

Supplement Your
Wisconsin Retirement System Benefit

Employee Additional Contributions

December 2008



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Form # ET-2123

If you participate in the
WRS, you can make
*Voluntary Employee
Additional Contributions*
to increase your
retirement benefit

What You Need To Know



- Why make additional contributions?
 - Tax advantages
 - Eligibility
- Determining your contribution limits
 - Interest crediting
 - Benefit payment options
 - When to apply
- Distribution requirements
 - Restrictions

Why Supplement WRS Retirement?

Qualified under Sec 401 (a) of the Internal Revenue Code (IRC)

WRS Objective - Established by Wisconsin Legislature

- Retirement benefits combined with Social Security would produce a retirement income between 50 and 85% of pre-retirement earnings
- Assumes a full career of public employment (25-30+ years of service) and retirement at normal retirement age
- Plan expects you will **supplement** your WRS retirement with your own savings program(s)
 - Especially if part of your working career was not under the WRS, **or** if you intend to retire early

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Eligibility

Who is eligible?

Participants of the WRS who:

- Want to supplement their WRS retirement benefit **or**
- Are considering buying creditable service to increase their retirement benefits

Eligibility and contribution amounts are subject to federal tax laws

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Types of Employee Additional Contributions

- After-tax Contributions:
Qualified under Sec. 401(a) of the IRC
- Tax-Deferred Additional Contributions:
Qualified under Sec. 403(b) of the IRC
(available until January 1, 2009)

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After-tax Additional Contributions

After-tax Additional Contributions

- You are eligible to make contributions in any calendar year that you receive earnings from a WRS participating employer
 - Even if employment not covered under the WRS and
 - Your earnings are not reported to the WRS
- Contribution amount is subject to limits under federal tax laws

There is no "catch up" provision . . .
can only contribute for current year

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After-tax Additional Contributions



There are two ways you
can make
After-tax Additional
Contributions

1. Payroll deduction
2. Direct lump sum payment to ETF

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After-tax Additional Contributions

Payroll Deduction

- Requires agreement with employer
 - Employer not *required* to payroll deduct
 - If employer agrees, deduct specified amount from after-tax earnings - submit to ETF monthly
 - Money allocation not reported until end of year
- No acknowledgment sent to participants
 - Deduction appears on pay stubs and *Annual Statement of Benefits*

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After-tax Additional Contributions

Payment directly to ETF



- Must be received by ETF no later than last *business day* of the year to receive interest for the following year
- No interest credited the year the deposit is made!
- Participant receives confirmation letter

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After-tax Additional Contributions

Sample: *Annual Statement of Benefits*

Employee Required Contributions							
Total employee contributions plus interest as of the date of this statement.							
		Core		Variable	Total		
Core:	9.8%						
Variable:	18.0%						
3	1/1/2006 Balance		\$136,336.81	\$8,430.84		\$144,767.65	
	2006 Interest		\$13,361.01	\$1,517.55		\$14,878.56	
	2006 Contributions		\$1,487.38	\$1,487.38		\$2,974.76	
	Adjustment		\$.00	\$.00		\$.00	
	1/1/2007 Balance		\$151,185.20	\$11,435.77		\$162,620.97	
	Non-taxable portion of employee contributions (Investment in Contract):					\$437.55	
Additional Contributions							
		Employee Additional		Tax-Deferred		Employer Additional / LTDI	
		Core	Variable	Core	Variable	Core	Variable
4	1/1/2006 Balance	\$.00	\$.00				
	2006 Interest	\$.00	\$.00				
	2006 Contributions	\$15,000.00	\$15,000.00				
	Adjustment	\$.00	\$.00				
	1/1/2007 Balance	\$15,000.00	\$15,000.00				
	Non-taxable portion of employee contributions (Investment in Contract):						\$30,000.00

CONTINUED ON BACK →

The enclosed explanation form is important for understanding your Statement of Benefits. Please retain it with your statement.

ET-7365

After-tax Additional Contributions

Contribution is not tax-deductible

- Your contributions earn interest on a *tax-deferred* basis
- You pay no tax on the investment earnings *until* you (or a beneficiary) take a distribution
- Only taxed on interest accrued!

