

ADDITIONAL CONTRIBUTIONS



Department of Employee Trust Funds
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Who should read this booklet?

Participants of the Wisconsin Retirement System who:

- **would like to make additional contributions to their account to supplement their retirement benefit; or**
- **are considering buying creditable service to increase their retirement benefits.**

Introduction

As a participant in the Wisconsin Retirement System (WRS), you may be able to make voluntary additional contributions to your account. You are a participant if you have a WRS account that is based on your own WRS-covered employment. Your eligibility to make these contributions, as well as the amount that you may contribute each year, is subject to federal tax laws.

WRS contributions do not begin to earn interest until January 1 after the Department of Employee Trust Funds (ETF) receives the contributions. For example, payments received on January 2 or December 30 of 2009, (the first and last days in 2009 that payments not reported by employers as payroll deductions can be received) do not earn interest for calendar year 2009. Interest for calendar year 2010 is credited effective January 1, 2011. You may want to consider this fact when you are deciding what time of year to submit additional contributions to your account. Additional contributions received from WRS employers as payroll deductions are credited for the year earnings were paid (i.e., those deducted from earnings paid in December 2009 received from employers in January of 2010 are credited as 2009 contributions).

This booklet describes the type of additional contributions that you can make, the benefits of making these contributions, and the restrictions that apply.

Employee After-Tax Additional Contributions

Employee additional contributions are made to a WRS account from after-tax earnings. As a WRS participant, you are eligible to make after-tax additional contributions to your account in any calendar year that you receive earnings from a WRS participating employer. This applies even if your employment is not covered under the WRS and your earnings are not reported to the WRS. An example is after your monthly payments begin as a retiree, you start temporary or part-time work with a WRS employer that is not WRS-covered employment. The amount that you can contribute in any year is subject to the limitations under federal tax laws. [See *Determining Annual Contribution Limits* section.]

There are two ways that you can make employee additional contributions to your WRS account. The first is through payroll deduction. This requires an agreement between you and your employer to deduct a specified amount from your after-tax earnings. Your employer will then submit the contributions monthly to ETF. The second method is for you to submit an additional contribution directly to ETF as a lump sum payment. This contribution payment must be received by ETF no later than the last state office business day of the year in order to earn interest for the following year.

Although you make these additional contributions from after-tax earnings, the interest credited to your WRS account accumulates on a tax-deferred basis. You will not be subject to state and federal income tax on the investment earnings that are credited to your account until you or your beneficiary receive these amounts as a distribution from your WRS account.

Tax-Deferred Additional Contributions Under Section 403(b) of the Internal Revenue Code (IRC)

Prior to January 1, 2009, ETF accepted WRS additional contributions from pre-tax earnings from employees of certain school districts and other educational institution employers. These contributions received from employers as payroll deductions and the employees' WRS tax-deferred additional accounts are regulated by IRC Section 403(b). As of January 1, 2009, ETF stopped accepting 403(b) additional contributions due to new federal plan requirements. Therefore, 403(b) contributions from earnings paid in 2008 were the last 403(b) contributions accepted by ETF for WRS accounts.

If you have a WRS 403(b) additional contributions account, the funds will continue to earn interest until you are eligible to withdraw the deposits. Withdrawals are subject to IRC rules, (i.e., you must terminate from all WRS-covered employment). Your tax-deferred additional contributions and the interest credited to your account are not subject to state and federal income tax until they are distributed to you or your beneficiary.

As an alternative supplemental tax-deferred retirement savings program, you may want to consider the Wisconsin Deferred Compensation (WDC) Program. The WDC is authorized under IRC Section 457. The WDC is available to all active state and university employees. Active local government and school district employees are also eligible if their employer has elected to offer this optional benefit program. Contact your employer's benefits and payroll office for more information.

Determining Annual Contribution Limits

All WRS additional contributions are subject to annual limits as imposed by federal tax law. In 2009, you may contribute 100% of your gross compensation for the calendar year, up to \$49,000. This \$49,000 maximum limit may increase in future years.

