STATE OF WISCONSIN
Department of Employee Trust Funds
A. John Voelker
SECRETARY

Wisconsin Department
of Employee Trust Funds
PO Box 7931
Madison WI 53707-7931
1-877-533-5020 (toll free)
Fax 608-267-4549
etf.wi.gov

Correspondence Memorandum

Date: August 27, 2025

To: Deferred Compensation Board

From: Kyle Kundert, Policy Advisor (Interim Director)
Wisconsin Deferred Compensation Program

Dan Hayes, Attorney
Office of Legal Services

Subject: Proposed Plan and Trust Revisions: Implementation of Certain SECURE 2.0 Provisions and a Technical Correction

The Department of Employee Trust Funds (ETF) recommends the Board revise the Plan and Trust to implement the SECURE 2.0 provision below.

As part of the Board's fiduciary responsibilities, the Board maintains the Wisconsin Deferred Compensation Program (WDC) Plan and Trust. This document contains the terms and conditions of the plan, including eligibility, contributions, distributions, and other benefits. The WDC Plan and Trust also includes optional provisions such as unforeseeable emergency withdrawals. The Board is responsible for ensuring the Plan and Trust is in compliance with current federal laws and regulations.

Most recently, the Board made changes to the Plan and Trust in late 2024, when it approved revisions to enact certain provisions of SECURE 2.0. This memo outlines additional changes ETF is recommending and illustrates how revised portions of the Plan and Trust would appear if ETF's recommendations were approved.

The version of the Plan and Trust attached to this memo is a marked-up draft, with recommended text change illustrated via <u>underlining</u> for the one addition. If the Board approves the recommended revision, a clean copy will be presented to the Board Chair for signature. The new signed document will be posted electronically in the Board's Governance Manual and on the WDC website.

Implementing Section 603 of SECURE 2.0
The SECURE 2.0 provision outlined below relates to catch-up contributions for higher-earning participants. Participants whose wages exceed the amount provided under

Patti Epstein
Reviewed and approved by Patti Epstein, Chief Benefits Officer, Division of Benefits Administration
Electronically Signed 08/22/2025

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federal law ($145,000 indexed for inflation) must make their deferrals on a Roth basis. This change is mandatory.

ETF recommends amending Article II of the Plan and Trust. The proposed language shown below is reproduced from the attached Plan and Trust.

> **2.05 Age 50 Plus Catch-Up Contributions** The maximum deferral amount described in Section 2.04 under the PLAN for the PARTICIPANT'S taxable year may be increased for a PARTICIPANT who has attained age 50 or over by the end of the taxable year pursuant to IRC Section 414(v)(2)(B) and any applicable treasury regulations. This section shall not be applicable for any taxable year for which a higher limitation under Section 2.06 applies.
>
> <u>Effective January 1, 2026, PARTICIPANTS whose prior year wages exceed the amount provided under IRC Section 414(v)(7) must make their age 50 plus catch-up contributions on a Roth basis.</u>

Conclusion

ETF recommends the Board revise the Plan and Trust as outlined in this memo and illustrated in the attached draft. The changes above ensure the WDC is compliant and current with its implementation schedule for SECURE 2.0 provisions. If approved, these changes to Plan and Trust will go into effect on January 1, 2026.

ETF and Empower will also update websites, brochures, and ensure the WDC staff can communicate information regarding the change above.

Staff will be available at the Board meeting to answer any questions.

Attachment A: Plan and Trust with recommended changes illustrated via underlining for additions