

Wisconsin Retirement System 



When Should I Retire?

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There is no simple “one size fits all” answer

- It depends on your individual account history
 - Whether your annuity is higher under the Formula or Money Purchase calculation
 - Whether you currently participate in just the Core Fund, or in BOTH, the Core and Variable Funds (or if you previously participated in the Variable Fund)
 - The current year Core Fund interest rate
 - The current year Variable interest rate (if currently participating)
 - How much of your account is in the Core Fund vs. Variable Fund (if applicable)

First things first . . . get a retirement estimate



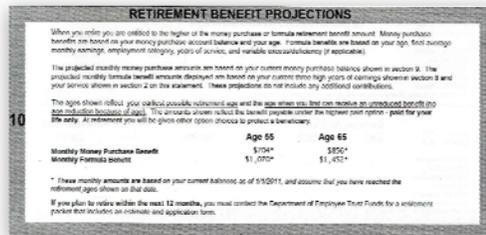
Order from
ETF by
phone or
email



Use the WRS
online
calculators

<http://etf.wi.gov/calculator.htm>

Review your benefit
projections (section 10)
on your
*Annual Statement
of Benefits*



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Which Presentation Sections Are Applicable To You?

Calculation Type	Fund participation	Section
Formula	Core	1
Formula	Core And Variable	2
Money Purchase	Core	3
Money Purchase	Core And Variable	4
Annual Annuity Adjustments - All Members		5

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Formula Annuity

Core Fund

Section 1

Formula Annuity - Core Fund Only . . .

If you never participated in the Variable Fund
or
previously cancelled Variable participation and Variable
balance was already transferred to the Core Fund

Stock market volatility will either:

Have a lesser effect
on the initial amount
of your retirement
annuity

OR

No effect at all

It depends on your individual account . . .

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Formula Annuity

Core Fund Only

Never Participated in Variable

- Beginning your annuity *before the end of the year* will not increase the *initial* amount of your annuity
 - Investment earnings have no effect on the *initial* amount of your retirement benefit
 - The longer you work the more service you earn, and the higher your annuity will be

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Formula Annuity

Core Fund

Previous participation in the Variable

If you previously participated in the Variable Fund

- Your account has a *Residual Excess* or *Deficiency*
 - After transferring your Variable balance to your Core balance, this represents the amount you are ahead (excess), or behind (deficiency)

Formula Benefit Data			
Three Highest Years of Earnings as of 1/1/2011			
Year	Earnings	Service	Variable Excess / Deficiency
2010	\$60,742.24	1.00	Employee \$735.29-
2009	\$60,708.22	1.00	Employer \$735.29-
2008	\$58,525.87	1.00	Total \$1,470.58-
\$4,999 Final Average Monthly Earnings			

- Your *Residual* Excess or Deficiency is credited with the Core effective rate of interest each year
- This *Residual* account is used to either increase or decrease formula annuities when retirement benefits *begin* . . . this is called the "**Residual Adjustment**"

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Formula Calculation Adjustment

Core Fund

Residual Excess or Deficiency

- If annuity begins **on or before** 12/31, the current year *Residual* excess or deficiency balance plus prorated 5% interest is used to calculate the *Residual Adjustment*
 - In order to be eligible for a December effective date, you would have to terminate employment on or before 12/30

5% Prorated Interest, Based on Annuity Begin Date

Month	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
%	0	.417	.833	1.250	1.667	2.083	2.50	2.917	3.333	3.750	4.167	4.583

Your account balance is credited with prorated 5% interest for each full month of the year that elapsed before the month in which your annuity begins.

- If annuity begins **after 12/31**, the *Residual* balance plus the effective rate of interest is used to calculate the *Residual Adjustment*
 - Based on the Core Fund investment performance
 - Effective interest rates are announced each February or March

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Residual Adjustment Formula Annuity – Core Fund

Sample

Residual EXCESS

\$ 20,500	Total <i>Residual</i> Excess
+ 939	Core Fund prorated Interest = 4.583%
= 21,439	Balance
x .00571	Money Purchase (age) factor at retirement
\$ 122	Residual Adjustment (<i>Add to formula annuity</i>)

