ADDITIONAL CONTRIBUTIONS

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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. The most current version of this document can be found at etf.wi.gov. Please contact ETF if you have any questions about a topic in this brochure.

Introduction

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

If you are a Wisconsin Retirement System member who is currently employed by a WRS employer, you can make voluntary additional contributions to your WRS account.

- All *active* WRS employees may make voluntary after-tax contributions to the WRS. Members cannot make additional contributions once their WRS-covered employment is terminated.
- Your eligibility to make these contributions, and the amount that you may contribute each year, is subject to federal tax laws.
- If you have made voluntary additional contributions, you can use this money to buy any creditable service that you are eligible to purchase.

Additional contributions begin to earn interest on the first of January *after* the Department of Employee Trust Funds receives them.

- For example, payments received in 2018 will not earn interest for calendar year 2018. They will begin earning interest on January 1, 2019. You may want to consider this before deciding when to submit additional contributions to your account.
- Additional contributions received as payroll deductions are credited for the year the earnings were paid (i.e., those deducted from earnings paid in December 2018, but received from employers in January 2019 are credited as 2018 contributions).

Employee After-Tax Additional Contributions

Employee additional contributions are made to a WRS account from after-tax earnings. As a WRS member, you may make after-tax additional contributions to your account while you are *actively* employed by a WRS-participating employer.

Members cannot make additional contributions once WRS-covered employment is terminated.

The amount that you can contribute in any year is subject to the limitations under federal tax laws. (See the *Determining Annual Contribution Limits* section.) *Note:* making an after-tax additional contribution is *not* a tax-deductible event.

There are two ways that you can make employee additional contributions to your WRS account:

1. The first method 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. Employers are not required to allow employees to make additional contributions through payroll deduction.
2. The second method is for you to submit an additional contribution directly to ETF as a **lump-sum payment**. ETF must receive this payment with a completed *Additional Contributions Remittance* (ET-2545) form by the last state office business day of the year to earn interest beginning January 1 the following year. Checks should be made payable to the Department of Employee Trust Funds.

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 pay state and federal income tax on the investment earnings that are credited to your account when you or your beneficiary receive these monies 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 additional contributions from pre-tax earnings from employees of certain school districts and other educational institution employers. WRS tax-deferred additional contributions are regulated by IRC Section 403(b).

As of January 1, 2009, ETF stopped accepting 403(b) additional contributions, consistent with new federal plan requirements.

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 subject to state and federal income tax when they are distributed to you or your beneficiary.

For tax-deferred retirement savings, 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 benefit program.

Contact your employer's benefits and payroll office for more information. Visit the WDC website at: https://wisconsin.gwrs.com.

Determining Annual Contribution Limits

WRS additional contributions are subject to annual limits as imposed by federal tax law in IRC Section 415(c). In 2018, you may contribute 100% of your gross compensation from your WRS employer(s) for the calendar year, up to $55,000. This limit may increase in future years.

The gross compensation includes 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).

If you make contributions to a plan other than the WRS, please consult with your tax professional to determine which of those contributions may be combined with WRS contributions to reach the IRC Section 415(c) limit, as individual circumstances may vary.

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

- Any **post-tax** employee-required contributions actually paid by you.
  Note: This is rare and pursuant to a collective bargaining agreement. Employee-required contributions that are withheld from your salary on a **pre-tax** basis do not apply to the contribution limit.
- Any voluntary additional (after-tax) employee WRS contributions you already made.

You may obtain a *Maximum Additional Contributions Worksheet* (ET-2566) at etf.wi.gov or by contacting ETF.

Investment of Your Additional Contributions

Your additional contributions will be invested in the WRS Trust Funds and begin to earn interest on the first of January after they are received by ETF. If you are not participating in the Variable Trust Fund at the time you make your additional contributions, all of your additional contributions will be deposited in the Core Trust Fund.

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

- If you elected to participate in the Variable Trust Fund on or after January 1, 2001, 50% of your additional contributions will automatically be deposited in the Variable Trust Fund. The remaining 50% will be deposited into the Core Trust.
- If you elected to participate in the Variable Trust Fund before April 29, 1980, you may specify what portion of your additional contributions you wish to deposit into the Core and Variable Trust Funds. You may choose to have from 0% to 100% deposited into the Variable Trust Fund. If you do not instruct ETF on how you want your additional contributions invested, they will be divided equally between the Core and Variable Trust Funds.
- For additional information, see the *How Participation in the Variable Trust Fund Affects Your WRS Benefits* (ET-4930) brochure, available at etf.wi.gov or by contacting ETF.

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.

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.

- If you are considering applying for a lump-sum benefit near the end of the year and ***you want the annual effective rate interest included in your benefit***, you should wait to apply until after 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 the 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.

Buying Creditable Service

If eligible, you may use your after-tax and/or tax-deferred additional contributions to purchase creditable service. The types of service an active employee may be eligible to purchase include WRS forfeited, qualifying and other governmental service (federal, state, local or military). For detailed information, see the *Buying Creditable Service* (ET-4121) brochure, available at etf.wi.gov or by contacting ETF.

Benefit Payment Options

You cannot withdraw your additional contributions until you terminate all WRS-covered employment. When your WRS employment ends, you may either:

- Begin receiving a benefit from your additional contributions **or**
- Delay distribution until April 1 of the year after the calendar year in which you reach age 70½.

There is no minimum age for a distribution from your additional contributions. However, if you terminate your WRS employment before the year you reach minimum retirement age (age 55 for most; age 50 for members with protective category service), 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 $198 per month **or**
- If your annuity from additional contributions begins on the same date as your monthly annuity from your required contributions.

