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***CORRESPONDENCE MEMORANDUM***

**DATE:** February 11, 2010  
**TO:** Wisconsin Deferred Compensation Board  
**FROM:** Matt Stohr, Director of Legislation, Communications and Quality Assurance  
**SUBJECT:** Legislative Report

**This memo is for information only. No action is required.**

The purpose of this memo is to give Board members a background on an issue that may have a substantial impact on the Wisconsin Deferred Compensation (WDC) Program and WDC participants. The federal Pension Protection Act of 2006 (PPA) made permanent several changes to retirement savings plans, such as section 457 plans like the WDC and 401k plans, that were adopted as part of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA). However, the state of Wisconsin did not adopt the portion of the PPA (Public Law 109-280) that made permanent the changes to s. 811 of the Internal Revenue Code (IRC)-which is a section of the IRC that pertains to 457 plans. Therefore, the changes made in EGTRRA will sunset on December 31, 2010 in the Wisconsin state statutes unless a bill is enacted to conform Wisconsin state statute to the IRC, in particular sections 811 and 844 of the IRC.

Among other things, EGTRRA contained provisions that changed section 457 deferred compensation plans, like the WDC, as follows:

- Increased deferral limits from \$8,500 in 2001 to the current limit of \$16,500,
- Allowed for age 50 catch-up contributions,
- Allowed for the portability between qualified plans,
- Eliminated the requirement to coordinate deferrals between s. 457 and s. 403(b) plans,
- Allowed for flexible distributions from s. 457 plans, such as no more irrevocable elections of a fixed future date to begin distributions, and
- Allowed for Domestic Relations Orders for s. 457 plans.

Reviewed and approved by Jean Gilding, Administrator, Division of Retirement Services.

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Signature

\_\_\_\_\_  
Date

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Again, these provisions will roll back to the pre-EGTRRA levels if the state of Wisconsin does not comply with the provisions of the IRC that were modified as a result of EGTRRA and made permanent by the PPA. As of this writing, various legislative proposals have been introduced during the 2009-2010 Wisconsin Legislative Session to make certain provisions of EGTRRA and PPA permanent, however the bills that have had a hearing do not contain language pertaining to s. 811. These proposals very well could be amended prior to the Board meeting. Therefore, I will provide an update on this issue at the meeting and we will send Board members updates prior to the meeting if there are any major developments. Generally speaking, the current legislative session is scheduled to conclude in April 2010.

I will be available at the meeting to answer any questions you have about this issue or any other legislative matters.