The gross earnings amount that you will use to calculate the 100% limit is the total of the taxable income you receive from your WRS employer(s), plus any amounts that are deferred from these earnings (such as to an IRC Section 403(b) or 457 deferred compensation plan or a Section 125 employee reimbursement account).

The following contributions apply toward your annual contribution limit. You must include these contributions in the calculation of your annual maximum contribution:

- All WRS employee contributions (whether they are paid by you or your employer as a fringe benefit)
- All employer contributions
- Any benefit adjustment contribution amount that is actually paid by you
- Any voluntary additional (after-tax) employee WRS contributions
- Any additional contributions paid directly by your employer to your account (employer additional contributions)

See the *Maximum Additional Contribution Worksheet* (ET-2566) on page 7. If the worksheet is for a past calendar year, a current year worksheet may be available on-line at etf.wi.gov, or call ETF for the current calendar year limit.

Investment of Your Additional Contributions

Your additional contributions will be invested in the WRS Trust Funds and begin to earn interest on January 1 after they are received by ETF. [See *Introduction* section.] If you are not participating in the Variable Trust at the time you make your additional contributions, all of your additional contributions will be deposited in the Core Trust. Legislation enacted in 2006 changed the name of the Fixed Retirement Investment Trust, or Fixed Fund, to the Core Retirement Investment Trust, or Core Fund. Since then, the Fixed Fund is called the Core Fund.

If you participate in the Variable Trust, your additional contributions may be split between the Core and Variable Trust. How your additional contributions are invested depends on when you elected to participate in the Variable Trust:

- If you elected to participate in the Variable Trust effective January 1, 2001 or later, 50% of your additional contributions will automatically be deposited in the Variable Trust. The remaining 50% will be deposited into the Core Trust.
- If you elected to participate in the Variable Trust before April 29, 1980, you may specify what portion of your additional contributions you wish to deposit into the Core and Variable Trusts. You may choose to have from 0% to 100% deposited into the Variable Trust. If you do not instruct ETF on how you want your additional contributions invested, they will be divided equally between the Core and Variable Trusts.

When you take a benefit from your additional contributions, accrued interest is included in your benefit. This includes annual interest credited at the effective rate each December 31, plus prorated interest from January 1 through the end of the month before the month that either your lump sum benefit is approved or your monthly annuity from additional contributions is effective.

Buying Creditable Service

You can use your after-tax and/or tax-deferred employee additional WRS account balance to purchase creditable service (if eligible). The types of service an active eligible employee can purchase include WRS forfeited, qualifying, and other governmental service (federal, state or local). The brochure *Buying Creditable Service* (ET-4121) provides details about this option and is available by request or on-line at etf.wi.gov.

Benefit Payment Options

When your WRS-covered employment ends, you may elect to begin receiving a benefit from your additional contributions or you may delay distribution up to April 1 of the year after the calendar year you attain age 70½. You cannot withdraw any additional contributions until you terminate all WRS-covered employment.

There is no minimum age for a distribution. However, if you terminate your WRS employment before the year you reach age 55, you may be subject to an early distribution penalty if you receive your balance before you are age 59½. You should contact a tax advisor for more information regarding this potential tax penalty.

You may withdraw both your after-tax and tax-deferred additional contributions in a lump sum payment, or as a monthly annuity. Annuity options are only available to you if your monthly payment amount (for Annuitant's Life Only option) is more than \$168 per month, **or** if your annuity from additional contributions begins on the same date as your monthly annuity from your required contributions. This amount applies to annuities that begin in 2009, and is indexed upward annually. If you have both after-tax and tax-deferred additional contributions, your benefit is based on the combined account balances.

If you are under age 55 (50 for participants with protective category service that is not purchased) and withdraw your employee contributions, your additional contributions are included in your lump sum separation benefit. If you leave your employee contributions in the WRS, you may begin a withdrawal from your additional account immediately, or delay it until a later date. [See *Distribution Requirements* section.]

If you are over age 55 (50 for participants with protective category service) and begin a benefit from your employee and employer contributions immediately, you may include your additional contributions with this benefit or elect to delay distribution until a later date. However, if your employee and employer contribution benefit is a lump sum payment, your additional contribution account is also included in this payment.