The $198 monthly payment amount applies to annuities that begin in 2018 and is indexed annually. If you have both after-tax and tax-deferred additional contributions, your benefit is based on the combined account balances.

How you receive your additional contributions will depend on whether you are receiving a separation benefit or a retirement benefit.

Separation Benefit: A separation lump-sum benefit consists of your employee-required contributions, additional contributions (if applicable) and interest. It does not include employer-required contributions.

You are eligible to apply for a separation benefit if you have terminated all WRS employment and:

- You have not reached your minimum retirement age (age 55 for most; age 50 for members with protective category service that is not purchased) **or**
- You are not vested.*

If you apply for a separation benefit, your additional contributions will be included with the lump-sum payment. However, if you decide not to take a separation benefit (and leave your employee-required contributions with the WRS), you may apply for a benefit consisting only of your additional contributions at any time. (See the *Required Minimum Distributions* section.)

Retirement Benefit: A retirement benefit consists of your employee- and employer-required contributions and accumulated interest. You are eligible to apply for a retirement benefit if you have terminated all WRS employment and:

- You have reached your minimum retirement age **and**
- You are vested. *

If your retirement benefit is paid monthly, you can either include your additional contributions with this benefit payment or delay distribution until a later date. However, if your retirement benefit is paid as a lump-sum payment, your additional contributions account will be included with this payment.

*You may have to meet one of two vesting laws depending on when you first began WRS employment:

1. If you first began WRS employment after 1989 and terminated employment before April 24, 1998, then you must have some WRS creditable service in five calendar years.
2. If you first began WRS employment on or after July 1, 2011, then you must have five years of WRS creditable service.

If neither vesting law applies, you were vested when you first began WRS employment. If you are vested, you may receive a retirement benefit at age 55 (age 50 for protective category member) once you terminate all WRS employment. If you are not vested, you may only receive a separation benefit.

Benefit Payment Options, continued

If you delay the distribution of your retirement benefit and select an annuity for your additional contributions alone, the annuity will be based on the additional contributions balance in your account and the annuity rates that are in effect when the annuity payments begin.

The *For Annuitant's Life Only* option must meet the annual minimum ($198 in 2018) to be eligible for **any** monthly option, including an annuity certain. The number of payments you select cannot exceed your life expectancy based on federal mortality tables.

Tables I and II at the end of this brochure show some of the available annuity options and the amount payable for each $1,000 in your account. For more information, see the *Choosing an Annuity Option* (ET-4117) brochure and the *Calculating Your Retirement Benefits* (ET-4107) brochure. Both of these publications are available at etf.wi.gov or by contacting ETF.

Required Minimum Distribution

If you are no longer working under the WRS and have not yet taken a benefit, you must receive a disbursement known as a required minimum distribution (RMD) each year beginning with the year in which you reach age 70½.

Following are some things to keep in mind:

- ETF will contact you in the year you turn 69½ regarding your options. You may apply for your WRS benefit or defer your application until March 1 of the calendar year in which you reach 71½. Under certain circumstances, you may roll over a lump-sum payment to another qualified plan.
- If you do not respond by December 31 of the year you reach 69½, ETF must make an automatic distribution of the entire account balance on or after the following January 1. This could result in a tax consequence, an effective date or type of payment that you do not want. It is important for you to contact ETF before an automatic distribution is required. Once an automatic distribution is paid, your WRS account is closed and you *cannot* return your payment or choose another payment option.
- If you do not take your RMD by April 1 in the year you turn 71½, or by December 31 of the year you end employment (if you continued working under the WRS after you reached age 70½), you may be required to pay a federal tax of 50% of the RMD amount that you should have received during that tax year.

If your covered WRS employment will end when you are 70½ or older, you should request your WRS annuity estimate up to one year in advance and begin your benefit during that year. Contact the IRS or your tax advisor for more information about the RMD.

Rollovers to Another Plan and Tax Liability

You may roll over your lump-sum payment or annuity certain of fewer than 120 months to:

- A traditional IRA [408(a)]
- A Roth IRA [408(b)] **or**
- An eligible employer plan, which includes plans under IRC sections 401(a), 401(k), Roth 401(k), 403(a), 403(b), Roth 403(b), 457(b) and Roth 457(b).

If you have questions on whether or not your WRS funds are eligible to be rolled over into another qualified plan, you should contact that plan directly.

Depending on the additional contribution types that were made to your account, you may already have paid taxes on the amount of the contribution. Any amount that you have already paid taxes on will not be taxed in the future.

For more information on taxation of rollovers, please consult a tax advisor or see IRS Publication 590. For more information on taxation of lump-sum payments, see IRS Publication 575.

To rollover your payment, you must submit an *Authorization for Direct Rollover* (ET-7355) form with your benefit application. This form is available online at etf.wi.gov or by contacting ETF. 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 (are) made payable to the receiving financial institution but 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.

The WRS does not accept rollovers only for the purpose of making additional contributions.

Death Benefits

Specific requirements 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 your account 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.

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

Months	Amount	Months	Amount
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

Additional Amount	Number of Years Payable	Number of Payments	Monthly Amount
$ 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)

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	$5.52
60	$5.98
62	$6.21
65	$6.64

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 Member	Life - 60 Payments Guaranteed	Life- 180 Payments Guaranteed
55	.998	.979
60	.996	.967
62	.995	.959
65	.993	.941

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