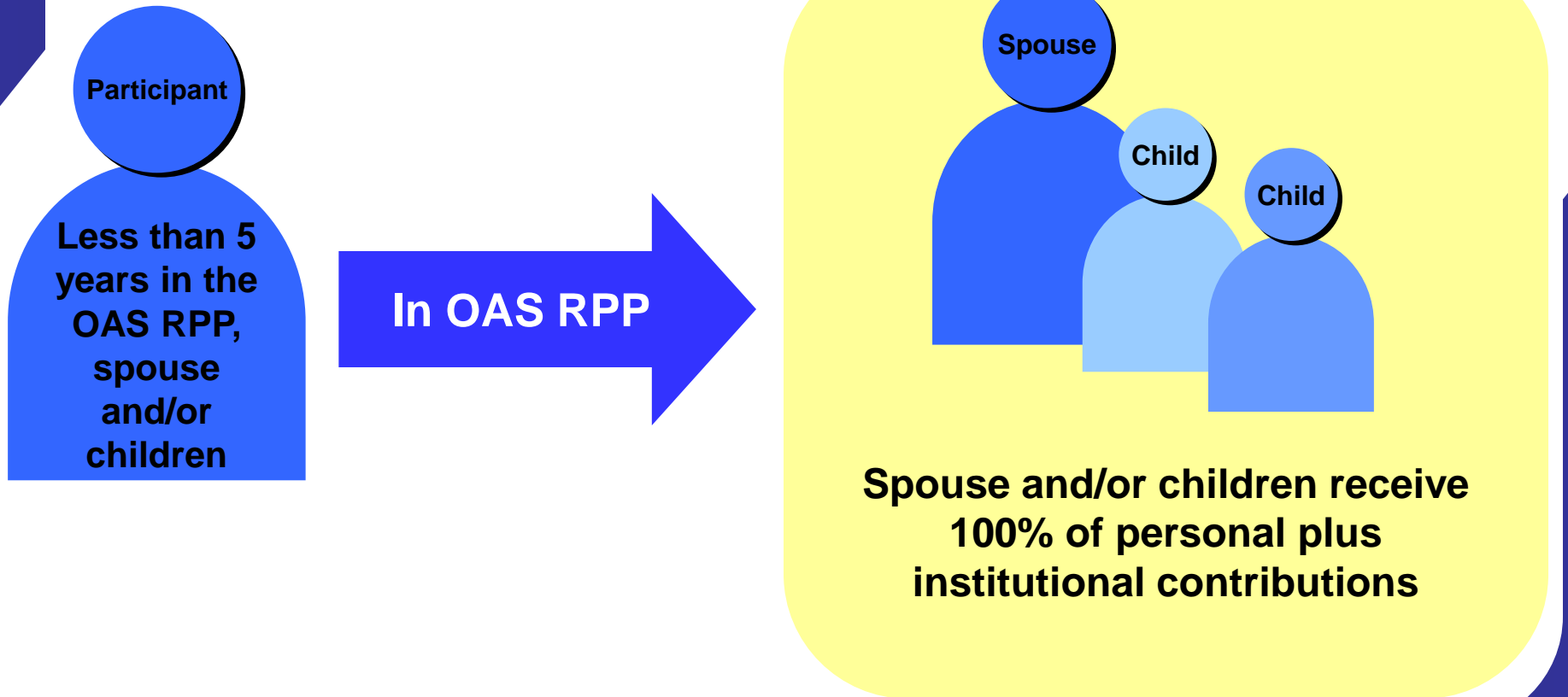
problems with withdrawals

run out of funds

