

# 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 who earn more than the monthly salary requirement can elect to contribute **after-tax** dollars to their Individual Account Program (IAP) to offset the amount of their 6% monthly contribution that is being redirected to their [Employee Pension Stability Account \(EPSA\)](#) (2.5% for Tier One/Two and 0.75% for OPSRP). 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 the 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 can elect to start or stop voluntary contributions any time.

Members' IAP contributions began being redirected to their EPSA on salary paid on or after July 1, 2020. Voluntary contributions were also in effect on July 1, but, because of programming requirements in Online Member Services (OMS), PERS was not able to accept voluntary contribution elections until late September 2020. There was a **limited** retroactive election option, available until **October 31**, that enabled members to elect to make voluntary contributions back to July 1.

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?*

PERS updated EDX in September 2020 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.

Although 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 employee completes a voluntary contribution election in OMS?*

Employers will receive a work item to notify them that a member with an open employment segment has elected to make voluntary contributions. Employers should begin to withhold the after-tax voluntary contribution from the employee's paychecks as of the effective date in the work item.

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.
- Is eligible, based on being paid qualifying gross salary in excess of the [monthly salary requirement](#), therefore having a portion of their IAP contributions redirected.

Learn more about the process in PERS' "[How to How to Manage an Employee's 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](#) works the same way as starting an election, giving the member and employer at least a full month to stop deductions.

**Question 7:** *Because 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 each year. Earnings on voluntary contributions for the year are credited in March. If you do not pay contributions when they are due, you will be invoiced for earnings for retroactive contributions.

**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 who has a voluntary contribution election. The system automatically determines 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 the [monthly salary requirement](#) and after-tax voluntary contributions were deducted, the employer will be responsible for refunding the member.

Contact your [PERS Employer Service Center Representative](#) for additional support, if needed.

**Question 11:** *What if an employee leaves employment and then the employer finds out that the former employee had elected to begin a voluntary contribution retroactive to July 1?*

When your employee makes a voluntary contribution election in OMS, the PERS system automatically invoices you for the amount of that employee's voluntary contribution during the period when they were an active employee of yours. It is up to you to collect that amount from your employee. If your employee has already left employment and is no longer on your payroll, it is up to you if and how you collect the member paid after-tax (MPAT) voluntary contribution amount from your former employee.

**Question 12:** *Can employers encourage employees to look at other options available?*

Yes. Please work with employees to help them 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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