

*Understanding your*

# **Wisconsin Retirement System Benefits and Options**

Presented by



Wisconsin Retired Educators' Association  
6405 Century Ave. Suite 201  
Middleton WI 53562

[www.wrea.net](http://www.wrea.net)  
608-831-5115

2017



*Who we are..... since 1951*

## Wisconsin Retired Educators' Association (WREA)

- ❖ Our major focus is protecting the Wisconsin Retirement System pension fund
- ❖ We continually monitor agencies and legislative proposals that impact your pension, and maintain a strong legislation presence and alert system
- ❖ We are a non-partisan organization that does not endorse candidates or make political contributions
- ❖ We support public education through scholarships and our Challenge Award

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## The Wisconsin Retirement System (WRS) is administered by the Department of Employee Trust Funds (ETF)

- ❖ Updated news and information on the Wisconsin Retirement System
- ❖ Calculate your own WRS retirement benefit
- ❖ Order your retirement estimate and application
- ❖ Download or view ETF forms and brochure
- ❖ ETF schedule of public presentations, and scheduling an individual or group appointment

*For general questions about the Wisconsin Retirement System, or specific questions about your individual account, contact:*

**Department of Employee Trust Funds  
PO Box 7931  
Madison WI 5370-7931**

**website: [etf.wi.gov](http://etf.wi.gov)**

**Call center – 1-877-533-5020**

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## *What is the retirement process?.....*

### Timeline for beginning your Wisconsin Retirement System benefit

Approximately 6 months prior to retiring, contact ETF to request your retirement packet. ETF will ask you some questions they will need to produce your packet. Requesting a packet does not commit you to retiring at that time.

The packet will contain your *estimated* retirement benefit on a printed application. Don't be concerned about exact dates or salaries at this time. Once you have retired, the final retirement benefit will be calculated after all reporting has been done.

Note: ETF will only provide a retirement packet once you are within 1 year of minimum retirement age of 55 (50 for protective category). Use the Retirement Calculator on the ETF website for your own retirement estimates

If you are comfortable with your retirement options, I suggest returning the application to ETF 6-8 weeks prior to your termination date. For teachers, your termination date is the last day in the classroom. For others, it is the day your employer will report that you are off the payroll. Talk to your employer to confirm this date. Your annuity will become effective on the day after your termination date, if you are at least minimum retirement age.

If you prefer to talk with a representative, you may schedule an appointment at ETF in Madison, or a group session done at various locations around the state. Check on the ETF website ([etf.wi.gov](http://etf.wi.gov)) for appointments in your area. NOTE: You must have your retirement estimate from ETF prior to the appointment.

An appointment is time well spent. ETF can explain all aspects of your retirement, options, payments, beneficiary forms, life and health insurance (if they are the ETF life and health plans), and answer your questions. Note: Once you select a retirement option, you only have 60 days from the date of your first payment to make a change. After 60 days, you may not change your retirement option.

### Receiving your retirement payments

Once you are retired, you will be paid by direct deposit on the first of each month. Each monthly payment is for the previous month.

Since payments are only made on the first of a month, your very first payment may be for less than one full month, or for more than one full month. The date of your first payment will be determined by how early you submit your retirement application. So a teacher, terminating on June 5, should receive the first payment on July 1, as long as they submitted their application in time – 4-6 weeks prior to retiring is a good time frame.

Wisconsin Department of Employee Trust Funds (ETF)  
1-877-533-5020  
[etf.wi.gov](http://etf.wi.gov)

Your Wisconsin Retirement System

*Presented by*

The Wisconsin Retired Educators'  
Association

*'Protecting Your Future'*



## Wisconsin Retirement System

- Covers Wisconsin public employees  
Over 600,000 participants
- Over \$96 billion in assets and 99.9% funded
- Pays out over \$4 billion annually in benefits  
retirement, death, separation, disability

What should I do when I receive my  
annual Statement of Benefits from  
ETF?

Read and verify the information!!

Start with the Earnings and Service box and  
keep going.....