**December
Retirement
Date**

Residual EXCESS

\$ 20,500	Total <i>Residual</i> Excess
+ 1,230	Core Fund Effective Rate Interest = 6.0%
= 21,730	Balance
x .00571	Money Purchase (age) factor at retirement
\$ 124	Residual Adjustment (<i>Add to formula annuity</i>)

**January
Retirement
Date**

NOTE: Money Purchase calculations already include the Variable excess or deficiency

Residual Adjustment Formula Annuity – Core Fund

Sample

Residual DEFICIENCY

\$ -20,500 Total Residual Deficiency

+ - 939 Core Fund prorated Interest = 4.583%

- 21,439 Adjusted Balance

x .00571 Money Purchase (age) factor at retirement

\$ - 122 Residual Adjustment (Subtract from formula annuity)

**December
Retirement
Date**

Residual DEFICIENCY

\$ - 20,500 Total Residual Deficiency

+ - 1,230 Core Effective Rate Interest = 6.0%

- 21,730 Adjusted Balance

x .00571 Money Purchase (age) factor at retirement

\$ - 124 Residual Adjustment (Subtract from formula annuity)

**January
Retirement
Date**

NOTE: Money Purchase calculations already include the Variable excess or deficiency

Formula Annuity Calculation With Residual Adjustment – Core Fund

Sample

Final Average Monthly Earnings	<u>Residual Excess</u>		<u>Residual Deficiency</u>	
	\$3,320		\$3,320	
	Before 2000	After 1999	Before 2000	After 1999
Formula Factor	x .01765	x .016	x .01765	x .016
Creditable Service	x 20.75	x 5.67	x 20.75	x 5.67
Age Reduction Factor	.890		.890	
“Annuitant’s Life Only” annuity	\$ 1,350		\$ 1,350	
Residual Adjustment	+ \$124		- \$124	
“Annuitant’s Life Only” annuity	\$1,474		\$1,226	

Offset deficiencies by making
Additional Contributions
 (see the webcast in ETF’s video library)

Please skip to the
Annual Annuity Adjustments
(section 5)
at the end of this video

Formula Annuity

Core and Variable Funds

Section 2

Formula Annuity

Core and Variable Funds

Key Point: You cannot escape the effects of a Variable Fund loss

Current year
Variable
effective rate
interest
is applied to
initial annuity
benefits

or

Variable
Annuity
Adjustments
are applied to
annuities on
the next May 1
annuity
payment

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Formula Annuity

Core and Variable Funds

How the current year's Variable investment returns are applied to your benefit depends on whether your annuity begins in . . .

December

January

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Formula Annuity Core and Variable Funds

Because you participate in the Variable Fund . . .

- Your account has a Variable Excess or Deficiency
 - Represents the difference between *actual* account value and what it would be if contributions were invested in the Core fund only

Formula Benefit Data			
Three Highest Years of Earnings as of 1/1/2011			
Year	Earnings	Service	Variable Excess / Deficiency
2010	\$60,742.24	1.00	Employee \$735.29-
2009	\$60,708.22	1.00	Employer \$735.29-
2008	\$58,525.87	1.00	Total \$1,470.58-
\$4,999 Final Average Monthly Earnings			

- This excess or deficiency amount is used to either increase or decrease formula annuities when retirement benefits *begin* . . . this is called the "**Variable Adjustment**"

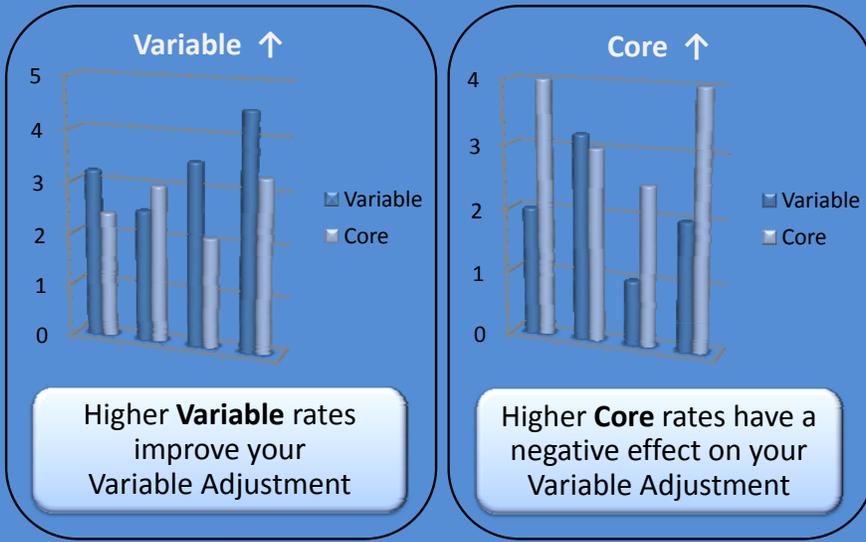
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Formula Annuity-*Variable Adjustment* Core and Variable Funds

