

Your Wisconsin Retirement System Benefits



Kathryn Fields
Member Education
Department of Employee Trust Funds

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Agenda

- Statistics
- Funding
- WRS Benefits
 - Separation, Survivor, Retirement
 - Beneficiaries
- Retirement Benefit Calculations
- Payment Options
- Taxability and Annuity Adjustments
- Returning to Work Provisions
- Life and Health Insurance

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ETF Online Video Library



- WRS Payment Options
- Annual Statement of Benefits
- Road to Retirement
 - Online Retirement Appointment -
- WRS Trust Funds – Core and Variable
- Annual Retirement Annuity Adjustments
- Canceling Variable Participation
- Social Security Benefits
- Wisconsin Deferred Compensation Benefits

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Statistics

January 1, 2010

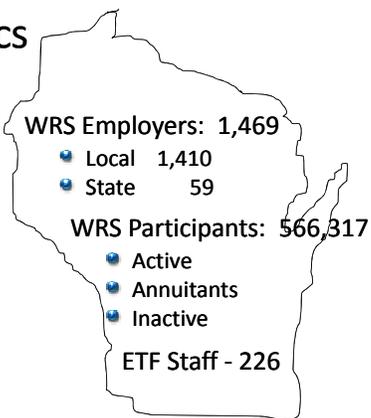
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Department of Employee Trust Funds



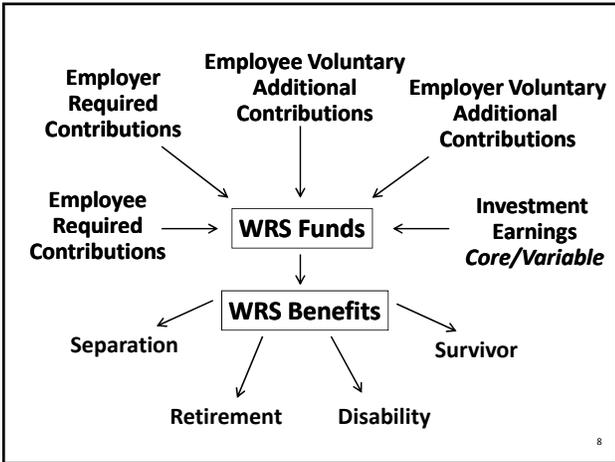
5 Active Governing Boards
11 Employee Benefit Programs
Asset Value - \$72.9 Billion
Annuity Payroll 2009 - \$3.76 Billion

Statistics



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WRS Funding



WRS Trust Funds

Core	Variable <small>(Optional)</small>
<ul style="list-style-type: none"> 📌 Fully diversified 📌 Market gains and losses recognized over a 5-year period 	<ul style="list-style-type: none"> 📌 All stocks 📌 Market gains and losses fully recognized <ul style="list-style-type: none"> 📌 No smoothing

Required Contributions (2010)

Employee:

- General/Teacher 5.0% *
- Elected Officials/Executive PP 3.2%
- Protective with Soc. Sec. 5.5%
- Protective without Soc. Sec. 3.9%

Employer: % gross payroll (changes each year)

- Contributions actuarially determined on a separate group basis
- *Plus Benefit Adjustment Contribution (1.2%)

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Employee Additional Contributions

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Employee Additional Contributions

Type	Limits
<ul style="list-style-type: none"> • Regular (after tax dollars) <ul style="list-style-type: none"> • Payroll deduction or directly to ETF • Only interest taxable at distribution • Tax Deferred <ul style="list-style-type: none"> • No further contributions after January 2009 • Fully taxable at distribution 	<ul style="list-style-type: none"> • Subject to limits under IRS Code <ul style="list-style-type: none"> • Maximum contribution based on the lesser of 100% of salary or \$49,000 (2010) • No interest credited in calendar year deposited • Can use to purchase service (if eligible)

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**WRS
Benefits**

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**Separation
Benefits**
Early Distribution

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Separation Benefits

- Eligibility
 - Terminate all WRS employment
 - Prior to minimum retirement age
- Benefit includes
 - Employee required
 - Additional contributions
 - Accumulated interest
 - Taxed as ordinary income
 - Early distribution penalties may apply
 - Rollover into another qualified plan to avoid penalties



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Survivor Benefits (Pre-retirement) and Beneficiaries

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Survivor Benefits

Active Participants

- Employee required contributions
- Employer required contributions
- Voluntary additional contributions
- Accumulated Interest

