

Voluntary Contributions

Questions and Answers about the
New Pre-Tax Contributions

ASA Voluntary Contributions

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- Until 2001, the contribution to the ASA was set at a mandatory rate of 3%, and this was the only way to contribute to the ASA.
- A legislative change in 2001 allowed additional voluntary **post-tax** contributions of up to an additional 10% of the member's compensation.
- TRF asked the IRS for a ruling to permit these contributions to be made before taxes (pre-tax).
- The ruling was received in 2003.

TRF Receives IRS Approval

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- Beginning in September 2003, qualifying members will be able to make additional **pre-tax** contributions of up to 10% of compensation
- Total of not more than 13% of compensation including the 3% mandatory contribution now being made.
- Very important limitations apply.

Requirements and Limitations

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- Employers must first approve a **standard resolution** to permit their employees to participate in the new pre-tax program.
- A model resolution was mailed to each employer and is available on TRF's web page www.in.gov/trf.
- Beginning date is September 1, 2003 for the first group of qualifying members.

Requirements and Limitations

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- Employees must be active members of PERF or TRF.
- To qualify, members **must** have at least five years of service.
- A member has a two-year window to make an election, beginning September 1 after the fiscal year (July 1 to June 30) in which the member earns 5 years of service.

Grandfather Window 2003-2005

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- For an active member who has five or more years of service as of June 30, 2003, there will be a two-year window from September 1, 2003 to August 31, 2005.
- Thereafter, the two-year window will open annually on September 1 for anyone who completed five years of service in the prior fiscal year (July 1 to June 30).

Requirements and Limitations

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- Once the member makes the election, it cannot be changed unless the member changes employers.
- However, the member **may** make additional **post-tax** contributions at any time by filing a new post-tax contribution form with the member's employer.
- The aggregation of the mandatory and voluntary pre-tax and post-tax contributions cannot exceed 13% of compensation.

The Process

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- Employer adopts resolution.
- Employer mails a copy of the resolution to TRF.
- Eligible employees will have a two-year window to make an election.
- Eligible employees complete an application (available for downloading at www.in.gov/trf) and mail it to TRF.

The Process

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- TRF verifies that the employer has submitted a copy of the resolution and that the employee is eligible.
- TRF “signs off” on the application and mails it back to the employee.
- The employee submits the application to the employer.

- **2003 Plan Year**

- Employer resolution adoption period is 07/01/2003 through 12/31/2003
- Member eligibility: has five years of PERF/TRF service as of 06/30/2003
- Member's election period is the later of 09/01/2003 or the employer's adoption date through 08/31/2005

- **2004 Plan Year**

- Employer resolution adoption period is 01/01/2004 through 08/31/2004
- Member eligibility: has five years of PERF/TRF service as of 06/30/2004
- Member's election period is 09/01/2004 through 08/31/2006

- **2005 Plan Year**

- Employer resolution adoption period is 09/01/2004 through 08/31/2005
- Member eligibility: has five years of PERF/TRF service as of 06/30/2005
- Member's election period is 09/01/2005 through 08/31/2007

- **2006 Plan Year**

- Employer resolution adoption period is 09/01/2005 through 08/31/2006
- Member eligibility: has five years of PERF/TRF service as of 06/30/2006
- Member's election is 09/01/2006 through 08/31/2008

- *Who is an eligible employee?*
 - Eligible employees are active TRF or PERF members who have at least five years of earned service as of June 30 in the prior fiscal year and are not outside the two-year window.

- *When is my election period?*
 - Your election period is the two-year period beginning September 1 after you earn five years of service. You must have earned at least five years of service in the prior **fiscal** year (July 1 to June 30) and currently work for a participating employer in the year you make your election.

- *When can I make the pre-tax election?*
 - An eligible employee can make the pre-tax election at any time during the employee's two-year election period.

- *What happens if I do not participate during my two-year election period?*
 - You cannot make a **pre-tax** election unless you change your TRF/PERF employer.
 - However, you still can make a **post-tax** election, subject to the limit of 10% of compensation.

