

EMPLOYER BULLETIN

TRS SUPPLEMENTAL SAVINGS PLAN EMPLOYER OVERVIEW

October 2021



Teachers' Retirement System will launch its new Supplemental Savings Plan (SSP) in January 2022. The System will stagger the implementation of the plan in order to provide employers and members more time to learn about this optional retirement savings plan for eligible members.

This guide is designed to provide TRS employers with the information they need to understand the basics of the SSP as well as their responsibilities under state law in implementing the plan.

1. What is the TRS Supplemental Savings Plan?

The TRS Supplemental Savings Plan is a tax-favored retirement savings vehicle that is intended to supplement the retirement benefits provided by the TRS defined benefit plan. The tax-favorable features of the plan are provided by federal tax laws and regulations regarding "eligible deferred compensation plans" under Section 457(b) of the Internal Revenue Code.

Unlike the traditional TRS defined benefit plan, participation in, and contributions to, the SSP are voluntary for eligible TRS members. In addition, employers can elect to make discretionary contributions to help their employees save for retirement.

The TRS SSP is enabled by Section 16-204 of the Illinois Pension Code, which was enacted by Public Act 100-769, effective August 10, 2018. The TRS Board of Trustees adopted the TRS SSP plan document, effective October 29, 2019, and amended it on October 30, 2020.

The TRS SSP is not a 403(b) tax-sheltered annuity plan. Although many of the contribution, investment and distribution features are similar to 403(b) plans. The federal tax laws that apply to the SSP are different and contributions to a 403(b) plan do not affect how much an employee can contribute to the SSP. On the other hand, contributions to other 457(b) plans in which the employee participates do affect what can be contributed to the SSP. An employer is permitted to offer the TRS SSP alongside an already existing 403(b) plan or 457(b) plan.

2. Who can participate in the TRS SSP?

Active TRS employees of eligible employers can participate. An SSP-eligible employee is a **full-time** or **part-time contractual** TRS member who is a teacher as defined in Section 16-106 of the Illinois Pension Code. TRS members who are substitutes, part-time non-contractual or extra duty only are not eligible to participate in the TRS SSP.

(more)



Retired and inactive TRS members are not eligible to participate in the SSP.

An eligible employer is a TRS employer subject to Article 16 of the Illinois Pension Code. Eligible employers do not include non-governmental tax-exempt organizations, which include the Illinois Education Association, the Illinois Federation of Teachers and the Illinois Association of School Boards. While these employers have an educational purpose, they are not government employers.

3. When and how does an employer adopt the SSP?

Adoption Requirement

All eligible employers are required under Section 16-204 of the Illinois Pension Code to adopt the TRS SSP. Specifically, Section 16-204 indicates, “*All employers must comply with the reporting and administrative functions established by the System and are required to implement the benefits established under this Section.*”

Employees will not be eligible to participate in the SSP unless their employer has adopted the SSP. TRS has not established a deadline for adoption of the SSP at this time. A sample resolution and SSP Employer Participation Agreement is located on the TRS website at:

www.trsil.org/employers/Supplemental-Savings-Plan.

Adoption Process

The governing body or head of each participating employer must approve the adoption of the SSP and memorialize the approval by completing a resolution to adopt the plan and the Supplemental Savings Plan Employer Participation Agreement. The resolution and agreement must be signed and dated by a duly authorized representative of the employer.

The completed forms should be uploaded using the secure Document Upload area within the Employer Access area on the TRS website. A dropdown menu has been added to the secure Document Upload area with an option for the SSP Employer Participation Agreement. Do not return the Employer Participation Agreement to TRS until the agreement is formally adopted. The TRS Employer Services Department will review the documents and contact the employer if any issues arise.

Employers with Existing 457(b) Plans

Employers that have an existing 457(b) plan have a choice whether to offer the TRS SSP alongside their existing plans or to have the TRS SSP replace their existing plans. TRS will not advise employers as to whether an employer should or should not replace their existing plan.