- If annuity begins on or before 12/31, the current year excess or deficiency balance is used to calculate the *Variable Adjustment*
- If annuity begins after 12/31, Core and Variable account balances are credited with the current year Core and Variable effective rates of interest
 - This creates a **NEW** *Excess* or *Deficiency*
 - Whether your excess or deficiency improves depends on the investment experience

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Formula Annuity-Variable Adjustment Core and Variable Funds



Formula Annuity-Variable Adjustment Core and Variable Funds

Sample

Variable EXCESS

\$ 20,500 Total Excess
 x .00571 Money Purchase (age) factor at retirement
 \$ 117 **Variable Adjustment** (Add to formula annuity)

December
Retirement
Date

Variable EXCESS

\$ 15,300 **NEW** Total Excess
 x .00571 Money Purchase (age) factor at retirement
 \$ 87 **Variable Adjustment** (Add to formula annuity)

January
Retirement
Date

NOTE: Money Purchase calculations already include the Variable excess or deficiency

Formula Annuity-Variable Adjustment Core and Variable Funds

Sample

Variable DEFICIENCY

\$ - 20,500 Total Deficiency
 x .00571 Money Purchase (age) factor at retirement
\$ - 117 Variable Adjustment (*Subtract from formula annuity*)

December
Retirement
Date

Variable DEFICIENCY

\$ - 15,300 New Total Deficiency
 x .00571 Money Purchase (age) factor at retirement
\$ - 87 Variable Adjustment (*Subtract from formula annuity*)

January
Retirement
Date

NOTE: Money Purchase calculations already include the Variable excess or deficiency

Formula Annuity Calculation With Variable Adjustment

Sample

Final Average Monthly Earnings	<u>Variable Excess</u>		<u>Variable Deficiency</u>	
	\$3,320		\$3,320	
	Before 2000	After 1999	Before 2000	After 1999
Formula Factor	x .01765	x .016	x .01765	x .016
Creditable Service	x 20.75	x 5.67	x 20.75	x 5.67
Age Reduction Factor	.890		.890	
"Annuitant's Life Only" annuity	\$ 1,350		\$ 1,350	
Variable Adjustment	+ \$87		- \$87	
"Annuitant's Life Only" annuity	\$1,437		\$1,263	

Offset deficiencies by making
Additional Contributions
(see the webcast in ETF's video library)

Please skip to the
Annual Annuity Adjustments
(section 5)
at the end of this video

Money Purchase Annuity

Core Fund

Section 3

Money Purchase Annuity Core Fund

- If annuity begins **on or before 12/31**, **pro-rated 5%** interest will be used to calculate your Money Purchase annuity
 - In order to be eligible for a December effective date, you would have to terminate employment on or before 12/30

5% Prorated Interest, Based on Annuity Begin Date

Month	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
%	0	.417	.833	1.250	1.667	2.083	2.50	2.917	3.333	3.750	4.167	4.583

Your account balance is credited with prorated 5% interest for each full month of the year that elapsed before the month in which your annuity begins.

- If annuity begins **after 12/31**, Core account balances are credited with the current year Core effective rate of interest
 - Based on the Core fund investment performance
 - Effective interest rates are announced each February or March

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Money Purchase Annuity Core Fund

Sample

Annuity Begin Date	December 31 Prorated Interest 4.583%	January 1 Effective Rate Interest 6.0%
Current Year January 1 Money Purchase Balance	\$263,200	\$263,200
Core Interest Crediting	+ \$12,062	+ \$15,792
Total Money Purchase Balance	= \$275,262	= \$278,992
Current Year Contributions (employee and employer)	+ \$2,436	+ \$2,436
Money Purchase Balance at retirement	= \$277,698	= \$281,428
Money Purchase (age) factor	x .00572	x .00572
“Annuitants Life Only” Annuity	\$1,588	\$1,609

