

Department of Employee Trust Funds
WISCONSIN RETIREMENT SYSTEM ADMINISTRATION MANUAL

CHAPTER 19 — ACTUARIAL REDUCTION PROGRAM

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1900 Explanation of Program

Employees retiring after reaching minimum retirement age, but before reaching normal retirement age for their employment category are deemed to have taken an early retirement. Normal retirement age by employment category is:

- **General** – 65 (57 with 30 years of service)
- **Protective** – 54 (53 with 25 years of service)
- **Executive and Elected** – 62 (57 with 30 years of service)

The annuity paid to any person who takes an early retirement is subject to an actuarial reduction. The annuities of protective occupation participants are reduced by 0.4% per month for each month of age below normal retirement age. The annuities of non-protective occupation participants are reduced by 0.4% per month between ages 55 and 57 and by 0.001111% for each month between age 57 and normal retirement age.

Employers (other than the State of Wisconsin) may elect to pay ETF all or part of the cost of actuarial reduction for early retirement for a participating employee who voluntarily terminates employment. Employers may agree to pay all or a portion of the cost of the discount for any one of their employees; this agreement must be made prior to the participant terminating employment.

1901 Who is Eligible

Employees terminating employment and eligible for a retirement annuity involving an age reduction factor (formula benefits only) can participate in the program. The election to pay the cost of actuarial reduction for an employee must be received by ETF no later than the employee's termination date. Once the employer certifies an agreement, it is irrevocable unless ETF receives written notice that the employer is rescinding this election within 30 days after ETF receives the election. Use the *Election to Pay Cost of Actuarial Reduction* form (ET-4311) to certify an agreement to pay all or part of an employee's cost. (Refer to subchapter 1902 for sample.)

Upon receipt of the certified election, ETF will determine the actual cost at the time of final calculation of the retirement benefit and bill the employer. The employer's actual cost to purchase the reduction depends on whether an election to pick up 100% or a lower amount has been made. The amount paid by the employer is credited as employer current service contributions.

Information concerning the cost or the affect on an employee's benefit can be directed to the Member Services Bureau in Madison, (608) 266-3285 or toll free at (877) 533-5020. Written requests can be sent to ETF at P. O. Box 7931, Madison, WI 53707-7931.

1902 Procedure for Completing the *Election to Pay Cost of Actuarial Reduction* (ET-4311)

1. Employee requests an annuity estimate from ETF. When requesting their annuity estimate, the employee should also request the *Election to Pay Cost of Actuarial Reduction* (ET-4311) be computed and included in their retirement estimate packet.
2. Employee gives the ET-4311 (with estimated cost) to the employer.
3. Employer completes the employer section of the agreement and sends it to ETF. By signing the agreement, the employer agrees to pay the portion indicated as the actuarial cost of the increased formula benefit. This is a legal and binding agreement that must be received by ETF no later than the date the participant terminates covered employment.
4. ETF completes the final annuity calculation and the Office of Trust Finance & Data Analysis bills the employer for the cost.

1903 Election to Pay Cost of Actuarial Reduction (ET-4311)

Department of Employee Trust Funds
Wisconsin Retirement System
P.O. Box 7931 - Madison, WI 53707-7931

ELECTION TO PAY COST OF ACTUARIAL REDUCTION

Wis. Stat. § 40.23 (2m) (g)

EMPLOYEE IDENTIFICATION			Social Security Number
Last Name	First Name	Middle Initial	Birthdate (MM/DD/CCYY)

This is a binding contract. By signing it you agree to pay the actuarial cost of the increased formula retirement annuity for the employee named above. This election to pay the cost of actuarial reduction is irrevocable unless the Department receives written notice that you are rescinding this election within 30 days after the Department receives the election. Please read this document carefully before completing and signing it.

NOTE: Payment of the cost of actuarial reduction increases an annuity calculated under the formula method only. If the final annuity amount is greater by the money purchase calculation you will not be billed for the cost of actuarial reduction. The other option to increase an employee's benefit, regardless of the final calculation method, is employer-paid additional contributions under Wis. Stat. § 40.05 (2) (g). Contact the Department about employer-paid additional contributions.

ESTIMATED COST

The employee named above has inquired about the cost to offset the actuarial reduction in his/her formula retirement annuity. The cost below is an estimate, based on the projected termination date and final earnings provided to the Department. If the termination date and/or final earnings are changed, the cost will increase or decrease to reflect the change.

The estimated cost to the employer and the increase in the employee's annuity shown below are based on the employer paying the cost to offset 100% of the actuarial reduction. If the employer will pay for a percentage less than 100%, the cost and increase in the employee's annuity will decrease proportionately.

Projected Termination Date: _____

Estimated Employer Cost to Pay 100% of Actuarial Reduction: \$ _____ Monthly Annuity Increase in Employee's "For Annuitant's Life Only" Option: \$ _____

If checked see the attached letter for additional information.

Date (MM/DD/CCYY)	Prepared By	Telephone Number
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EMPLOYER INSTRUCTIONS

If the projected termination date does not match your records, please enter the correct termination date: _____. This date must match the date on your regular employee transaction report.

The amount shown above is an estimate of the employer cost to provide this benefit to your employee. **DO NOT SUBMIT PAYMENT WITH THIS ELECTION; YOU WILL BE BILLED FOR THE ENTIRE COST AFTER THE FINAL COMPUTATION OF THE EMPLOYEE'S ANNUITY IS COMPLETED.** Entire payment is due by the date indicated on your employer invoice (approximately 30 days).

Your signed certification must be received by the Department no later than the date the participant terminates covered employment.

NOTE: Before signing, review the employer-employee agreements to verify that this employee meets your eligibility criteria for this benefit provision. If the employee is represented by a labor organization, any action taken to provide the increased benefit must be taken pursuant to a collective bargaining agreement.

EMPLOYER CERTIFICATION: I hereby certify that the above named employee will voluntarily terminate employment on the termination date entered above. The employer agrees to pay the portion indicated below of the actuarial cost of the increased formula benefit pursuant to Wis. Stat. § 40.23 (2m) (g), as determined by the Department of Employee Trust Funds.

CHECK ONLY ONE BOX, AND IF THE SECOND OR THIRD BOX IS CHECKED, ENTER THE AMOUNT.		
<input type="checkbox"/> The employer agrees to pay 100% of the cost. <input type="checkbox"/> The employer agrees to pay _____% of the cost. <input type="checkbox"/> The employer agrees to pay \$ _____ of the cost (cannot exceed the cost to pay 100% of the actuarial reduction) <input type="checkbox"/> The employer agrees to pay the cost of actuarial reduction as if the employee above were _____ years older. (Cannot exceed cost to pay 100% of the actuarial reduction.)		
Date (MM/DD/CCYY)	Signature of Employer Agent	Title
WRS Employer Identification Number		Legal Title and Address of Employer