Inactive Participants

- Employee required contributions
- Voluntary additional contributions
- Accumulated Interest

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Beneficiaries

- Benefits paid according to most recent *Beneficiary Designation* on file with ETF
 - Benefits never paid according to a *Will*
- If no designation on file, "Standard Sequence" applies



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Eligibility Requirements



✓ Terminate all WRS employment
 ✓ Minimum retirement age (MRA)

Retirement Benefit Calculations



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Retirement Calculations

WRS always pays the higher of two calculations

Formula

- Years of creditable service
- Final average earnings
- Formula factors
- Variable adjustment (if applicable)

Money Purchase

- Account balance
- Age

Lump Sum Availability is restricted
 Minimum \$171 - Maximum -\$348 (2010)



Money Purchase Calculation (sample)

Money Purchase balance at retirement \$263,572
Money Purchase factor x .00571
 (55 years, 8 months old)

“Annuitants Life Only” monthly annuity **\$1,505**

(Multiply by *Option Conversion Factors* to obtain other annuity amounts)

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Formula Benefit Calculation Data

Final Average Monthly Earnings \$ _____
 Before 2000 After 1999
 Formula Multiplier (s) x _____ x _____
 Creditable Service x _____ x _____
 Age Reduction Factor x _____
 Unadjusted *Annuitants Life Only* = _____
 + / - Variable Adjustment (+/-) _____
 (if applicable)
For Annuitants Life Only Annuity = _____

Multiply by factors from option conversion tables to obtain other annuity amounts

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Formula Benefit Calculation Data

Final Average Monthly Earnings

Full-time Employee

2006	\$39,486	1.00 year
2008	\$39,915	1.00 year
2009	<u>\$40,125</u>	<u>1.00 year</u>

Total \$119,526 ÷ 3.00 years ÷ 12 months = **\$3,320**

Service Credit - Required hours:
 Teachers - 1320 All others - 1904

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Formula Benefit Calculation Data

Final Average Monthly Earnings

Part-time Employee

2006	\$25,000	.81 year
2008	\$25,400	.75 year
2009	<u>\$26,600</u>	<u>.79 year</u>
Total	$\$77,000 \div 2.35 \text{ years} \div 12 \text{ months} = \mathbf{2,731}$	

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Formula Benefit Calculation Data

Formula Multipliers

	Creditable Service	
	Before 2000	After 1999
Teacher/General	.01765	.016
Protective (with Social Security)	.02165	.020
Protective (without Social Security)	.02665	.025
Elected/Executive	.02165	.020

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Formula Benefit Calculation Data

Creditable Service

- 👉 Years of reported WRS employment
- 👉 Active Military Service
- 👉 Purchased Creditable Service
 - 👉 Qualifying
 - 👉 Forfeited
 - 👉 Other Governmental

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Formula Benefit Calculation Data Military Service Credit



- Active duty prior to 1/1/74
 - No dishonorable discharge
- Active duty for training not credited
- Military service affidavit required

Years of WRS Service	Years of Creditable Military Service
0 to 4.99	0
5 to 9.99	1
10 to 14.99	2
15 to 19.99	3
20 or more	4 (maximum)

Formula Benefit Calculation Data Purchasing Service

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Formula Benefit Calculation Data Purchasing Service

Forfeited Service

- Service forfeited via separation benefit after termination of employment
 - closed account
- Can purchase if returned to WRS employment for at least 3 years
- Can buy all, or part of eligible service
- Can only purchase as much as earned since return to WRS

Qualifying Service

- Applies to non-teachers employed prior to 1/1/73
- No contributions were made, no service earned during 6 month qualifying period
- Can purchase up to 6 months of qualifying service

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Formula Benefit Calculation Data

Service Purchase Calculation (samples)

Qualifying	
Highest annual earnings (when apply)	\$40,125
Qualifying Service	.5
Contribution rate	.05
Cost	\$1,003.13

Forfeited	
Average of 3 highest annual earnings (when apply)	\$39,842
Years of forfeited service	10.00
Contribution rate (varies)	.05
Cost	\$19,921

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Formula Benefit Calculation Data

Service Purchase Payment Options

Can purchase with transfer of pre-tax funds from other qualified plans *and/or* from *Additional Contributions*

Transferring plan must agree

Certification form required

Must pay 10% of cost with application (out of pocket)

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Formula Benefit Calculation Data