NOTE: Money Purchase calculations already include the Variable excess or deficiency

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Money Purchase Annuity Core Fund Sample

Annuity Begin Date	December 31 Prorated Interest 4.583%	January 1 Effective Rate Interest 2.0%
Current Year January 1 Money Purchase Balance	\$263,200	\$263,200
Core Interest Crediting	+ \$12,062	+ \$5,264
Total Money Purchase Balance	= <u>\$275,262</u>	= <u>\$268,464</u>
Current Year Contributions (employee and employer)	+ \$2,436	+ \$2,436
Money Purchase Balance at retirement	= <u>\$277,698</u>	= <u>\$270,900</u>
Money Purchase (age) factor	x .00572	x .00572
"Annuitants Life Only" Annuity	\$1,588	\$1,549

NOTE: Money Purchase calculations already include the Variable excess or deficiency

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Money Purchase Annuity Core Fund

*If the effective Rate of interest is expected to be LESS than the prorated interest, it **MAY** be to your advantage to terminate employment before 12/31 and begin your annuity in **December***

*If the effective rate of interest is expected to be MORE than the prorated interest, it **MAY** be to your advantage to terminate employment on or after 12/31, and begin your annuity in **January** (or later)*

Visit ETF's website for Core Fund projections

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Money Purchase Annuity - Core Fund *Changing Annuity Effective Date*

- If you terminate employment in December and the actual Core effective rate of interest is higher than the prorated 5% rate of 4.583%
 - You can change your annuity effective date to January 1 and receive the effective rate interest
 - ETF must receive your written request within 60 days of the date on your first annuity payment



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Please skip to the
Annual Annuity Adjustments
(section 5)
at the end of this video

Money Purchase Annuity

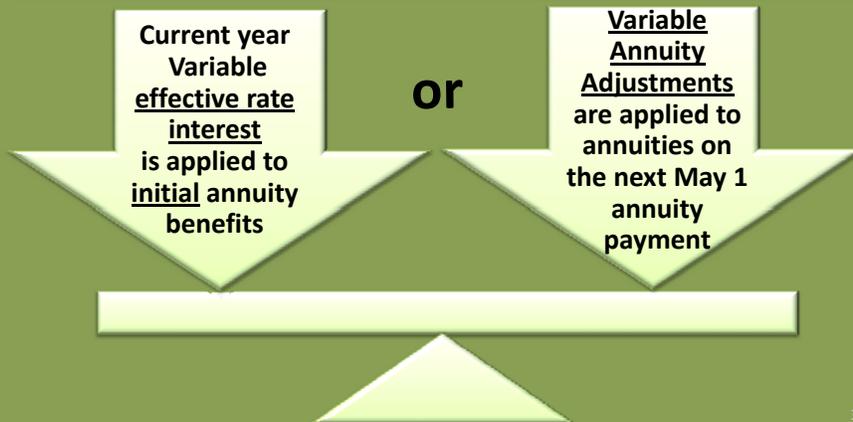
Core and Variable Funds

Section 4

Money Purchase Annuity

Core and Variable Funds

Key Point: You cannot escape the affects of a Variable Fund loss



Money Purchase Annuity Core and Variable Funds

How the current year's Variable investment returns are applied to your benefit depends on whether . . .

The diagram features two large, light-green, 3D-style arrows. The arrow on the left is labeled 'December' and points downwards. The arrow on the right is labeled 'January' and points upwards. A long, thin, light-green diagonal line runs from the top-left towards the bottom-right, passing between the two arrows.

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Money Purchase Annuity Core and Variable Funds

Accounts receive 5% *prorated interest* if annuity is effective in December

Accounts receive *effective rate interest* if annuity is effective in January

The diagram shows two pairs of blue buckets. The left pair consists of a 'Core Fund' bucket and a 'Variable Fund' bucket. Two curved arrows point from the text 'Accounts receive 5% prorated interest if annuity is effective in December' to these buckets, both labeled '4.583%'. The right pair consists of a 'Variable Fund' bucket and a 'Core Fund' bucket. Two curved arrows point from the text 'Accounts receive effective rate interest if annuity is effective in January' to these buckets, labeled '6.0%' and '7.2%' respectively. A curved arrow points from the January text to the December text.

