

Know **Your** Benefits

VOLUNTARY ADDITIONAL CONTRIBUTIONS

IMRF's Voluntary Additional Contributions (VAC) program is an easy way to help you save additional retirement income. Voluntary Additional Contributions:

- Are limited to a maximum of 10% of your IMRF reportable earnings.
- Are after tax, not tax-deferred.
- Are a separate individual account consisting only of your contributions and any interest you earn on them. Employers do not make any contributions to your VAC account.
- Accrue interest differently than traditional saving accounts.
- Continue to earn interest for as long as they are left on deposit with IMRF.



VAC PROGRAM DETAILS

If you are a Tier 1 member, you may contribute up to a maximum of 10% of your IMRF reportable earnings to the VAC program.

If you are a Tier 2 member, you may contribute up to a maximum of 10% of your IMRF reportable earnings, up to the Tier 2 wage cap. If you reach your wage cap, you can't make any more contributions in that year, even if you haven't reached the VAC maximum. You can begin making contributions again the following January.

Voluntary Additional Contributions are after tax—they are not tax-deferred like usual IMRF member contributions. You may be better served by contributing a portion of your salary on a pretax (tax-deferred) basis to your employer's deferred compensation plan, such as a 457 or 403(b) plan.

Unlike the VAC themselves, the interest credited is tax-deferred.

Although you can apply for a refund of your VAC at any time, IMRF discourages such

refunds. VAC may not be the right choice for short-term savings.

VAC interest is credited differently from a traditional savings account: your pension could be affected.

- A traditional savings account credits interest on the current amount in the account.
- IMRF credits interest annually, at the end of the year based on the previous January 1 balance. That means:
 - You will not earn any interest the first year you begin making Voluntary Additional Contributions.
 - If you withdraw your contributions at any time during a year, you will not receive any interest on the contributions you withdraw. Contributions must stay in your account for you to receive interest on them. However, you would receive interest on any previously earned interest that remains in your account.

The current interest rate is 7.25%. This rate may change.

VISIT **WWW.IMRF.ORG** OR CALL 1-800-ASK-IMRF FOR MORE INFORMATION

RETIRING WITH VAC



At retirement your VAC savings may be:

- Taken in a lump sum
- OR
- Applied to a monthly annuity if your VAC balance is \$4,500 or more

Call 1-800-ASK-IMRF (275-4673) for more information.

VAC SALARY CONTRIBUTION COMPARISON

Both members started contributing to VAC at age 25 and earned \$30,500 with 2% raises each year before retiring at age 67.

Total Benefit

\$104,209

or

\$765 monthly*

Interest

\$83,725

His Contributions

\$20,484

*Gross for life with increases according to your Tier



Total Benefit

\$521,044

or

\$3,868 monthly*

Interest

\$418,625

Her Contributions

\$102,418

*Gross for life with increases according to your Tier



HOW TO START MAKING CONTRIBUTIONS



Enroll in the VAC program by completing the "Election to Make or Change Voluntary Additional Contributions" form.

- Your employer must allow you to participate in the VAC program by ensuring that after-tax contributions are withheld from your salary. The employer must 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.
- If you reach 40 years of service and choose to stop making IMRF contributions, you must also stop making Voluntary Additional Contributions.
- Note all voluntary additional contributions must be a percentage of your gross reportable monthly earnings, up to a maximum of 10%.

WITHDRAWALS/REFUNDS



To request a refund of your VAC, please fill out the “Request for Refund of Voluntary Additional Contributions” form.

If you are CURRENTLY EMPLOYED by an IMRF Employer:

You will NOT be paid interest on a VAC refund. Your interest will remain on account and continue to earn interest. You will be eligible for a refund of the interest when you stop working for your IMRF employer or when you apply for your IMRF Pension.

You may choose to continue or stop making Voluntary Additional Contributions after receiving a refund.

You must receive a full refund of your Voluntary Additional Contributions on deposit. You may not receive a partial refund.

If you are NO LONGER EMPLOYED by an IMRF Employer:

You will receive a refund of all your Voluntary Additional Contributions, including any interest on your account.

- You must receive a full refund of your Voluntary Additional Contributions on deposit. You may not receive a partial refund.
- 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.

If you apply for a refund of your usual IMRF member contributions (a “separation refund”)—your VAC (with interest) must be refunded at the same time.



FOR MORE INFORMATION

For detailed information about these rules, call 1-800-ASK-IMRF (275-4673).

*Manage your
IMRF benefits with*
**MEMBER
ACCESS**

VISIT **WWW.IMRF.ORG** TO SIGN
UP FOR YOUR ACCOUNT TODAY!

HOW VAC INTEREST IS CREDITED



(Example assumes 7.25% interest rate)

1ST YEAR

January 1, 2019 opening balance.....	\$0.00
VAC contributions made during 2019.....	\$400.00
Interest credited on December 31, 2019 based upon January 1, 2019 balance of \$0 x 7.25%.....	\$0.00

2ND YEAR

January 1, 2020 opening balance.....	\$400.00
VAC contributions made during 2020.....	\$500.00
Interest credited on December 31, 2020 based upon January 1, 2020 balance of \$400 x 7.25%	\$29.00

3RD YEAR

January 1, 2021 opening balance:	
2019 VAC contributions	\$400.00
2019 interest	\$0.00
2020 VAC contributions	\$500.00
2020 interest	\$29.00
Total January 1, 2021 opening balance	\$929.00
Interest credited on December 31, 2021 based upon January 1, 2021 balance of \$929 x 7.25%	\$67.35

Although the VAC program offers you an easy way to save for retirement, only you can decide whether it is right for you. If you are uncertain about using the VAC program or the tax consequences of VAC refunds, contact your financial advisor.