

***Non-retired WRS members are asking....
.....Should I retire in December or wait until January?
July 23, 2009***

Because of the recent downturn in the investment markets, many participants who were planning to retire early in 2010 are wondering whether their benefits would be higher if they start their annuities before the end of 2009, instead of waiting until January.

There is no definitive, "one size fits all" answer. Whether a December or January annuity begin date provides the higher benefits for you will be based on your own Wisconsin Retirement System (WRS) account. The key factors are:

- Whether you participate in the Variable Fund in 2009
- How much of your account is in the Variable Fund
- Whether your annuity is higher under the **Formula** or **Money Purchase** calculation

Do you currently participate in the Variable Fund?

- If the answer is yes, go to the "You're in the Variable Fund" section of this document.
- If unsure, check your last **Annual Statement of Benefits** (Section 3 or Section 9) to see if there are any funds listed under "Variable".

You're in the Core Fund Only

If you have never been in the Variable Fund, or transferred your Variable contributions to the Core Fund before 2009, the ongoing market turmoil will have less on the initial amount of your retirement annuity, or may even have no effect at all. Whether there is any effect on your annuity will depend on whether your benefit is higher under the formula or money purchase calculation.

- If you are currently in the Core Fund only, **and** your annuity is higher under the **Formula** calculation, your benefit will **not** be increased by starting your annuity before January 1, 2010. **There is no advantage to your WRS benefit from terminating employment and beginning your annuity in December.**
- If you are currently in the Core Fund only and your annuity is higher under the **Money Purchase** calculation, it may be to your advantage to terminate employment and begin your annuity in December if the 2009 Core Fund effective rate is less than 4.6%. If this year's Core effective rate is less than 4.6%, the prorated 5% interest for 2009 that you would receive with a December annuity effective date would be higher than the Core effective rate interest you would receive if your annuity becomes effective after the end of the year. The higher prorated interest would result in a slightly higher money purchase annuity.

You're in the Variable Fund

Participants who are still in the Variable Fund in 2009 sometimes ask whether they can avoid any 2009 the Variable Fund losses by retiring before the end of the year. The answer is no; if the Variable Fund experiences losses in 2009, and there is a negative Variable Fund effective rate, those losses will be applied either to their Variable accounts after the end of the year or, if their annuities begin in 2009, to the Variable portion of their annuities.

- If there are Variable Fund losses in 2009, and you begin your annuity in 2009, the initial amount of your annuity would be higher than if you retire in 2010 because the 2009 Variable Fund losses will not have been applied to your account when your annuity begins. **However, the full variable annuity decrease based on 2009 Variable Fund losses would be applied to the Variable portion of your annuity on your payment issued on May 1, 2010.** (Unlike the Core annuity adjustment, the Variable annuity adjustment is not prorated in the first year after retirement.)
- If your annuity begins in 2010, the Variable Fund losses would already have been applied to your account. Consequently, the initial amount of your annuity would be lower than if your annuity begins in December 2009. However, there would also not be any Core and Variable annuity adjustments applied to your annuity on the May 1, 2010 annuity payment.
- If a Variable participant's annuity begins just before the end of 2009, the annuity payments through April 1 are higher than they would be if the annuity begins in January 2010. However, after the annuity adjustments are applied to the May 1, 2010 payment, the ongoing amount of the annuity would generally be lower than it would be if the annuity had begun in January.

Variable Cancellations

If the Department receives your completed *Canceling Variable Participation* form (ET-2313) in 2009, since your Variable contributions are actually invested in the Variable Fund during 2009 you will still have the variable loss for 2009 applied to your Variable account or annuity after the end of 2009. More detailed information on canceling Variable participation is available in the resources listed at the end of this document.

The bottom line...

...If you are in the Variable Fund, you cannot "escape" the effects that any 2009 Variable Fund losses would have on your retirement benefits.

RESOURCES

We strongly encourage you to take advantage of the many resources available to you so that you make informed decisions. These include the information provided in this document, in addition to the Department's customer service specialists, brochures, online videos and other website resources.