To offer the TRS SSP alongside the existing plans, employers should check box (1) in the “Type of Adoption and Effective Date” section of the Participation Agreement. If an employer decides to replace their existing plan with the TRS SSP, TRS and Voya will work with the employer and the employer’s recordkeeper for the existing plan on transferring plan assets from the existing plan to the TRS SSP. The employer would work with the existing recordkeeper to amend the plan documents and contracts for purposes of terminating the existing plan. Employers who plan to replace their existing plan with the TRS SSP should contact the TRS Chief Benefits Officer at chief_benefits_officer@trsil.org.

4. When can employees start making elective deferrals?

Employees will be eligible to enroll and set their elective deferral amounts after the employer adopts the SSP by returning the signed Participation Agreement and the employees’ information is subsequently transmitted to the TRS recordkeeper, Voya Financial.

The earliest an employee will be able to elect their deferral amount is January 10, 2022 for an initial contribution deferral effective on or after March 1, 2022. After March 1, 2022, changes to deferrals and new deferrals will be effective the 1st of every month.

5. What does payroll testing involve?

Employers may report SSP contributions to TRS in one of two ways:

Data Entry/Replication Process

This method initially requires employers to create an SSP contribution report by entering employee data manually using the TRS Gemini System. After the first SSP contribution report is submitted and posted to TRS, then future SSP contribution reports may be replicated from your previous SSP contribution report in the TRS Gemini System.

Any additions/deletions/changes needed would be made manually by the employer prior to submission to TRS. This method would be appropriate for employers who expect a small volume of SSP participants (<100) where manual changes will be insignificant.

If you use this method for reporting SSP contributions, payroll testing will **not** need to be performed. TRS already has vetted this process. Those employers that already use the data entry/replication process for reporting in the defined benefit plan will automatically be set up to use this method for the SSP.

File Upload Process

This method requires your payroll vendor or your internal Information Technology (IT) staff, depending on who makes changes to your payroll software, to create a separate SSP defined contribution file when each of your payrolls are generated to be submitted through the TRS Gemini System. This method requires your payroll vendor or your internal IT staff to coordinate testing this file through a TRS Employer Representative. TRS will begin testing SSP files with payroll vendors in December 2021.

The SSP file format requirements are located on the Gemini Resources page on the TRS website and labeled [“File Format instructions.”](#) TRS will work with the payroll vendors and internal IT staff to resolve any issues prior to the submission of any contribution files. If file upload testing is not fully completed by the time contributions are due, employers may use the data entry/replication process to report the contributions.

6. What kind of elective deferrals can employees make?

Participating employees will be able to elect to defer pre-tax and/or Roth after-tax contributions to the SSP beginning the week of January 10, 2022 by registering online at trsillssp.voya.com or by calling the TRS SSP Service Center at (844) 877-4572.

At this time, elective deferrals only can be designated as flat dollar amounts per pay period. The elective deferrals will apply to each employer if an employee works for more than one eligible employer. Deferrals designated as a percentage of compensation will be allowed at a future date. The minimum dollar amount that an employee can electively defer per pay period is \$30. Please note that Roth elective deferrals are immediately taxable as gross income and should be reported as taxable wages on Form W-2, Box 12, Code “EE”.

Elective deferrals may be deducted from “compensation.” Generally, for SSP purposes, “compensation” means all cash compensation for services to the employer, including salary, wages, fees, commissions, bonuses, and overtime pay that is includible in the employee’s gross income for the calendar year. Compensation also includes deductions from cash compensation for purposes of contributing to a 403(b) plan, a 457(b) plan, a cafeteria benefit plan or a qualified transportation fringe benefit plan.

“Compensation” does not include amounts “picked up” by the employer within the meaning of Code 414(h). Compensation includes post-termination pay that is paid by the later of two and a half months after the date of termination or the end of the calendar year of termination.

Post-termination pay must be either (1) pay that would have been paid to the employee if she or he had continued working that would have been regular wages, overtime wages, commissions, bonuses, or other

similar payments; or (2) a payment for unused accrued bona fide sick leave, vacation or other leave, but only if the employee would have been able to use the leave if employment had continued and it would have been counted as compensation if paid prior to termination.

