



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

## Enroll in IMRF’s Voluntary Additional Contribution (VAC) program!

- If you are a Tier 1 member, you may contribute up to a maximum of 10% of your earnings.
- If you are a Tier 2 member, you may contribute up to a maximum of 10% of your earnings up to your 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 pre-tax (tax-deferred) basis to your employer’s deferred compensation plan, e.g., 457 or 403(b).
- Unlike the Voluntary Additional Contributions themselves, the interest credited is tax-deferred.
- Although you can apply for a refund of your Voluntary Additional Contributions at any time, IMRF discourages such refunds. Voluntary Additional Contributions may not be the right choice for short-term savings.
- 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. You will not earn any interest the first year you begin making Voluntary Additional Contributions.
  - Visit [www.imrf.org](http://www.imrf.org) for the current interest rate.

### Interest example (assumes 7.25% interest rate)

January 1, 2019 opening balance.....	\$0.00
VA 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
January 1, 2020 opening balance.....	\$400.00
VA 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
January 1, 2021 opening balance	
2019 VA contributions .....	\$400.00
2019 interest.....	\$0.00
2020 VA 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 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.*

## How to start making VAC contributions

You enroll in the VAC program by completing IMRF Form 6.30, “Election to Make Voluntary Additional Contributions.”

- Your employer **must** allow you to participate in the VAC program by ensuring 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.

## Withdrawals/Refunds

To request a refund of Voluntary Additional Contributions (VAC), please fill out IMRF Form VARF, “Request for Refund of Voluntary Additional Contributions (VAC).”

- **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 VA Contributions after receiving a refund.
    - You must receive a refund of all of your VA 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 of your VA Contributions, including any interest on your account.
    - You must receive a refund of all of your VA 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 Voluntary Additional Contributions (with interest) must be refunded at the same time.

## Retiring with VA contributions

At retirement Voluntary Additional Contributions may be:

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