

# Separation Benefits *Early Distribution*



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## Topics

- What is a Separation Benefit?
- Considerations and Deferring Benefits
- Eligibility
- How to Apply
- Application Processing
- Interest Crediting
- Tax Liability
- Reemployment After Separation

## *Separation Benefits Brochure*



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## What is a Separation Benefit?

A lump sum withdrawal of your employee contribution balance upon termination of WRS employment (prior to minimum retirement age)

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## What is a Separation Benefit?

The Separation Benefit consists of only . . .

- Employee required contributions *and*
- Any voluntary additional contributions *and*
- Accumulated interest

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## What is a Separation Benefit?

A participant forfeits . . .

- The employer contributions *and*
- Accumulated Interest *and*
- Any creditable service earned (and all rights associated with that period of service)

Participant's account is closed



Benefit based on 1/2 of the account value!

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## Careful Consideration



### Before you apply . . .

- Carefully consider the consequences  
*BECAUSE*
- If defer taking a benefit until Minimum Retirement Age (MRA) **then . . .**
- Entitled to a regular *RETIREMENT* benefit based on the **full** account value

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## Advantages of Deferring Benefits

### If terminate employment and leave funds in the WRS

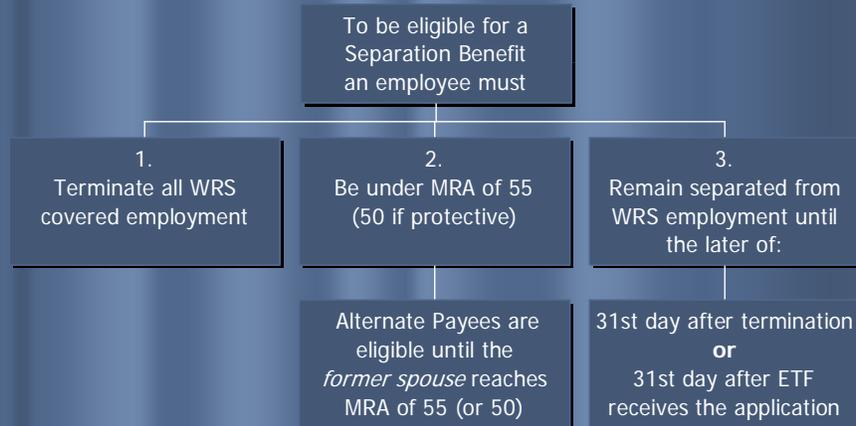
- Account receives annual interest
- Upon attaining MRA (55, 50 if protective) eligible for *retirement* benefit
  - If return to WRS employment at a later time, any service earned and contributions made are *added to* your existing account

NOTE: If defer application - will receive an *Annual Statement of Benefits*  
\*Keep ETF informed of your current mailing address\*

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# Benefit Eligibility



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# Benefit Eligibility

- A few participants are **ONLY** eligible for a separation benefit (not vested)

Those first employed under the WRS after 1989  
and have  
terminated that employment before 1998  
and have  
had service in fewer than five (5) calendar  
years during that time  
(Unless return to WRS employment)

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## Benefit Eligibility - Disability

### If terminating employment due to disability

- Contact ETF about possible eligibility for Disability Benefits *before* applying for a separation benefit
- Once account is closed, no longer eligible for disability benefits



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## Benefit Eligibility - Military Personnel

### If leave WRS - enter active military service - return to same WRS employer upon discharge

- May be eligible for WRS service credit for period of active military duty
- HOWEVER: If take a separation benefit and then assert your USERRA rights, must repay the benefit
- Details in *Military Service Credit* brochure



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## Applying for a Benefit

- Request a *Separation Benefit Application* from ETF
  - Call, write, e-mail
- No payments made without properly completed application form
- ETF must receive application before your 55th (or 50th) birthday

## Application Processing Time

After ETF receives the application . . .

- 90 days to process until check is mailed
  - Depends on volume of applications
- and
- When ETF receives the termination report from employer



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# Benefit Amount

- Review - Separation Benefit consists of:
  1. Employee required contributions
  2. Any voluntary additional contributions
  3. Accumulated interest (to the January 1 preceding benefit approval date)
- There is no provision for *partial* separation
- Cannot borrow against your WRS account

So, *how much* is the benefit? . . . .