If you select an annuity for your additional account balance alone, your annuity will be based on the balance in your account and the annuity rates in effect when the annuity begins. The For Annuitant's Life Only option must meet the annual minimum to be eligible for any monthly option, including annuity certain. The number of payments you select cannot exceed your life expectancy based on federal mortality tables. Tables I and II on pages 5 and 6 show some of the available annuity options and the amount payable for each \$1,000 in your account. For more information about the different benefit options, see the brochure *Choosing An Annuity Option* (ET-4117).

When to Apply

The time of the year when you apply for a benefit from additional contributions will affect the amount of interest credited to your account and the amount included in your benefit.

If you are considering applying for a lump sum benefit near the end of the year, and **you want annual effective rate interest included in your benefit**, you should wait to apply until late December to assure that your benefit will not be approved and paid before annual interest is credited. The calendar year effective rate of interest is

normally announced by the end of February; then in March, ETF begins to process the lump sum payments that include annual interest. **If you do not want annual interest to be included in your payment**, we recommend that you apply by September 1. Unless your WRS employer has not yet reported your termination to ETF, applying by September 1 will normally result in your lump sum benefit being approved and paid before the end of the calendar year.

Distribution Requirements

Distributions from your WRS required and additional account (tax-deferred and after-tax) must comply with regulating federal tax laws. You are required to begin a distribution from both your required and additional accounts by April 1 of the year after the calendar year you reach age 70½ or the year you terminate WRS employment, if later.

Federal tax law requires that a minimum amount be paid to you from your WRS account beginning for the year in which you reach age 70½, or the year you retire if later. This means that if you delay beginning your distribution until your required begin date, your total payments in your first year must also include the minimum distribution amount for the previous year. You may be subject to substantial federal tax penalties if you fail to meet the minimum distribution requirements.

Wisconsin statutes require that you apply for a benefit from your required and additional accounts no later than the end of the year that you reach age 69½, or the year you terminate WRS employment if later. You may elect a later date for your benefit distribution, (up to your required begin date) if you are age 69 when you apply. The WRS cannot make any partial distributions. Unless you are eligible for and choose a monthly option from your additional contributions, your whole balance will be paid as a lump sum benefit and your additional account will be closed.

ETF will notify you during your 69½ year, or the year you retire if later, that you must apply for a distribution. If you fail to submit a benefit application by the end of the year you reach age 69½ or the year you retire if later, ETF may initiate an automatic distribution from your account any time after the next January 1.

You may request benefit estimates from ETF up to one year before your anticipated benefit date. For information about the federal distribution requirements, contact the Internal Revenue Service or your tax consultant.

Death Benefits

There are specific requirements that apply to distributions to your beneficiary. If you die after you start receiving monthly payments from your additional contributions, the death benefit is based on the annuity option you selected. Any payments your beneficiary is entitled to must continue to be paid out at that time. Distribution cannot be delayed.

If you die before starting a benefit from your additional account, your beneficiaries are subject to the following restrictions.

- **If your beneficiary is your spouse:** Your surviving spouse may delay receiving a benefit until January 1 of the year you would have reached age 70½. Your spouse must file a beneficiary designation form with ETF by September of the year after your death to be allowed to postpone this distribution.
- **If your beneficiary is not your spouse:** Your beneficiary(ies) has two options:
 - 1) begin a monthly annuity (if meets annual monthly minimum) effective no later than November 1 of the year after the calendar year in which you die; or
 - 2) apply for a lump sum payment of your entire additional account balance by September of the fifth year after your death.

Rollovers to Another Plan

To avoid an immediate tax liability on a lump sum payment or an annuity certain of less than 10 years (that you are eligible to choose), you may roll over your payments from your WRS account. Both required and additional funds may be rolled over directly into a traditional Individual Retirement Account (IRA) or an eligible employer plan, which includes plans under IRC Sections 401(a), 401(k), 403(a), 403(b), and 457. A rollover can be completed only if you apply and are eligible to receive a lump sum payment or an annuity certain option, with payments for less than 120 months. To accomplish this, you must submit an *Authorization for Direct Rollover* (ET-7355) with your benefit application.

