

Reminder

A monthly guide about IMRF topics of interest.

Route to:

- Authorized Agent
- Asst. to AA
- Personnel/HR
- Data Processing
- Payroll Dept.
- Accounting/Finance
- Other

Voluntary Additional Contributions

What are Voluntary Additional Contributions?

Did you know that all active IMRF members are eligible for an optional savings plan called Voluntary Additional Contributions (VAC)? Members can contribute up to 10% of their reportable wages to VAC (these contributions are in addition to their usual IMRF member contributions).

VA Pros

VAC provide an important savings option for IMRF members. An IMRF member can:

- Enjoy the ease of payroll deduction for VAC
- Contribute up to 10% of his or her reportable wages
- Use VAC as a way to save for an additional retirement annuity
- Apply for a refund at any time (see below)
- Earn 7.5% interest (see below)

VA Cons

Members should be aware of several limitations regarding VAC:

- VAC interest is credited differently from a traditional savings account:
 - A traditional savings account credits interest on the *current* amount in the account.
 - IMRF credits interest at the *end* of the year on the *beginning* of the year amount.Therefore, a member will not earn any interest the first year he or she begins VAC. In subsequent years, interest is credited on the amount of the *January 1st balance for that year*.
- VAC are designed for *long-term savings*. Although a member can apply for a refund of his or her VAC at any time, IMRF discourages such refunds. If a member is seeking a short-term savings vehicle, VAC are not the right choice.
- VAC are made on an after-tax basis (the interest earned is tax-deferred). Some members may be better served by contributing a portion of his or her wages on a pre-tax (tax-deferred) basis to the employer's deferred compensation plan, e.g., 457 or 403(b).

Although VAC offers members an easy way to save for retirement, only the member knows if VAC is right for him or her. If the member is uncertain about making VAC, or about the tax consequences of VAC refunds, the member should contact his or her financial advisor.

Reporting VAC

If one of your members asks to enroll in VAC, he or she would complete IMRF Form 6.30, "Election to Make Voluntary Additional Contributions." You would report VAC as an additional plan (VA01) on your monthly wage report.

Allowing a member to make VAC is **not** an employer option; the Illinois Pension Code (40 ILCS 5/7-173(a)2) specifically states that a member may elect to make additional contributions toward a retirement annuity. It is important to note that employers do not contribute to a member's VAC account. For detailed information, see IMRF Form 6.30 or the *Voluntary Additional Contributions Fact Sheet*, available at www.imrf.org.

