



# Looking for an easy way to save additional retirement income?

## Enroll in IMRF's Voluntary Additional Contribution program!

- You may contribute up to an additional 10% of your earnings to the Voluntary Additional Contribution program. At retirement, you can take your Voluntary Additional Contributions as a lump sum or as an additional monthly pension.
- Voluntary Additional Contribution 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, you will not earn any interest the first year you begin making Voluntary Additional Contributions.
- Voluntary Additional Contributions are after tax — they are not tax-deferred like usual IMRF member contributions. Some members may be better served by contributing a portion of their salary on a pre-tax (tax-deferred) basis to their employer's deferred compensation plan, e.g., 457 or 403(b).
- The rate of interest paid is currently 7-1/2%. This interest rate can change in the future. If the interest rate changes, IMRF will *not* notify Voluntary Additional Contribution participants of the change.
- Unlike the Voluntary Additional Contributions themselves, the *interest* credited to your Voluntary Additional Contribution account is tax-deferred.
- Although you can apply for a refund of your Voluntary Additional Contributions at anytime, IMRF discourages such refunds. If you are seeking a short-term savings vehicle, Voluntary Additional Contributions may not be the right choice.

### Interest example (assumes 7.50% interest rate does not change)

January 1, 2010 opening balance .....	\$0.00
VA Contributions made during 2010 .....	\$400.00
Interest credited on December 31, 2010 based upon January 1, 2010 balance of \$0 x 7.50%.....	\$0.00
January 1, 2011 opening balance .....	\$400.00
VA Contributions made during 2011 .....	500.00
Interest credited on December 31, 2011 based upon January 1, 2011 balance of \$400 x 7.50% .....	\$30.00
January 1, 2012 opening balance	
2010 VA contributions .....	\$400.00
2010 interest.....	\$0.00
2011 VA contributions .....	\$500.00
2011 interest.....	\$30.00
Total January 1, 2012 opening balance .....	\$930.00
Interest credited on December 31, 2012 based upon January 1, 2012 balance of \$930 x 7.50%.....	\$69.75

*Although the Voluntary Additional Contribution program offers you an easy way to save for retirement, **only you know if it is right for you.** If you are uncertain about making Voluntary Additional Contributions or the tax consequences of Voluntary Additional Contribution refunds, you should contact your financial advisor.*

### **Participating in the Voluntary Additional Contribution (VAC) program**

- You choose to participate in the VAC program by completing IMRF Form 6.30, “Election to Make Voluntary Additional Contributions.”
- If you choose to participate in VAC, your employer **must** allow you to do so by ensuring the after-tax contributions are withheld from your salary. The employer must also report and transmit your VAC to IMRF.
- VAC are deposited in a separate account for each member. These accounts are not matched by the employer.

### **Withdrawals**

- You **cannot** receive a partial refund of your Voluntary Additional Contributions.
- **If you apply for a refund of your VAC and will**
  - Continue working for your IMRF employer—If you currently make VAC and apply to have those contributions refunded to you, all VAC, plus interest if any, accumulated up to December 31 of the previous year will be refunded. Current year contributions may not be withdrawn if you will continue to make VAC.

If you are no longer making VAC and apply for a refund of your VAC, you will be paid *all* VAC on deposit, plus interest if any.

If you are less than age 59-1/2, the taxable portion of the refund (the interest earned) will be subject to income tax penalties. You can avoid these income tax penalties by rolling over the taxable portion into an IRA or other qualified retirement plan. Unless the taxable portion is directly rolled over, federal law requires IMRF to make a 20% tax withholding.
  - Stop working for your IMRF employer and apply for a refund of your usual IMRF member contributions (a “separation refund”)—your Voluntary Additional Contributions (with interest) must be refunded at the same time.

If you are less than age 55 when you apply for a separation refund, the taxable portion of the refund (interest) will be subject to income tax penalties. You can avoid these income tax penalties by rolling over the taxable portion into an IRA or other qualified retirement plan. Unless the taxable portion is directly rolled over, federal law requires IMRF to make a 20% tax withholding.

### **Retiring with VA contributions**

- If you apply for an IMRF pension, you can receive your Voluntary Additional Contributions in a lump sum or as an additional monthly pension. At that time, IMRF will mail you a letter advising you of the amounts payable as a lump sum and as an additional monthly pension.
- You can also sign on to your secure Member Access account at [www.imrf.org](http://www.imrf.org) and create a pension estimate. That estimate will provide the lump sum and monthly pension amounts.

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