no optimal use of funds

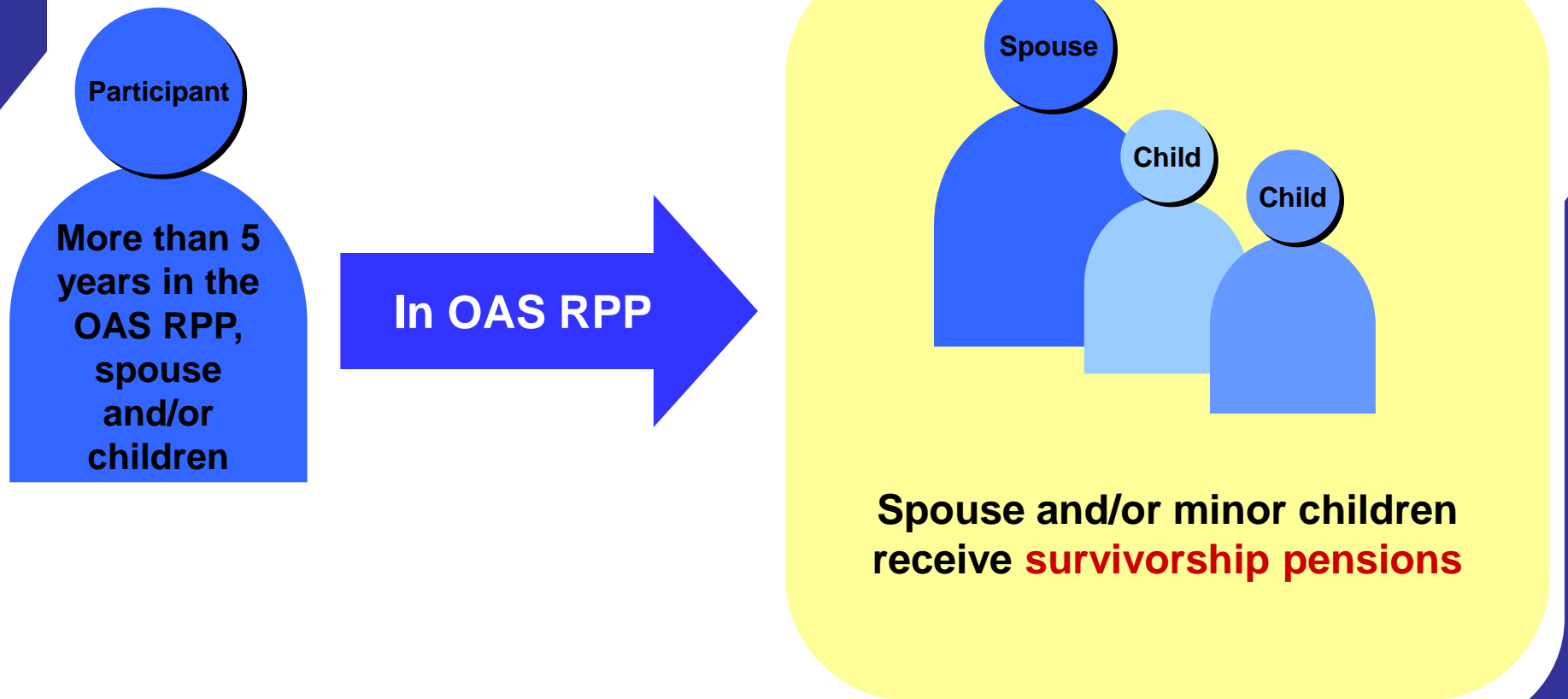
Other Social Security Benefits