- *How long does my **pre-tax** election apply?*
 - Your pre-tax election **cannot** be changed. It will continue to apply as long as you work for the same employer, even if you leave and come back to work for the same employer.

- *May I change or stop my **post-tax** contributions?*
 - Yes. You may change your voluntary post-tax contributions by filing a post-tax contribution form with your employer.

- *What are the benefits of making **post-tax** contributions?*
 - The election is not irrevocable. If your circumstances change, you can change the amount of post-tax contributions or stop them.
 - Earnings on both post-tax and pre-tax contributions are tax-deferred.

- *What are the benefits of making pre-tax contributions?*
 - Contributions are made before you pay taxes on the contributed amounts.
 - Earnings are tax-deferred.
 - Drawback: Unlike the post-tax election, this election cannot be changed or stopped as long as you stay with your employer.

- *Can I mix voluntary post-tax and pre-tax contributions?*
 - Yes, so long as the aggregate of post-tax and pre-tax voluntary contributions do not exceed 10% of compensation.

- *How will my voluntary contributions be invested?*
 - You will allocate your new contributions for investment in the same way as the 3% mandatory contributions are allocated.
 - Note: The TRF Guaranteed Fund rate for the fiscal year 2003-2004 is 6.75%.

- *Will making additional pre-tax or post-tax contributions lower my salary for pension calculation purposes?*
 - No, you will still receive credit for your contract amount of compensation.

Reporting Voluntary Pre-tax Amounts to TRF

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- Wage and Contribution File Layout
 - The amount of pre-tax voluntary contributions will be reported to TRF by using the last nine spaces in the file. This is right after the nine spaces that are currently used to report after-tax voluntary contributions

Actual File Layout – 36 rec

P31 Record Layout				
Field	Length	Format	Position	VALUE
Detail Record (36)				
NTF-SUBSYSTEM-ID-KEY	2		1	CA
NTF-SEQUENTIAL-ERROR-KEY	5		3	0
NTF-ERROR-KEY-SEQUENCE-NUM	4		8	0
NTF-FUND-CODE	2		12	TR
NTF-EMPLOYER-ACCT-NUM	4		14	FIRST 2 CHAR OF SCHOOL UNIT
NTF-EMPLOYER-UNIT-CODE	3		18	LAST 2 CHAR OF SCHOOL UNIT, RIGHT JUSTIFIED, 0 FILLED
NTF-EMPLOYER-DEPT-NUMBER	3		21	0
NTF-SSN	9		24	TEACHER'S SSN
NTF-TRF-NUMBER	7		33	TEACHER'S TRF# RIGHT JUSTIFIED, 0 FILLED
NTF-TRANSACTION-DATE	8		40	CURRENT DATE IN YYYYMMDD FORMAT
NTF-EFFECTIVE DATE	8		48	QUARTER END DATE IN YYYYMMDD FORMAT
NTF-TRF-DEPT-CODE	2		56	SPACES
NTF-USER-ID	8		58	SPACES
NTF-ERROR-CODE-TABLE	20		66	
NTF-ERROR-CYCLE-COUNT	2		86	
NTF-OPTION-ID	6		88	
NTF-TRANSACTION-CODE	2		94	36
NTF-ACTION-CODE	1		96	
NTF-36-LAST-NAME	25		101	
NTF-36-SSN	9		126	
NTF-36-TRF-NUMBER	7		135	
NTF-36-QUARTER-END-DATE	8		142	QUARTER END DATE IN YYYYMMDD FORMAT
NTF-36-EOR-WAGES	9 9(7)V99		150	WAGES FOR THE QUARTER
NTF-36-EOR-CONT	9 9(7)V99		159	TEACHER CONT FOR THE QUARTER
NTF-36-ER-PICKUP	9 9(7)V99		168	EMPLOYER PICKUP FOR THE QUARTER
NTF-36-ERP	9 9(7)V99		177	PENSION FUNDING ON QUARTERLY WAGES FOR TEACHERS HIRED AF
NTF-36-FSP-WAGES	9 9(7)V99		186	FSP WAGES FOR QUARTER
NTF-36-FSP-CONT	9 9(7)V99		195	FSP CONTRIBUTIONS FOR THE QUARTER
NTF-36-HEP-CONT	9 9(7)V99		204	HEP CONT FOR THE QUARTER
NTF-36-SERVICE-CREDIT-DAYS	3		213	DAYS TAUGHT
NTF-36-SEPARATION-DATE	8		216	
NTF-36-SEPARATION-TYPE	1		224	
NTF-36-NEW-EEVOL CONT	9 9(7)V99		225	VOLUNTARY MEMBER CONTRIBUTIONS FOR THE QUARTER
NTF-36-NEW-PRETAX-EEVOL CONT	9 9(7)V99		234	VOLUNTARY PRE TAX MEMBER CONTRIBUTIONS FOR THE QUARTER
SPACES	158		243	