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Money Purchase Annuity Calculation Core and Variable Funds

Sample	December 31 Prorated Interest: 4.583%		January 1 Effective Rate Interest	
	Core	Variable	Core: 7.2%	Variable: 6%
Current Year January Money Purchase Balance	\$198,200	\$69,500	\$198,200	\$69,500
Interest Crediting	+ \$9,083	+ \$3,185	+ \$14,270	+ \$4,170
Total Money Purchase Balance	= \$207,283	= \$72,685	= \$212,470	= \$73,670
Current Year Contributions	+ \$1,260	+ \$1,260	+ \$1,260	+ \$1,260
Money Purchase Balance at retirement	= \$208,543	= \$73,945	= \$213,730	= \$74,930
Money Purchase (age) factor	x .00572		x .00572	
"Annuitants Life Only" Annuity	\$1,615		\$1,651	

NOTE: Money Purchase calculations already include the Variable excess or deficiency

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Money Purchase Annuity Calculation Core and Variable Funds

Sample

Sample	December 31 Prorated Interest: 4.583%		January 1 Effective Rate Interest	
	Core	Variable	Core : 3.2%	Variable: 2.1%
Current Year January Money Purchase Balance	\$198,200	\$69,500	\$198,200	\$69,500
Interest Crediting	+ \$9,083	+ \$3,185	+ \$6,342	+ \$1,459
Total Money Purchase Balance	= \$207,283	= \$72,685	= \$204,542	= \$70,959
Current Year Contributions	+ \$1,260	+ \$1,260	+ \$1,260	+ \$1,260
Money Purchase Balance at retirement	= \$208,543	= \$73,945	= \$205,802	= \$72,219
Money Purchase (age) factor	x .00572		x .00572	
"Annuitants Life Only" Annuity	\$1,615		\$1,590	

NOTE: Money Purchase calculations already include the Variable excess or deficiency

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Money Purchase Annuity Core and Variable Funds *Changing Annuity Effective Date*

- If you terminate employment in December and the actual Core effective rate of interest is higher than the prorated 5% rate of 4.583%
 - You can change your annuity effective date to January 1 and receive the effective rate interest
 - ETF must receive your written request within 60 days of the date on your first annuity payment



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Annual Annuity Adjustments All Members

Section 5

Annuity Adjustments Important Facts To Consider

Annuity Adjustments	
Core Annuity Adjustments	Variable Annuity Adjustments
Both	
Based on investment returns, Core and Variable annuities can be increased or decreased each year on May 1st	
Negative adjustments can only reduce increases granted in prior years	No limit to the amount of increase or decrease
The first annuity adjustment is prorated, based on the number of months annuity was in force the previous year	Annuity adjustments are never prorated – annuitants receive the full adjustment regardless of what month they retired
Core Threshold = 0.5% (+ or -)	Variable Threshold = 2% (+ or -)

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Annuity Adjustments Key Points

1. You may or may not receive a Core adjustment the year after retirement
2. You cannot escape the affects of a Variable fund loss

December 31 Effective Date		Core	Variable
Included prorated interest: 4.583%			
Money Purchase Balance at retirement		\$208,543	\$73,945
Money Purchase (age) factor		x .00572	
Core and Variable Annuities		\$1,192	\$423
Total “Annuitant’s Life Only” Annuity		\$1,615	
May 1 Annuity Adjustment			
Core and Variable Annuities		\$1,192	\$423
Adjustments	Core	Variable	
	No adjustment until the next May 1	(6%)	
Core and Variable Adjusted Annuities		\$1192	\$398
New “Annuitants Life Only” Annuity Amount		\$1590	

Variable Cancellations

- If interested in cancelling Variable participation, please review the Canceling Variable Participation form, at our website: <http://etf.wi.gov/publications/et2313.pdf> and/or view the webcast in our Video Library entitled *Canceling Your Variable Participation*
- NOTE: If you submit your Variable cancellation form by 12/31 in any year, the Variable gain or loss for that year will still be applied to your Variable account (or annuity)
- Take advantage of the many resources available so that you can make informed decisions
 - These include the information on ETF's website, and in our informational brochures
 - You may also contact our customer service specialists in person, by phone, e-mail or in writing

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Thank you for watching