Survivorship Benefits



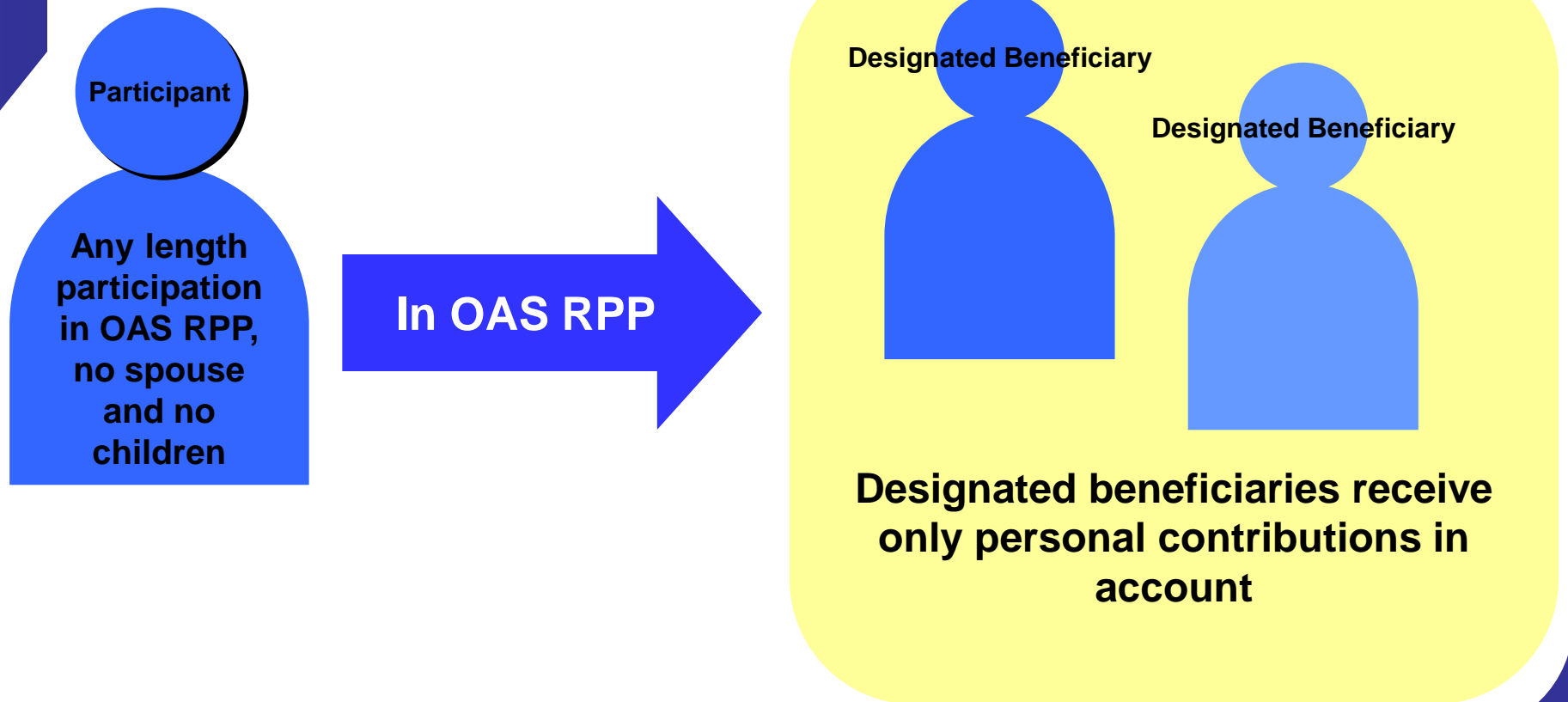
Other Social Security Benefits (continued)