7. What kind of discretionary contributions can employers make?

Discretionary Matching and/or Non-elective Contributions

The Employer Participation Agreement gives employers the option to contribute discretionary matching contributions or discretionary non-elective contributions on behalf of the employee. Discretionary matching contributions are made only when the employee makes elective deferrals. Discretionary non-elective contributions are made regardless of whether the employee makes elective deferrals. Discretionary contributions can currently be made as a flat amount on a per pay period basis only. Participants are 100 percent vested in all contributions including employer contributions.

Discretionary Contributions Determined Year-by-Year

Employers that indicate on the Employer Participation Agreement they will make discretionary matching contributions or discretionary non-elective contributions as designated for each plan year must annually submit a board resolution or other document that formally sets forth the amount or rate of the matching or non-elective contribution. Alternatively, the board resolution can provide that the rates or amounts apply beginning as of a certain plan year until a new board resolution is submitted. In either case, the board resolution or other document should be received by TRS prior to July 1st of the first applicable plan year.

8. What is the employer's role in administering the SSP?

Generally, the employer is responsible for three functions to ensure proper administration of the SSP – employment status reporting, contribution processing, and contribution limit monitoring.

Employment Status Reporting

Employers are required to report employment status accurately to TRS so employee eligibility to participate in the TRS SSP can properly be determined. Participation is limited to active TRS-eligible employees who are full-time or part-time contractual. Substitutes, part-time noncontractual or extra duty only employees are not eligible. Therefore, timely employment and termination reporting is crucial to proper administration. Please note, employees who are brand new to TRS membership must be reported to TRS in the defined benefit plan before the employee will be eligible to enroll and make elective deferrals in the SSP.

Elective Deferral and Employer Contribution Processing

Employers are required to enter into salary reduction agreements with participating employees and timely remit any elective deferrals and employer discretionary contributions to TRS.

The TRS SSP website enrollment process accessed by SSP eligible employees at trsillssp.voya.com will constitute the salary reduction agreement process (no separate form is necessary).

The employer is required to honor the terms of the salary reduction agreement and send the employee's elective deferral to TRS as soon as administratively possible, but no later than 15 business days after the payroll period end date. Elective deferrals generally apply to compensation paid on or after the first of the month following the month in which the salary reduction agreement is submitted.

Contribution Limit Monitoring

Annual 457(b) Contribution Limit

Employees are permitted to contribute up to the annual 457(b) limits as set by the Internal Revenue Service for a calendar year.

The maximum amount that a participant under the age of 50 can contribute to the SSP in 2021 is \$19,500, including any employer contributions. Any employer discretionary matching contribution or discretionary non-elective contribution will reduce, dollar for dollar, the amount that an employee can electively defer in any given calendar year.

Employers should monitor the annual 457(b) limits by taking into account the employee's age (see Age 50+ Catch-Up below) and any discretionary contributions being made on behalf of the employee. Employers should have payroll systems in place that will cease contributions if the limit is reached.

Age 50+ Catch-Up

Employees who will turn age 50 by the end of the calendar year are eligible for the "Age 50+ Catch-Up", which is an additional contribution allowance over the regular annual limit that is set by the IRS on a calendar year basis. The Age 50+ Catch-Up amount for 2021 is \$6,500 (that annual limit becomes \$26,000). A participant eligible for the Age 50+ Catch-Up will have to elect to make additional deferrals under the Age 50+ Catch-Up at trsillssp.voya.com. Employees may have both the regular deferral and an Age 50+ Catch-Up contribution at the same time.

Special 457 Three-Year Catch-Up

If an employee has not made the maximum contribution to his or her account in prior years, he or she may be eligible for the Special 457 Three-Year Catch-Up option. This allows an employee to elect to contribute up to twice the annual contribution limit to the SSP during the three calendar years prior to the year in which they reach the plan's definition of "Normal Retirement Age." The Normal Retirement Age is generally any age designated by the employee that is not lower than the earliest age at which he or she can retire under the defined benefit retirement plan with an unreduced retirement benefit (Age 60 for Tier 1 or Age 67 for Tier 2) and not higher than age 72.