# Benefit Amount - Sample

## Statement of Benefits

DANE COUNTY  
210 ML KING JR BLVD 425  
MADISON WI 53703-3386



DEPARTMENT OF EMPLOYEE TRUST FUNDS  
WISCONSIN RETIREMENT SYSTEM (WRS)  
ANNUAL STATEMENT OF BENEFITS  
January 1, 2007

Section # 3 - Interest  
Section #6 - Benefit Amount

**Sample**

RECEIVED 02/02/08  
JAMES MARY

**Primary Beneficiary Designation(s) for WRS Required Account**

**Amount**

**Separation Benefit**  
Benefit payable prior to age 50. \$59,961.63

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**Death Benefit**

	Active	OR	Inactive
Required Contributions:	\$119,923.22		\$59,961.63
Additional Contributions:	\$ .00		\$ .00
<b>Total:</b>	<b>\$119,923.22</b>		<b>\$59,961.63</b>

Active death benefit is the amount payable if you die while employed in a position covered under the WRS.  
Inactive death benefit is the amount payable if you die while not employed in a position covered under the WRS.

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**Formula Benefit Data**

Three Highest Years of Earnings as of 1/1/2007

Year	Earnings	Service	Variable Excess / Deficiency
2006	\$44,718.19	1.00	Employee \$ .00
2005	\$43,035.60	1.00	Employer \$ .00
2004	\$42,424.00	1.00	Total \$ .00

## Benefit Amount

### Voluntary Additional Contributions

- May choose to withdraw additional only and leave the required contributions until a later date
- Choice of payment options
  - Lump Sum - any age
  - Annuity Certain - any age
  - Life Annuity - MRA only



## Benefit Amount - Interest

### Annual Interest - Core and Variable funds

- Most accounts receive the effective rate of interest (based on investment experience)
  - Interest credited may vary depending on years employed under the WRS
    - Refer to your *Annual Statement of Benefits* or the *Separation Benefits* brochure or call ETF with questions
- ETF automatically includes the applicable interest in your benefit payment

## Tax Liability

### Separation Benefits - Subject to State and Federal Tax

- ETF required to withhold 20% of the gross taxable portion of payment
- Additional tax *penalties* also apply
  - Federal = 10% of gross benefit amount
  - State = 33% of Federal tax



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## Tax Liability

### Exceptions to mandatory 20% withholding and tax penalties

- Direct rollover into qualified retirement plan or traditional IRA
  - Benefits less than \$200 cannot be rolled over



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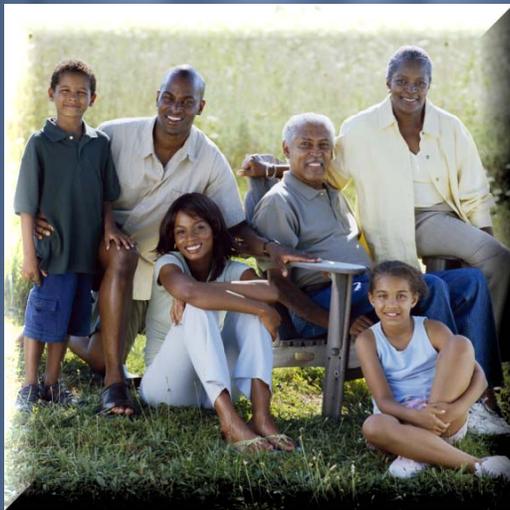
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## Canceling Your Application

### To Cancel Your Separation Application:

- Submit a signed, written request to ETF
  - ETF must receive no later than the day before the date on check
  - Cancellation requests received on, or after check date cannot be honored
    - Separation will stand as paid
- If death occurs before payment is made, application automatically canceled

## Survivor (Death) Benefits



- Death benefits are paid to the beneficiary(ies) on file at ETF
- Beneficiary can be changed any time
- If none on file - Statutory *Standard Sequence* applies

## Re-employment After Separation

### Application also cancelled if:

- Re-employed under the WRS within 30 days of ETF's receipt of your application, or after termination date (if later)
- If paid in error, you are required to repay your benefit plus interest

If re-employed, treated as a new employee

## Re-instatement After Contested Dismissal

### If reinstated

- May be required to repay the benefit plus interest
  - Depends on specifics in the court order, arbitration award or compromise settlement

# Re-employment After Separation

## Purchasing Service

May be eligible to purchase forfeited service



- Must meet requirements in effect at the time applying
- Cost based on three highest annual earnings at time of purchase

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# Review

- ✓ Give careful consideration before you apply
- ✓ Separation benefits are based on **1/2** of account value (or less)
- ✓ Separation benefits bring probable tax consequences
- ✓ Consider deferring application - until MRA age of 55 (50)
- ✓ If you decide to take a separation benefit - Contact ETF
- ✓ Allow at least 90 days for payment

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The End