You are responsible for ensuring that the receiving institution is eligible and willing to receive this rollover. The check(s) for the amount of your rollover payment(s) is made payable to the receiving financial institution, but is mailed directly to you. You are responsible for transmitting the check(s) to the receiving institution. If you are over age 70½, the amount you can roll over may be limited. Consult your tax advisor for information.

You may not roll in or transfer dollars into your WRS account from other qualified retirement plans, Section 403(b) tax deferred annuity plans or Section 457 plans. The WRS does not accept rollovers from other plans, with one exception. You may transfer contributions from certain types of retirement plans only for the purpose of buying WRS creditable service. The WRS will accept direct transfers for eligible service purchases from retirement plans qualified under IRC Sections 401(a), 401(k), 403(b) and 457. [See *Buying Creditable Service* (ET-4121) for details on eligible WRS service purchases.]

Table I - Annuities Certain
(Payable for a specified time period)

Each \$1,000 of additional contributions provides the following monthly amount for the number of months selected as an Annuity Certain. The For Annuitant's Life Only option amount must meet the annual minimum to be eligible for an Annuity Certain option.

Annuity Certain

<u>Months</u>	<u>Amount</u>	<u>Months</u>	<u>Amount</u>
24	\$43.82	108	\$11.46
36	29.92	120	10.55
48	22.98	132	9.81
60	18.82	144	9.19
72	16.05	156	8.67
84	14.08	168	8.23
96	12.61	180	7.85

Examples

<u>Additional Amount</u>	<u>Number of Years Payable</u>	<u>Number of Payments</u>	<u>Monthly Amount</u>
\$1,000	2 years	24	\$ 43.82
1,000	5 years	60	18.82
1,000	15 years	180	7.85
10,000	2 years	24	438.20
10,000	5 years	60	188.20
10,000	15 years	180	78.50

Table II - Life Annuities

[See *Choosing An Annuity Option* (ET-4117) for details on the annuity options.]

Each \$1,000 of additional contributions provides the following monthly amounts for the no death benefit For Annuitant's Life Only option. The amount must meet the annual minimum unless it begins when your monthly annuity from required contributions begins.

For Annuitant's Life Only

Monthly Benefit for Age	Per \$1,000 in Account
55	\$5.65
60	6.16
62	6.43
65	6.91

To convert the For Annuitant's Life Only amount to an option which includes a guaranteed minimum number of payments, multiply by the factors below.

Conversion Factors

Age of Participant	Life - 60 Payments Guaranteed	Life- 180 payments Guaranteed*
55	.997	.975
60	.995	.959
62	.994	.949
65	.992	.927

Example: Member's Age = 65
 Total Accumulation = \$10,500.00
 $\$10,500.00 \times .00691 = \72.56 per month For Annuitant's Life Only
 $\$72.56 \times .992 = \71.98 per month Life with 60 payments guaranteed
 $\$72.56 \times .927 = \67.26 per month Life with 180 payments guaranteed

* The number of guaranteed payments may be less than 180 monthly payments based on your life expectancy according to federal mortality tables.

The Department of Employee Trust Funds does not discriminate on the basis of disability in the provision of programs, services or employment. If you are speech, hearing or visually impaired and need assistance, call toll free 1-877-533-5020 or (608) 266-3285 (local Madison). We will try to find another way to get the information to you in a usable form.

The Department of Employee Trust Funds (ETF) has made every effort to ensure that this brochure is current and accurate. However, changes in the law or processes since the last revision to this brochure may mean that some details are not current. Please contact ETF if you have any questions about a particular topic in this brochure.

Always include your name, Social Security Number, and date of birth on all correspondence to ETF.

MAXIMUM ADDITIONAL CONTRIBUTION WORKSHEET For Calendar Year 2009

Employee Name (please print)	Social Security Number
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Contributions to the Wisconsin Retirement System (WRS) are subject to contribution limits under Sec. 415(c) of the Internal Revenue Code (IRC). Contributions subject to this limit cannot exceed 100% of your gross compensation from your WRS employer or \$49,000.00 whichever is less, in the calendar year in which the Department receives the contributions.