Age Reduction

Normal Retirement

- General/Teacher Age 65
- Elected/Executive Age 62
- Protective occupation (Less than 25 years of service) Age 54
- Protective occupation (25 or more years of service) Age 53

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Variable Adjustment to Formula Annuity

Variable Excess/Deficiency

\$10,333 Employee required
 + \$10,333 Employer required
 \$20,666 Total excess/deficiency
 x .00571 Money purchase factor
\$ 118 Variable Adjustment

Variable excess (or deficiency) amount is based on a comparison of the actual balance of your account vs. what your account balance would be if your contributions had been invested only in the Core Trust

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Variable Adjustment to Formula Annuity

Monthly Payment

\$1,350 *Unadjusted "Annuitants Life Only"*
 monthly annuity
 + **\$118 Variable Adjustment**
\$1,468 Adjusted "Annuitants Life Only"
 monthly annuity

If deficiency, annuity is decreased

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Formula Calculation Benefit

Sample Calculation (General/Teacher)

Final Average Monthly Earnings	\$3,320	
	<u>Before 2000</u>	<u>After 1999</u>
Formula Factor	x .01765	x .016
Creditable Service	x 20.75	x 5.67
Age Reduction Factor	.890	
"Annuitants Life Only" annuity	\$ 1,350 *	
Variable Participation Adjustment	+ <u>\$118</u>	
"Annuitants Life Only" annuity	\$1,468	

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Calculation Comparison

Participant is always paid the larger of the two calculated amounts

- Money Purchase Calculation **\$1,505**
- Formula Calculation **\$1,468**

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Monthly annuities are paid to participants for Life

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Taxability and Annuity Adjustments

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Taxability of Benefits

- Taxable as ordinary income for federal and state taxes
- May change tax withholding anytime
- ETF sends a 1099R form in January
 - Includes any applicable *Investment in Contract (non-taxable) benefit information*



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Annual Annuity Adjustments



- Based on Investment results
- Reflected on May 1st payment (if applicable)
 - Core Adjustment - first adjustment is prorated
 - Variable Adjustment – full adjustment applied

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Returning to Work Provisions

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Returning to Work

under the WRS, requires a "Good Faith Termination" and a "Break in Service" in order to qualify for a retirement benefit

- Can return to WRS employment on latest of the following dates:
 - 31 day after WRS termination date
 - or
 - 31st day after application received date
 - or
 - Day after annuity effective date
- No earnings limitation

A Good Faith Termination under WI Administrative Code ETF 10.08 prohibits any enforceable agreement for any future employment during the Break in Service

Returning to Work

IMPORTANT NOTE:
 If your WRS employer is the same employer from which you terminated employment before your annuity began, the break in service requirement applies even if your new employment does not meet WRS participation standards

More detail on returning to work in the *Information for Retirees* brochure (ET-4116) and in the webcast, *Returning to Work After Retirement*

Information for Retirees



Re-employment Under The WRS

If rehired in a position that meets WRS participation standards (after break in service) you have a choice:

- **Remain an annuitant**
 - File a *Rehired Annuitant Election* form (ET-2319) with employer electing not to participate in the WRS
- **Elect coverage under the WRS**
 - If choose to be covered by the WRS again, file election form with employer electing participation
 - Annuity is terminated
 - Coverage is effective on the first of the month after ETF receives election form

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Disability Benefits

- Workers' Compensation Disability
- Long-Term Disability Insurance (LTDI)
- Short-Term Disability Insurance (STD)
- Disability (LTDI)

Contact ETF regarding eligibility

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WRS Group Life Insurance

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Wisconsin Public Employers Group Life Insurance



Wisconsin Public Employers Group Life Insurance (at termination of employment)

Example

Higher of current insurance -or- actual earnings in year of retirement: **\$40,125**

Age	Basic	Supplemental		Additional		
		50%	100%	1	2	3
Under 65	\$41,000	\$20,500	\$41,000	\$41,000	\$41,000	\$41,000
65 (75%)	\$30,750	Coverage ceases at age 65				
66 (50%)	\$20,500					
67 (25%)*	\$10,250					

All State employees and some local employees stay at 50%

Health Insurance Conversion (Converting Life Insurance to pay for Health Insurance)

If have life insurance coverage and

- Are at least age 66 (67 if local)
- Have used up SL credits (state only)
 - May elect to convert life insurance to pay health insurance
 - State retirees can convert to pay for Long-Term Care Insurance