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Determining After-tax Additional Contributions

- Contributions subject to limits under federal tax law (Section 415(c) of the IRC)
 - Maximum cannot exceed 100% of your salary or \$46,000, whichever is less (in 2008)
 - Maximum amount is indexed annually
- Gross earnings used to calculate 100% limit
 - Total *taxable income* from your WRS employer
 - Amounts *deferred* from those earnings:
(*Section 457 or Section 125*)

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Determining After-tax Additional Contributions

You and your employer
should complete the
*Maximum Additional
Contribution Worksheet*
found in the
*Additional Contributions
Brochure*
Form # ET-2566

Department of Employee Trust Funds
P.O. Box 7931
Madison WI 53707-7931

MAXIMUM ADDITIONAL CONTRIBUTION WORKSHEET For Calendar Year 2008

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 that are subject to this limit cannot exceed 100% of your gross compensation from your WRS employer or \$46,000.00 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 \$46,000.00 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 employer 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 you can contribute to your WRS account.	=	

** 2008 Employee Required Contribution Rates:
 General/Teachers/Educational Support Personnel 5.0% Protectives with Social Security 5.1%
 Judges/Executive/Elected Officials 3.0% Protectives without Social Security 3.4%

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

ET-2566 (REV 1/2008)

Tax-Deferred Employee Additional Contributions

Tax-Deferred Additional Contributions Regulated by Sec. 403(b) of The IRC

For employees of *Educational Institutions* only

- ETF will no longer accept 403(b) contributions effective 1/1/2009
- Funds on account from previously made deposits earn interest
- Not subject to income tax until distribution is made to you or your beneficiary
 - Fully taxable at distribution

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Investment of Employee Additional Contributions

Core
Trust

All contributions are deposited in the Core Trust *unless* you participate in the Variable Trust as well

Variable
Trust
(optional)

All contributions receive the same effective rate of interest as the required contributions!

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Investment of Employee Additional Contributions

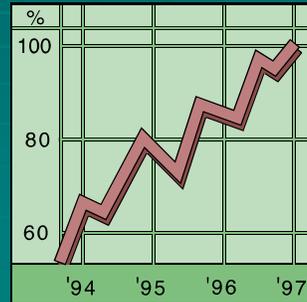
If you participate in the Variable, contributions split *equally* between the Core and Variable Funds

- If elected Variable participation *before* 4/29/80
 - You may specify what portion of your additional contributions you want deposited into each of the trusts
 - If you do *not* instruct ETF on how you want the contributions invested, they will be divided equally between the Core and Variable trusts

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Investment of Employee Additional Contributions

- Contributions *begin* to earn interest on the January 1, following receipt by ETF
 - Interest credited on balance as of 12/31 each year, at the effective rate of interest
 - The year a benefit begins interest is pro-rated from January 1 through the month the retirement benefit is effective

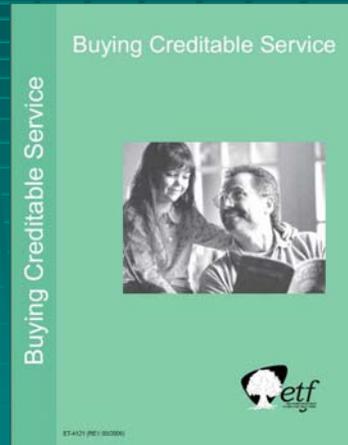


Investment Results

Effective Rate of Interest				
Year	Core Fund		Variable Fund	
	SWIB Investment Return	Effective Rate	SWIB Investment Return	Effective Rate
2007	8.7%	13.1%	5.6%	6.0%
2006	15.8%	9.8%	17.6%	18.0%
2005	8.6%	6.5%	8.3%	9.0%
2004	12.8%	8.5%	12.7%	12.0%
2003	24.1%	7.4%	32.7%	34.0%
2002	-8.8%	5.0%	-21.9%	-23.0%
2001	-2.3%	8.4%	-8.3%	-9.0%
2000	-0.8%	10.9%	-7.2%	-7.0%
1999	15.5%	24.1%	27.8%	28.0%
1998	14.6%	13.1%	17.5%	18.0%
1997	17.2%	12.8%	21.6%	23.0%
1996	14.4%	12.5%	19.8%	20.0%
1995	23.1%	11.3%	25.6%	27.0%
1994	-0.6%	7.7%	0.8%	0.0%
1993	15.0%	11.0%	16.5%	17.0%

Buying Creditable Service

- Can use employee additional contributions to purchase creditable service
 - Forfeited, Qualifying and Other Governmental Service
- For more information:
 - Creditable Service brochure
 - Webcast on *Buying WRS Creditable Service*



Form # ET-4121

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Benefit Payment Options



Benefit Payment Options

May withdraw any additional contributions upon termination of WRS employment

- Elect to begin receiving a benefit from your additional contributions
- OR
- Defer distribution up to April of the year you attain age 70½
 - Account continues to earn interest until distribution
 - Federal minimum distribution requirements apply (more on this later)

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Benefit Payment Options

May withdraw additional contributions:

1. Lump Sum - any age
 2. Annuity Certain - any age
 2. Monthly Annuity - must be minimum retirement age (MRA) of 55 or 50 if protective
- Monthly Annuities/Annuity Certain requires that account meet the annual minimum/maximum (unless additional begins at the same time as annuity from required contributions)
 - Minimum/Maximum for 2008: \$161 / \$327
 - 2009: \$168 / \$341
- (Amounts indexed annually)

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Benefit Payment Options

Example of Additional Contribution payment options (benefit application)

BENEFIT PAYMENT OPTIONS (based on above data)
 Check only one box for your Monthly Retirement Benefit. Check only one box under Employee Additional Contributions Benefit if you want to apply for your employee additional contributions at this time.