However, if the employee continues to work beyond age 72 and had not made the Special 457 Three-Year Catch-Up election by age 72, the Normal Retirement Age shall be the age designated by the participant but shall not be later than the age the participant separates from service.

If an employee is eligible for both the Age 50+ Catch-Up and the Special 457 Three-Year Catch-Up, he or she can elect the one that yields a higher limit, but not both. If the employee is eligible, the Special 457 Three-Year Catch-Up election is made by filling out a form and submitting it to TRS for approval.

Aggregate Contribution Limits

If the employee also participates in another 457(b) plan, such as a 457(b) plan sponsored by the employer or the State of Illinois Deferred Compensation Plan, contributions made to those plans count toward the annual 457(b) limit. 403(b) plan contributions are not aggregated with 457(b) plan contributions for limiting monitoring purposes. Employers will need to monitor employee and employer 457(b) contributions to administer the aggregate contribution limit across multiple 457(b) plans for their participating employees.

9. Will new TRS-eligible employees be automatically enrolled into the SSP in January 2022?

No. Public Act 102-0540 indicates, "As soon as is practicable on or after January 1, 2022, the System shall automatically enroll any employee who first becomes an active member or participant in the System." TRS is implementing the SSP in a phased approach. The first phase will **not** include automatic enrollment into the SSP.

The first phase of the SSP being implemented in January 2022, will allow already existing active SSP-eligible employees to voluntarily elect to contribute to the SSP if their employer has adopted the SSP. SSP-eligible employees who want to contribute to the SSP have to enter into a Salary Reduction Agreement by register-

ing online at trsilssp.voya.com or by calling the TRS SSP Service Center at (844) 877-4572 in order for their employer to have the authority to deduct SSP contributions from their salary.

TRS will notify each employer which of their employees have voluntarily entered into a salary reduction agreement on the SSP Deferrals Report. The SSP Deferrals Report can be obtained from the TRS Gemini System beginning in February 2022. A notification email will also be sent to the authorized SSP contact on file for the employer when changes are made by employees.

The second phase of the SSP will automatically enroll new SSP-eligible members into the SSP at 3 percent of their pre-tax gross compensation, unless the member otherwise instructs Voya Financial that he/she chooses to opt-out within a certain time frame. Further information will be provided to all eligible employers once the automatic enrollment process is further developed.

TRS anticipates that all notices required allowing new SSP-eligible employees the ability to opt out of the SSP will be provided by Voya Financial directly to the employee. The employer will be notified of new automatic enrollments or changes to automatic enrollments through the SSP Deferrals Report.

10. Will training be provided to employers on the TRS SSP?

Yes. Employer webinar training is expected to take place beginning in December 2021. Please watch for Employer Bulletins announcing TRS SSP training.

11. My employer has already adopted the TRS SSP and submitted the Participation Agreement to TRS. What are the next steps?

Please complete the Authorized Contact form.

TRS will need to have the most up-to-date information about your SSP contacts. This form is located on the TRS website at www.trsil.org/employers/Supplemental-Savings-Plan. The completed form should be uploaded using the secure Document Upload area within your Employer Access Account on the TRS website.

Watch for TRS SSP Webinar Training Dates.

Employer webinar training will begin in December 2021. Please watch for Employer Bulletins announcing TRS SSP Employer webinar training.

Access your TRS Deferrals Report beginning in February 2022.

The TRS Deferrals Report will first be available in February 2022 for contribution effective dates beginning on March 1, 2022. Use this report to make the appropriate SSP pre-tax and/or after-tax Roth payroll deductions for any participant enrollments in the SSP. Accessing the TRS Deferrals Report will be covered in future Employer Webinar training.

12. Who do I contact if I have questions about the SSP?

All questions should be directed to the TRS Employer Services Department at (888) 678-3675 or via email at employers@trsil.org.

