Voluntary Contributions (Senate Bill 1049 IAP Redirect) — Frequently Asked Questions for PERS-participating Employers

**Question 1: What are voluntary contributions?**

As part of the SB 1049 Member (IAP) Redirect, currently employed members that earn more than $2,500 per month can elect to contribute after-tax dollars to their Individual Account Program (IAP) to offset the amount of contributions that are redirected to their Employee Pension Stability Account (EPSA). Employers, once alerted via work items in EDX, are required to deduct IAP voluntary contributions from members’ qualifying paychecks.

**Question 2: Is the after-tax voluntary contribution amount the same amount redirected to EPSA?**

Yes, the member has no choice in how much they can voluntarily contribute through this option. It is either 2.5% of qualifying gross salary for Tier One/Tier Two members or 0.75% of qualifying gross salary for OPSRP members.

**Question 3: When can voluntary contributions start?**

Members’ IAP contributions began being redirected to EPSA on salary paid on or after July 1, 2020.

Voluntary contributions can also be effective July 1, 2020, but, due to programming requirements in PERS Online Member Services (OMS), PERS was not be able to accept voluntary contribution elections until late September 2020. There is a limited retroactive election option, available until October 31, 2020, for members to elect to make voluntary contributions back to July 1, 2020.

Please refer to the Member Redirect Voluntary Contributions Process Map: Employer View and question 5 for more details.

**Question 4: To enact these changes, was there a redesign to EDX? An EDX file format change? Changes to the DTL1 or DTL2 structure?**

Changes were made in September 2020 to EDX to add IAP Voluntary Contribution information for employees and also new work list items. Learn more.

There was no EDX file format change. There also was no change to the DTL1 or DTL2 record format. Please refer to the Member Redirect Voluntary Contributions Process Map: Employer View for more details.
While changes to the way an employer reports contributions to PERS are not necessary through this effort, employers do have new processes for starting and stopping a member’s voluntary contribution request. See question 5 for more details.

**Question 5:** *What can employers expect after an election is completed by an employee?*

Employers will receive a work item to notify them that a member who works for them has elected to make voluntary contributions. Employers can assume an employee is eligible if an election is made. Employers should begin to withhold the after-tax voluntary contribution from employee paychecks as of the effective date in the work item.

Note that members have a **limited** retroactive election option, available until **October 31, 2020**, to elect to make retroactively voluntary contributions back to July 1, 2020.

Otherwise, members elect for a set prospective date in the future. The work item will list the voluntary contribution effective date for the member.

A voluntary contribution employer invoice for IAP dollars will be created automatically once a member:
- elects to make voluntary contributions,
- reaches their voluntary contribution effective start date, and
- is eligible, based on being paid qualifying gross salary in excess of $2,500.00 a month, therefore having a portion of their IAP contributions redirected.

Learn more about the process in PERS’ “[How to Manage an Employee’s Voluntary Contribution](https://pers.state.or.us/edu/how-to/how-to-manage-an-employees-voluntary-contribution)” step-by-step guide.

**Question 6:** *What if an employee wants to stop making voluntary contributions?*

Employees can use OMS to request to stop IAP voluntary contributions.

[Stopping an election](https://pers.state.or.us/edu/how-to/how-to-manage-an-employees-voluntary-contribution) works the same way as starting an election, giving the member and employer at least a full month to stop deductions.

**Question 7:** *Since this is an after-tax deduction, are these contributions included in any IRS limits for retirement contributions?*

Yes. Any after-tax contributions made through voluntary contributions would be subject to the same existing IRS retirement plan contribution limit for IAP. These after-tax contributions, however, **do not** affect a contribution limit under a 457(b) plan or a 403(b) plan, which may also be offered by the employer.
**Question 8:** How do I report voluntary contributions on a W-2?  
PERS does not provide tax advice. Employers should consult your own tax advisors if you need assistance.

**Question 9:** Will employers have to pay earnings on the retroactive contributions?  
As with all contributions, PERS credits earnings on an annual basis, after the year is officially closed as of the end of February 2021. Earnings on voluntary contributions for the year 2020 will be credited in March 2021.

**Question 10:** What if PERS receives new data that changes previously reported salary, which, in turn, changes whether the member is eligible for voluntary contributions or not?  
The system has been programmed to recognize a change in salary for a member with a voluntary contribution election and it will reevaluate whether an invoice should be created or if dollars already received should be credited back to the employer.  
If a member does not make more than $2,500 a month and after-tax voluntary contributions were deducted, the employer will be responsible for refunding the member.  
Contact your [PERS Employer Service Center Representative](mailto:) for additional support if needed.

**Question 11:** Can employers encourage employees to look at other options available?  
Yes. Please work with any employees you have to understand all the options available to save more for retirement. You may offer other 457(b) or 403(b) options that may not be restricted to set percentages, salary amounts, or by after-tax contributions that reduce their take-home pay.

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