	MONTHLY RETIREMENT BENEFIT				EMPLOYEE ADDITIONAL CONTRIBUTIONS BENEFIT
	Regular	OR	Accelerated Payments		
			Until Age 62	After Age 62	
Life Annuity Options:					
• For Annuitant's Life Only	<input type="checkbox"/>	OR	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Life with 60 Payments Guaranteed	<input type="checkbox"/>	OR	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Life with 180 Payments Guaranteed	<input type="checkbox"/>	OR	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$845		\$1,713	\$650	\$241 01
	\$841		\$1,711	\$648	\$240 02
	\$811		\$1,687	\$624	\$231 04
Joint and Survivor Annuity Options:					
Named survivor, birthdate and relationship used in estimate:					08/29/1946 SPOUSE
• 75% Continued to Named Survivor*	<input type="checkbox"/>	OR	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• 100% Continued to Named Survivor	<input type="checkbox"/>	OR	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Reduced 25% on Death of Annuitant or Named Survivor*	<input type="checkbox"/>	OR	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• 100% Continued to Named Survivor with 180 Payments Guaranteed	<input type="checkbox"/>	OR	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$770*		\$1,655	\$592*	\$220* 07
	\$748		\$1,639	\$576	\$213 11
	\$794*		\$1,674	\$611*	\$227* 09
	\$745		\$1,637	\$574	\$213 12
Annuity Certain - Additional Contributions Only					
Payable for 24 Months	<input type="checkbox"/>				\$1,719 29
Payable for 60 Months	<input type="checkbox"/>				\$738 30
Payable for 120 Months	<input type="checkbox"/>				\$413 31
Payable for <input type="text"/> Months (write in 25-180)	<input type="checkbox"/>				21
* The amount shown is prior to 25% reduction upon death.					
Lump Sum Payment Option:	Required Contributions <input type="checkbox"/> NOT ELIG				Additional Contributions <input type="checkbox"/> \$39,228 50

Benefit Payment Options

- Your benefit amount will be based on the balance in your account and your age when the annuity begins
- See tables in the *Additional Contributions* brochure for sample benefit amounts

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.

Annuity Certain			
Months	Amount	Months	Amount
24	\$43.02	108	\$11.46
36	29.92	120	10.55
48	22.08	132	9.81
60	18.82	144	9.19

Table II - Life Annuities
 (See Choosing An Annuity Option for an explanation of optional terms of annuity)

Each \$1,000 of additional contributions provides the following monthly amounts for the option For Annuitant's Life Only.

For Annuitant's Life Only	
Monthly Benefit for Age	Per \$1,000 in Account
65	\$6.70
60	6.35
62	6.54
65	7.05

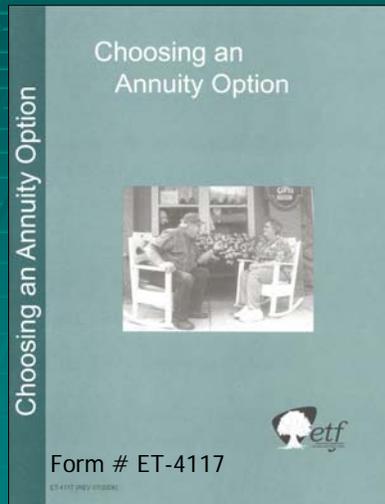
To convert the For Annuitant's Life Only amount to an option which includes a guaranteed minimum number of payments, multiply by the factors below.

Conversion Factors		
Age of Participant	60 Payments Guaranteed	Life-180 payments Guaranteed*
65	.007	.076
60	.006	.067
62	.006	.064
65	.001	.018

Example: Member's Age = 65
 Total Accumulation = \$10,000.00
 \$10,000.00 x .00705 = \$70.50 per month For Annuitant's Life Only
 \$74.02 x .991 = \$73.35 per month Life with 60 payments guaranteed
 \$74.02 x .918 = \$67.95 per month Life with 180 payments guaranteed

* The number of payments may be restricted to fewer than 180 monthly payments based on life expectancy tables.