## How Your Account Grows

### Required Contributions

Effective January 1, 2017

	<u>Employee</u> Required	<u>Employer</u> Required	<u>TOTAL</u>
• All WRS employment	6.8%	6.8%	13.6%

Plus interest crediting from the  
Core and Variable funds

### Additional Contributions

- If you are making additional contributions, they will show here. Additional Contributions provide a separate retirement benefit in addition to your regular WRS account.
- You can read more by viewing the Additional Contributions booklet on the ETF website.
- NOTE - Employees of a school district often have 403(b) tax-sheltered annuities or a deferred compensation program available to them, as well as private IRA's. You should decide which one is best suited for you to provide a supplemental benefit in retirement.

### Separation Benefit

- If you terminate WRS employment before you have reached minimum retirement age, and want to cash out your account.
  - Age 55 for Teacher / Ed. Supp. / General Elected / Executive
  - Age 50 for Law Enforcement / Firefighters
- You will receive only the Employee Required contributions (half of your account). Your account is closed. You will pay federal and state tax penalties.
- You can leave your money with ETF until you reach minimum retirement age, then take a regular retirement benefit, which includes both halves of your account.

### Death Benefits

If you die as an Active employee  
(employed in a position covered under the WRS)

The death benefit payable to your beneficiary (or beneficiaries) is **ALL** the money in your account  
(Both the Employer and Employee share)

### Death Benefits

If you die in Inactive status  
(not employed in a position covered by the WRS and have not started your retirement benefit)

The death benefit payable to your beneficiary (or beneficiaries) is **only** the Employee Required **HALF** of your account.

## Beneficiaries

WRS death benefits are paid according to the most recent Beneficiary Designation Form on file with ETF!!

- Even if it is outdated, from an old WRS employer and not correct - if it is the most recent, it is still valid!
- Death benefits from ETF are not paid according to your Will. You may list your Estate as the beneficiary, then the executor pays out according to your Will.
- Is your Beneficiary Designation Form current?

If there is no Beneficiary Designation Form on file, or if all beneficiaries are deceased, then Standard Sequence applies:

- Group 1 - Surviving Spouse / Domestic Partner
- Group 2 - Children (If a child dies before you, that child's share is divided between the deceased child's children)
- Group 3 - Grandchildren (If a grandchild dies before you, that grandchild's share is divided between the deceased grandchild's children)
- Group 4 - Parents
- Group 5 - Brothers and Sisters (If a sibling dies before you, that sibling's share is divided between the deceased sibling's children)
- Group 6 - Estate

## Formula Benefit Data and Money Purchase Balance

ETF calculates your retirement benefit two ways:

- Formula calculation, and
- Money Purchase calculation

***You always receive the higher benefit***

- *Lump sum availability is restricted only to those with small accounts - otherwise expect a lifetime monthly annuity*

## Formula Calculation

Final Average Monthly Earnings	\$ 4,817
	<u>Before 1-1-00</u> <u>After 1-1-00</u>
Years of Service	x 17.41    x 11.70
Formula Factor (s)	x .01765    x .016
Age Reduction Factor	x .940
Unadjusted monthly benefit*	\$ 2,358.12
Variable adjustment	<u>9.27</u>
Total	<u>\$2,367.39</u>

\*Subject to maximum limits:  
(Maximum - Gen/Teacher - 70% of Final Ave. Monthly Earnings; Police - 65%;  
Firefighter - 83%)

### Money Purchase Calculation

Money Purchase Balance = \$ 300,803.04  
(on retirement date)

Money Purchase Calculation Factor x .00588  
(based on your age at retirement).

Monthly retirement benefit = \$ 1,768.72  
(Annuitants Life Only option)

*There is no limit on how high your monthly annuity can be under the Money Purchase calculation. There is no age reduction factor, no 70% limit and no variable excess or deficiency calculation.*

### COMPARE:

Formula - \$2,367.39  
 Money Purchase - \$1,768.72

*You always get the higher amount*

### Annuity Options

**When you retire, your WRS account is closed – so the death benefit now changes to the annuity option selected.**

**WRS monthly benefits are paid to you for LIFE - you cannot out-live it!**

### MONTHLY PAYMENT OPTIONS: Everyone gets these first 3 options

OPTIONS	REGULAR	ACCELERATED OPTION	
Annuitant's Life Only	\$2,367		
Life / 60 Payment Guarantee	\$2,357		
Life / 180 Payment Guarantee	\$2,294		

**MONTHLY PAYMENT OPTIONS:**  
 Now we add optional '*Named Survivor*' benefits.  
 Named Survivor benefits pay your lifetime, then the lifetime of your Named Survivor.

