CHAPTER 12 – ADDITIONAL CONTRIBUTIONS

1200 General Participation Requirements

Wisconsin Retirement System (WRS) participants may make additional contributions for the purpose of providing supplemental retirement income. Amounts are subject to the maximum contribution levels established in federal tax law.

Employees may make additional contributions by sending a check or money order directly to ETF or by arranging for a payroll deduction. If contributions are remitted through payroll deduction, the employer is required to allocate the additional contribution amount to the individual employee on the annual report at year's end or on the termination report when the employee terminates. Refer to subchapter 1205 for reporting instructions.

Additional contributions begin to earn interest on the January 1 after ETF receives them. For example, payments received in 2017 will not earn interest for calendar year 2017. They will begin earning interest on January 1, 2018. Employees participating in the Variable Trust before January 1, 2001, may designate contributions for the Variable Trust, the Core Trust or segregate funds between the two trusts. Employees electing to participate in the Variable Trust on or after January 1, 2001, will have additional contributions automatically segregated 50% between Core and Variable Trusts. (Refer to Chapter 16 for information on Variable participation.)

Employees may request a copy of ETF's *Additional Contributions* (ET-2123) brochure for detailed information on making additional contributions.

1201 Types of Additional Contributions

A. Employee (Regular) Additional Contributions

Current WRS employees may make voluntary, **post-tax** additional contributions to their retirement account either through their employer by payroll deduction or by direct payment to ETF via personal check or money order.

Section 415 (c) of the Federal Internal Revenue Code (IRC) limits the amount of annual contributions to a qualified pension plan such as the WRS. The limitation amount is updated annually by the Federal Internal Revenue Service. When terminating employment, the additional contribution must be received by ETF prior to the termination date in order to be eligible for deposit for that year.

Note: A *Maximum Voluntary Additional Contributions Worksheet* (ET-2566) should be completed by the employee and submitted with the additional contribution (refer to subchapter 1202).

Post-tax employee-required contributions* actually paid by the employee apply toward meeting the employee's annual IRC 415 (c) annual limit.

***Effective July 1, 2011, WI Act 32 required that the WRS contributions made by the employee be pre-tax contributions, not post-tax contributions. As a result, required employee-paid contributions are technically employer contributions for IRS purposes. Therefore, it will be rare for WRS employee-required contributions to be included toward the 415 (c) limit after 2011. The exception would be employee-required contributions made post-tax pursuant to a pre-existing collective bargaining agreement or contract.

ETF tests employee-paid additional contributions based on WRS earnings. The maximum employee-paid additional contribution is restricted to the lessor of the employee's gross compensation or the IRS limitation. Any amount remitted that exceeds that limit will be refunded to the employee. This testing occurs after all earnings are reported and reconciled and is normally completed by April for the prior calendar year.

In the event an employee's maximum contribution limit is exceeded, ETF contacts the employer to verify the employee's gross compensation and request a copy of the employee's W-2. The employee-paid additional contributions are re-tested when the gross compensation differs from WRS earnings. Employee-paid additional contributions more than the federal limit are removed from the employee's WRS account and refunded to the employee.

B. Employer-Paid Additional Contributions

A participating employer (except state agencies subject to the state's compensation plan) may make voluntary, **pre-tax** additional contributions for any participating employee in active employment status, **in addition** to the **required** employer contributions. The employer cannot begin or continue to make additional contributions after the employee terminates employment. Contributions must be made no later than the first monthly remittance of contributions to ETF following termination, and should be reported on the WRS Contribution Remittance Entry application of the Online Network for Employers (ONE) site.

Employer-paid additional contributions are not subject to the same limits as employee additional contributions.

C. Tax Deferred Additional Contributions

As of January 1, 2009, ETF discontinued accepting IRS section 403 (b) additional contributions to participant's WRS accounts.

Historically, ETF accepted IRC section 403 (b) additional contributions (also known as tax-deferred or tax-sheltered additional) from employees of certain school districts and educational institutions that had employees making such contributions prior to May 1982.

On July 26, 2007, the Treasury Department and the Internal Revenue Service published final regulations related to section 403 (b) plans. The 2007 regulations are the first comprehensive section 403 (b) regulations since 1964 and incorporate numerous changes to the arrangements. ETF has determined that it is unable to comply with many of the federal plan requirements and will therefore no longer accept 403 (b) contributions.

Note: Participants who currently have 403 (b) additional contributions credited to their WRS accounts will continue to earn interest on those contributions until they are eligible to withdraw the deposits. Withdrawals are subject to the same terms under which the contributions were made (i.e., withdrawals require termination of all WRS participating employment).

1202 Guidelines for Calculating Maximum Additional Contributions

It is imperative that the employee and employer complete the ETF worksheet *Maximum Voluntary Additional Contributions* (ET-2566) for determining the maximum amount of WRS contributions prior to making employee or employer paid additional contributions. Doing so will decrease the possibility of exceeding the maximum contribution limit. A copy of the ETF worksheet *Maximum Voluntary Additional Contributions* must be mailed to ETF along with the payment. The form is revised annually to reflect any changes the IRS may make to the annual additional contributions limit.

1203 Maximum Additional Contributions Worksheet (ET-2566)

ET-2566 - Maximum Additional Contributions Worksheet (Hyperlink to form).

This form does not need to be submitted to ETF; it is for calculation purposes only.

1204 Reporting Frequency of Employer Submitted Additional Contributions

A. Terminated Employees: It is critical that ETF receive the report of an employee's termination within one week after their final paycheck. The information is necessary to determine the employee's benefit. The additional contribution information should be included with the employee's final hours, earnings and employee-required contribution information.

B. Active Employees: Submit the additional contribution information along with the annual report of the employee's annual hours, earnings and employee-required contribution information.

1205 Completion of the Additional Contributions Section on the ONE

Refer to Chapter 9, subchapter 907, table 9.2 for information on completing Additional Contributions on the *Employee Transaction Report*.

1206 Employer Options for Providing Increased Retirement Benefits (ET-1137)

ET-1137 - Employer Options for Increasing Retirement