Actual File Layout – 35 rec

P31 Record Layout				
Summary (35 record)				
Field	Length	Format	Position	VALUE
NTF-ERROR-KEY-SEQUENCE-NUM	4		8	0
NTF-FUND-CODE	2		12	TR
NTF-EMPLOYER-ACCT-NUM	4		14	FIRST 2 CHAR OF SCHOOL UNIT
NTF-EMPLOYER-UNIT-CODE	3		18	LAST 2 CHAR OF SCHOOL UNIT, RIGHT JUSTIFIED, 0 FILLED
NTF-EMPLOYER-DEPT-NUMBER	3		21	0
NTF-SSN	9		24	TEACHER'S SSN
NTF-TRF-NUMBER	7		33	TEACHER'S TRF# RIGHT JUSTIFIED, 0 FILLED
NTF-TRANSACTION-DATE	8		40	CURRENT DATE IN YYYYMMDD FORMAT
NTF-EFFECTIVE DATE	8		48	QUARTER END DATE IN YYYYMMDD FORMAT
NTF-TRF-DEPT-CODE	2		56	SPACES
NTF-USER-ID	8		58	SPACES
NTF-ERROR-CODE-TABLE	20		66	
NTF-ERROR-CYCLE-COUNT	2		86	
NTF-OPTION-ID	6		88	
NTF-TRANSACTION-CODE	2		94	35
NTF-ACTION-CODE	1		96	
NTF-35-QUARTER-END-DATE	8		101	QUARTER END DATE IN YYYYMMDD FORMAT
NTF-35-EOR-WAGES	9	9(11)V99	109	WAGES FOR THE QUARTER
NTF-35-EOR-CONT	9	9(11)V99	122	TEACHER CONT FOR THE QUARTER
NTF-35-ER-PICKUP	9	9(11)V99	135	EMPLOYER PICKUP FOR THE QUARTER
NTF-35-ERP	9	9(11)V99	148	PENSION FUNDING ON QUARTERLY WAGES FOR TEACHERS HIRED AFTER 6/30/1995
NTF-35-FSP-WAGES	9	9(11)V99	161	FSP WAGES FOR QUARTER
NTF-35-FSP-CONT	9	9(11)V99	174	FSP CONTRIBUTIONS FOR THE QUARTER
NTF-35-HEP-CONT	9	9(11)V99	187	HEP CONT FOR THE QUARTER
NTF-35-TOTAL TEACHERS	5		200	TOTAL NUMBER OF 36 RECORDS
NTF-35-TOTAL-SERVICE-DAYS	7		205	SUM OF SERVICE DAYS
NTF-35-NUMBER-OF-ERRORS	5		212	
NTF-35-DETAIL-BALANCE-SWITCH	1		217	VOLUNTARY MEMBER CONTRIBUTIONS FOR THE QUARTER
NTF-35-PRINT-SW	1		218	
NTF-35-POST-SW	1		219	
NTF-35-PRE96-FSP-HEP	13	9(11)V99	220	
NTF-35-PRO96-FSP-HEP	13	9(11)V99	233	
NTF-35-NEW-EEVOL-CONT	13	9(11)V99	246	
NTF-35-NEW-PRETAX-EEVOL-CONT	13	9(11)V99	259	
SPACES	129		272	

Questions?

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- If you have additional questions, please contact TRF toll-free at (888) 286-3544.