Contact ETF for more information, or see brochure (ET-2325)





WRS Group Health Insurance

- ✓ Eligibility
- ✓ *It's Your Choice* continues
- ✓ Four payment methods
- ✓ Medicare requirements

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State of Wisconsin Group Health Insurance Programs

1. State - *State of Wisconsin Group Health Program*
2. Local - *Wisconsin Public Employers (WPE) Group Health Program*

- Subscriber (and dependents) entitled to continue the insurance when begin a WRS retirement (or disability) annuity
 - Specific criteria must be met
- Spouse and/or dependents entitled to continue coverage upon subscriber's death (if family coverage in force at time of death)

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Health Insurance Eligibility

Eligible to continue indefinitely if:

- Terminate WRS employment and retire on immediate annuity (no application required)

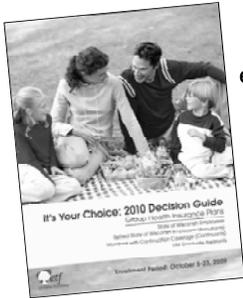
or

- Terminate employment (and not apply for annuity) but have at least 20 years of service
 - Must remain WRS participant (leave funds on account)
 - File health insurance continuation form
 - State employees cannot use sick leave credits until begin annuity (unless on permanent layoff)

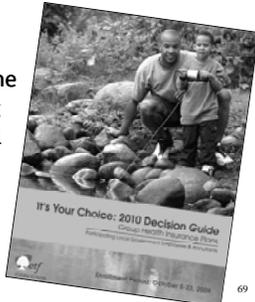
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It's Your Choice *Annual Fall Enrollment*

May change plans or coverage (single/family)



Changes effective the following January 1



Health Insurance Payment Methods

1. *Accumulated Sick Leave Conversion Credit Account (ASLCC) State Retirees Only*
2. Deduction from Annuity Payment *State/Local Retirees*
3. Direct Bill – *State/Local Retirees*
 - If monthly annuity is not sufficient to cover premium, ETF sets up direct bill
4. Employer Paid - *Local Retirees*
 - Employer sends monthly premium amount to ETF on employee's behalf
 - When employer no longer pays, ETF deducts from annuity or sets up "direct bill"

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Sick Leave Certification (ASLCC) (State Employees Only)

Employer calculates sick leave credits

Employer submits **Accumulated Leave Certification** form to ETF

ETF sends **Health Insurance Certification** to Participant

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Calculating Sick Leave (State Employees Only)

Must have State of Wisconsin coverage in force at termination of employment

Sick leave credits determined by employer

Highest Rate of Pay	X	Hours of Sick Leave Accumulation	=	Credits Available for Health Insurance Premiums
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Example: \$10.00 x 1,500 hours = \$15,000

(May be eligible for *supplemental credits*)

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Health Insurance - Sick Leave Active State Employees

Must have *family* coverage
in force at time of
employee's death in order
to protect sick leave

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WRS Health Insurance Premiums (Sick Leave Options - State Employees Only)

Employee with State Employee Spouse

- ☛ **Set aside Option – Credits banked (held in reserve)**
 - Working spouse (subscriber) carries family coverage, retired spouse SL credits banked
 - When working spouse retires, their SL used first, then previously-banked SL
 - If working spouse terminates before MRA retired spouse's SL credits must be re-activated before coverage lapses

Employee W/Non-State Comparable Coverage

- ☛ **Escrow Option – Delay using SL (if have comparable coverage)**
 - File Escrow form at retirement or later when become eligible for comparable coverage
 - When lose coverage can re-enroll in state plan:
 - Voluntary loss = *It's Your Choice* period only—coverage delayed
 - Involuntary loss = Immediate coverage

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Health Insurance & Medicare

- Any insured person must enroll in Medicare **Part A and B** when first eligible
- ETF sends reminder before your 65th birthday
 - Medicare Eligibility Statement (ET-4307)
- Medicare becomes primary, retiree health plan is secondary
 - Premiums are adjusted (reduced)

Medicare Part D
Automatic enrollment by ETF
(Local Retirees Only)



Local Annuitant Health Plan

Local government retirees and their dependents are eligible to apply

- First Enrollment: Apply within 60 days of termination date
- Open Enrollment: Age 65 or when first eligible for Medicare
- ✓ Can apply up to 6 months after Medicare effective date



Retirement packets automatically include this information for anyone eligible

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**Thank you for
joining us today**