Survivorship Benefits



Other Social Security Benefits (continued)

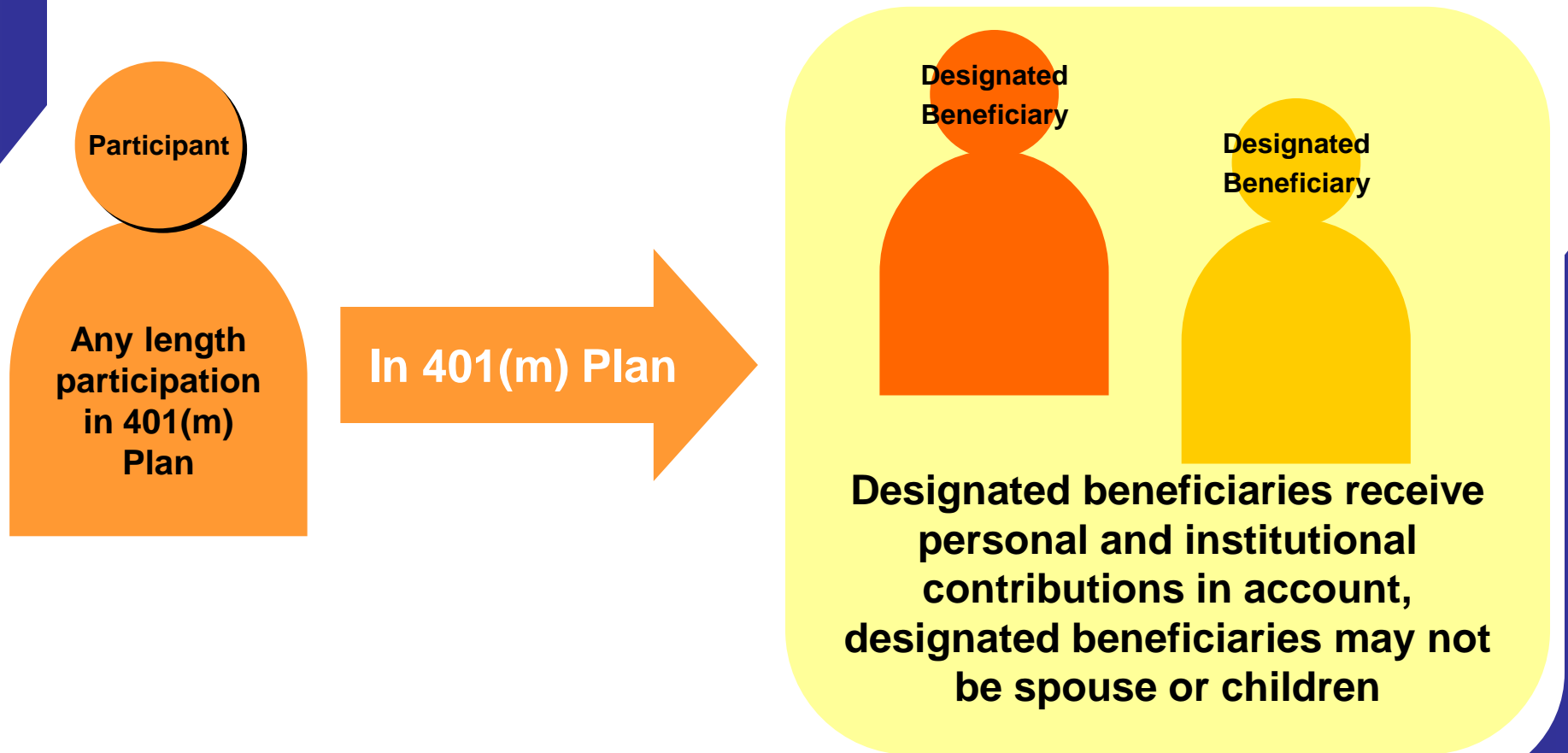
Survivorship Benefits





Other Social Security Benefits (continued)

Survivorship Benefits





Other Social Security Benefits (continued)

Disability Benefits



Less than 5 years
in OAS RPP

Receives 100% personal and institutional contributions in his/her account

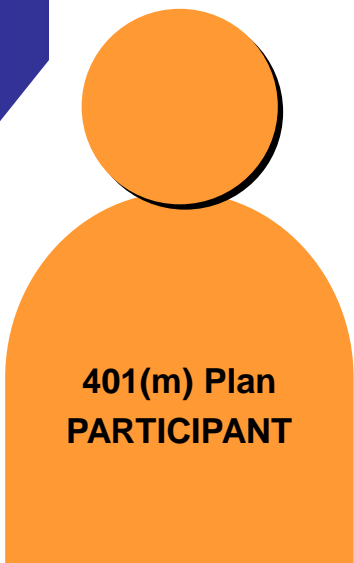
More than 5 years
in OAS RPP

Receives **disability pension**



Other Social Security Benefits (continued)

Disability Benefits



In 401(m) Plan

Disability Benefits

Investment Management

In the OAS RPP:



Contributions
pooled together
in a
professionally
managed and well
monitored Fund

In the 401(m) Plan:

Each individual on his/her own



For some this might
be an opportunity



For others it might
be a burden



Fees

In the OAS RPP:

Fees paid out of the Fund's Operational Reserve

The Fund's takes advantage of economies of scale to lower fees

Average management fees for pool of resources as low as 0.15%

In the 401(m) Plan:

Fees paid out of the Participant's account

Some mutual funds will charge up to 1.36% of asset value in fees

Participant also pays custodian and record-keeper fees



Loans & pre-termination withdrawals

In the OAS RPP:

Loans with the OAS Staff Credit Union with guaranty of the participant's RPP account

Preferential Rates!!!