Benefit Payment Options



- If receive a lump sum payment before MRA of 55 or 50, you may be subject to early distribution penalties
 - Contact a tax advisor for more information
- Refer to brochure: *Choosing An Annuity Option*

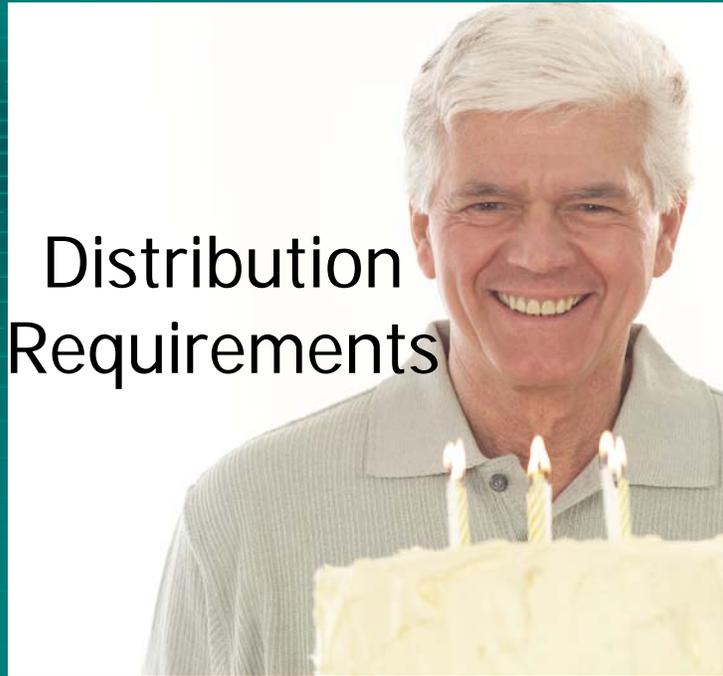
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When To Apply

- Request benefit estimates 6-12 months in advance of anticipated benefit date
 - The time of year you apply for a benefit will affect the amount of interest credited to your account
- Reminder of how interest is credited!
 - Effective rate is credited to account balance as of December 31 each year
 - Prorated through the month in the year benefit is effective

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Distribution Requirements



Distribution Requirements

Federal Law requires a minimum distribution from both your required and additional retirement accounts by April of the year following the year you reach age 70½ or the year you retire, if later

If you delay or fail to meet this requirement you may be subject to substantial federal tax penalties



Distribution Requirements

Wisconsin Statutes require that you apply for a benefit no later than the end of the year that you reach age 69½ or the year you terminate employment, if later

- If age 69, may elect a later begin date (up to your required begin date)
- If fail to apply by the end of the year you reach 69½, ETF may initiate an automatic distribution any time after the following January 1st

No Worries!

ETF will notify you when you must apply!

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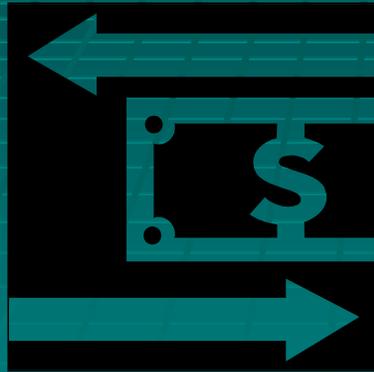
Death Benefits

There are specific requirements that apply to distributions to beneficiaries

- Depending upon when you die (before or after receiving a benefit), your beneficiary(ies) may or may not be subject to a restricted benefit
- Upon your death ETF will notify your beneficiaries of the required forms and options available for delaying benefits and the effect it may have on their benefit

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Rollover To Another Plan

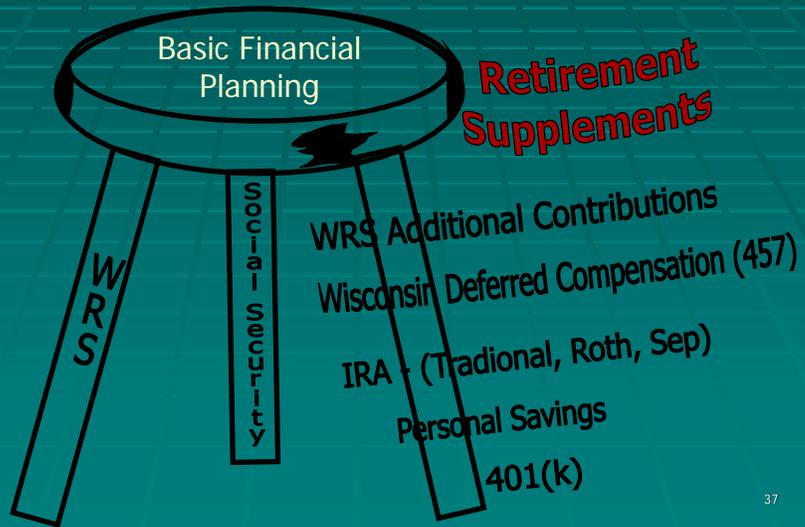


- May roll over payments to a traditional IRA or an eligible employer plan
- Rollover only available on lump sum and annuity certain payments of 10 years or less
- ETF provides necessary forms
- WRS cannot accept rollovers *from* other plans

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Summary

Balance Your Retirement Package



The End