The WRS, which is qualified under Sec. 401(a) of the IRC, does not have a "catch up" provision for additional contributions.

When you or your employer make voluntary regular (after-tax) additional contributions to your WRS account, you must use this worksheet to calculate the maximum amount of voluntary contributions that you can make to the WRS. We recommend you contact your employer for assistance in correctly completing this worksheet.

Fill in or calculate the following amounts			
A	Enter the lesser of \$49,000.00 or the amount of your projected gross compensation* from your WRS employer(s) for the current calendar year. The lesser of these two amounts is the maximum amount of contributions that can be made to your WRS account, per IRC Sec. 415(c). * Gross compensation includes all compensation from a WRS participating employer actually paid or made available to the individual for the year in which the contribution is made. This includes any amounts deferred such as to a tax deferred savings plan or IRC Sec. 125 cafeteria plan.		
B	Enter your projected WRS reportable earnings for the current year. This amount will include any tax-deferred amounts. Note: This amount may be different than the gross compensation, as certain allowances and lump sum payments are not reportable as earnings to the WRS. Check with your employer if you have questions about what is reported to the WRS.		
C	Multiply the amount from line B times _____% (see the Employee Required Contribution Rates** below for the contribution rate for your employment category) and multiply this amount times 2. This will equal your employee required plus matching employer required contribution amount.	=	
D	Subtract line C from line A.	=	
E	Check with your employer to see if you pay a Benefit Adjustment Contribution (BAC). If yes, multiply line B times _____% to determine the BAC that will actually be paid by you . Contact your employer for this percentage rate.		
F	Subtract line E from line D to obtain the total maximum amount that you and/or your employer can contribute to the WRS as additional contributions.	=	
G	If your employer has or will be making any additional contributions to your WRS account for the current year, enter the amount here.		
H	Subtract line G from line F. The result is the total maximum amount that <u>you</u> can contribute to your WRS account.	=	

**** 2009 Employee Required Contribution Rates:**

General/Teachers/Educational Support Personnel	5.0%	Protectives with Social Security	5.0%
Judges/Executive/Elected Officials	3.0%	Protectives without Social Security	3.2%

Date (MM/DD/CCYY)	Signature of Preparer (Employee or Employer)	Telephone Number
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If prepared by Employer, include Employer Identification Number (EIN): 69-036-

For Additional Information

Contact the Department of Employee Trust Funds (ETF)

Self-Service Toll Free Telephone Services

Available 24 hours a day, seven days a week. You must have a touch-tone telephone to use these systems.

SELF-SERVICE LINE: Call 1-877-383-1888 or (608) 266-2323 (local Madison) to request forms or brochures. Wisconsin Retirement System annuitants may also change their home mailing address or tax withholding election through this self-service line.

TELEPHONE MESSAGE CENTER: Call 1-800-991-5540 or (608) 264-6633 (local Madison) to hear detailed recorded messages covering a variety of Wisconsin Retirement System topics.

Note: *You will not be able to talk to a "live" person using these systems. To speak to a benefits specialist, call the telephone numbers listed below.*

Visit our Internet Site

Access the internet site at: etf.wi.gov. A tremendous amount of information is on-line regarding the Wisconsin Retirement System and other benefit programs. You may e-mail ETF through this site.

Call During Office Hours

Office Hours: 7:45 am to 4:30 pm, Monday through Friday
(except holidays)

Telephone: 1-877-533-5020 (toll free)
(608) 266-3285 (local Madison)
Wisconsin Relay Service (for hearing & speech impaired)
7-1-1 or
1-800-947-3529 (English)
1-800-833-7813 (Spanish)

Write Us

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P. O. Box 7931
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Visit Us

Appointments: 1-877-533-5020 ext. 65717 (toll free)
(608) 266-5717 (local Madison)

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801 West Badger Road

Waukesha: **An appointment is required**
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