OPTIONS	REGULAR		
Annuitant's Life Only	\$2,367		
Life / 60 Payment Guarantee	\$2,357		
Life / 180 Payment Guarantee	\$2,294		
<i>Named Survivor options:</i>			
75% cont. to Named Survivor	\$2,170		
100% cont. to Named Survivor	\$2,114		
Reduced 25% at <u>either</u> death	\$2,232		
100% cont. to Named Survivor with 180 payment guarantee	\$2,109		

If under age 62, you will also receive the Accelerated option.  
 You choose either the Regular or the Accelerated option

OPTIONS	REGULAR	ACCELERATED OPTION	
		To Age 62**	After Age 62
Annuitant's Life Only	\$2,367	\$3,313	\$2,042
Life / 60 Payment Guarantee	\$2,357	\$3,304	\$2,033
Life / 180 Payment Guarantee	\$2,294	\$3,249	\$1,978
<i>Named Survivor options:</i>			
75% cont. to Named Survivor	\$2,170	\$3,143	\$1,972
100% cont. to Named Survivor	\$2,114	\$3,084	\$1,923
Reduced 25% at <u>either</u> death	\$2,232	\$3,196	\$1,926
100% cont. to Named Survivor with 180 payment guarantee	\$2,109	\$3,090	\$1,819

\*\*Includes an estimated Social Security benefit at age 62. For this person, it was \$1,271. This estimated Social Security amount will continue to be paid until the annuitant turns 62, or if deceased, until the annuitant would have turned 62.

### Beneficiary and Named Survivor

**Beneficiary** – listed on ETF beneficiary form. Can be changed anytime and have any number listed, does not have to be a person – could be charity, estate, trust, school, etc. Applies to accounts prior to retirement and any guaranteed payments options after retirement.

**Named Survivor** – listed on annuity application and only named at the time of retirement. Must be one specific person who can never be changed or removed from your annuity (unless ordered by a judge due to a divorce). He/she is a co-owner of your annuity and continues your annuity for his/her life after you die in retirement. Their age factors into your annuity payments.

Once retired, payments are adjusted each May 1<sup>st</sup> based on investment results for the prior year

> **Core Fund annuity only:**

- Annuity is adjusted based on the Core fund experience.
- 5 year smoothing factor
- Will never drop below the original starting amount.

> **Variable and Core Fund annuity**

Annuity is adjusted based on both the Core fund and Variable fund investments, based on how much of your annuity is in each fund.

No smoothing factor on Variable portions of an annuity.

There is no limit on how low the Variable portion of your annuity can go. **ONLY** the Core amount of your annuity will not go below the starting amount.



### Can I get out of the Variable Fund?

- You may cancel Variable participation either before you retire, or after you retire. Once out, you cannot get back in.
- Cancellations take effect on the January 1 after ETF receives your 'Canceling Variable Participation' form.

On the ETF website, under Forms and Publications, print out Canceling Variable Participation (ET-2313) for complete information and instructions.

### Taxes on your annuity

- WRS annuities are taxable as ordinary income for federal taxes, and in states which have a state income tax.
- You may elect to have federal and Wisconsin tax withholdings from each check.
- Calculate your taxes on the ETF tax calculator. Remember, no Social Security, Medicare or those other payroll deductions will come off your annuity.

### Can I go back to work?

Effective for terminations after July 1, 2013

- No restrictions for private (non-WRS) employment.
- To go back to a WRS employer as a rehired annuitant, the WRS requires a good faith termination and a break in service of at least 75 days.
- Annuity will be suspended if you return to work for a WRS employer more than two-thirds of full time
- The rules and procedures are all in the ETF booklet Information For Rehired Annuitants (ET-4105)