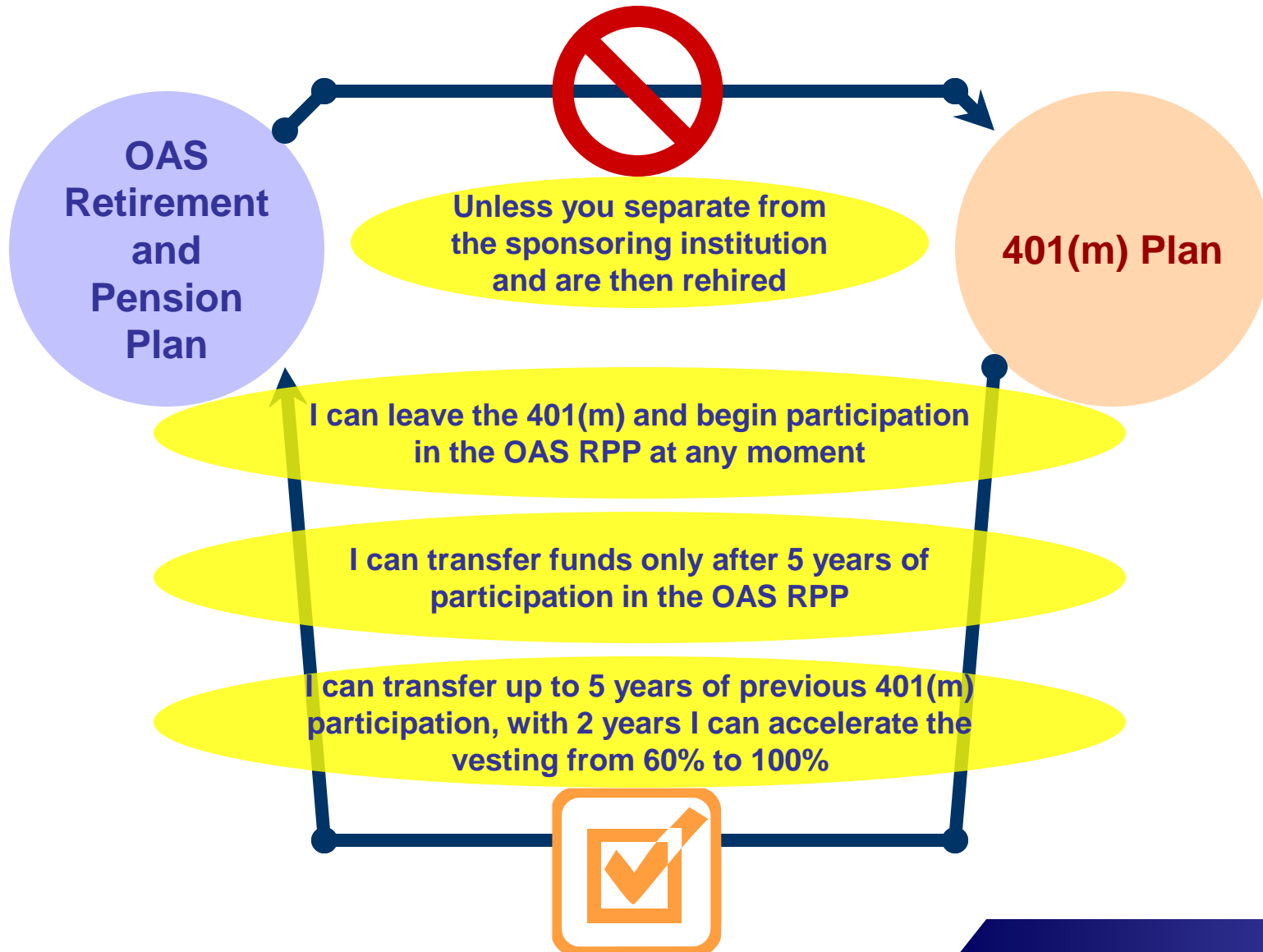
~~Pre-termination withdrawals~~

In the 401(m) Plan:

~~Loans with the OAS Staff Credit Union with guaranty of the participant's 401(m) Plan account~~

Pre-termination withdrawals allowed, however, have to pay taxes and possibly penalties

Transfers from one plan to another





Reinstatements

In the OAS RPP

If a participant in the OAS RPP is separated from service, upon being re-hired by any sponsoring institution, he/she has the right to be enrolled in the OAS RPP without having to participate in the Provident Fund

He/she also has the right to reinstate previous participation in the OAS RPP, restoring the moneys withdrawn when the separation occurred plus any interest due to accreditations given during the period of no participation

If the reinstatement is done, participation time and vesting rights will count as continuing from the moment of the previous participation/s. Any forfeitures left when the separation will be reinstated in the account.



401(m) Plan and Continuing Contracts

If you join the 401(m) Plan

You may be required, at any time, by decision of the Secretary General, to join the Retirement and Pension Plan.

If you apply for and are selected for a Continuing Contract, you will be required to participate in the OAS Retirement and Pension Plan

If you are required to join the Retirement and Pension Plan, you may keep your 401(m) account. However, no more contributions will be done to that account

401(m) Plan and Continuing Contracts



Continuing Contract

Participation



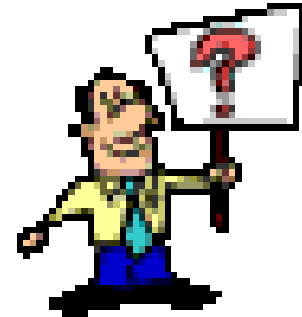
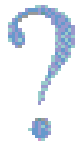
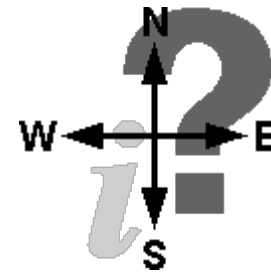
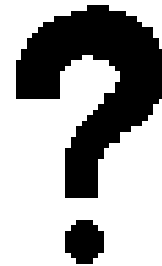
OAS Retirement and Pension Plan

Participation



401(m) Plan

Questions and Comments?





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