

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

Employer Options for Providing Increased Retirement Benefits

Wisconsin statutes provide two methods that an employer can use to increase the retirement benefits normally provided for employees under the Wisconsin Retirement System (WRS):

- 1) Employer Paid Additional Contributions
- 2) Employer Agreement to Pay Cost of Actuarial Reduction

Attached is a comparison of these two methods.

After reviewing this material if you have further questions about benefits provided by these methods, you may call the Department of Employee Trust Funds (ETF) toll free at 1-877-533-5020, or (608) 266-3285 (local Madison).

	Employer Additional Contributions	Employer Agreement to Pay Cost of Actuarial Reduction
Eligible Employers	Any employer	Any employer
Eligible employees (of employers electing to provide the increased benefit)	Any WRS participating employee: <ul style="list-style-type: none"> • Eligibility ceases if employment status terminates for any reason. • Includes employees on leaves of absence. • If leave of absence continues beyond three years, employment is deemed terminated at the end of the third year of leave and eligibility ceases. 	Any WRS participating employee: <ul style="list-style-type: none"> • Eligibility ceases if employment status terminates for any reason. • Includes employees on leaves of absence. • If leave of absence continues beyond three years, employment is deemed terminated at the end of the third year of leave and eligibility ceases.
Amount of Added Contributions	Amount determined by employer, based on amount employer wishes to increase employee's benefits: <ul style="list-style-type: none"> • No employee contributions required. • See attached "Contribution Benefit Table" (Chart A). 	Amount determined by employer: <ul style="list-style-type: none"> • May elect to pay part or all of the cost of the actuarial reduction applied to formula annuities of participants who retire before their normal retirement age. • May elect to pay a certain dollar amount of the cost. Payment cannot exceed 100% of the final actuarial reduction cost. • May elect to pay the cost as if the employee were a certain number of years older. Payment cannot exceed 100% of the final actuarial reduction cost.
When Must Contributions Be Made	May be remitted monthly with the WRS <i>Monthly Remittance Report</i> (ET-1515), but no later than the first monthly remittance of contributions to ETF following the employee's termination.	On the first monthly remittance of contributions to this Department following receipt of <i>Notice of Payment Due</i> (ET-4324). <ul style="list-style-type: none"> • Payment must be received in a lump sum.
Statutory References	Wis. Stat. § 40.05 (2) (g)	Wis. Stat. § 40.23 (2m) (g)
Split Between Core and Variable Accounts	Deposited in Core account unless the employee has already elected to have additional contributions deposited in variable account. Variable participation was closed to new members on April 30, 1980, and re-opened January 1, 2000.	Not applicable.
Interest Credit on Contributions	Receive same interest as other additional contributions.	Not applicable.
Effect on Employee Benefits	Credited to employee account and increase employee's monthly annuity at retirement.	Eliminates up to 100% of the actuarial age reduction applied to formula annuities of participants who retire before reaching normal retirement age. <i>Note:</i> If the final annuity amount is greater using the money purchase calculation, there is no actuarial reduction to purchase.
Benefit Change	Increases total benefit. <ul style="list-style-type: none"> • Used to purchase an annuity in addition to the benefit from required contributions. See Chart A, "Contribution Benefit Table," to estimate the increase in an annuity. 	Increases formula retirement benefit. <ul style="list-style-type: none"> • Benefit is increased as a result of eliminating part or all of the actuarial age reduction.

	Employer Additional Contributions	Employer Agreement to Pay Cost of Actuarial Reduction
Procedure for Initiating Employer Option	<p>Must be formal compensation agreement with employee(s).</p> <p>Action that applies to state employees must be pursuant to Wis. Stat. § 230.12 or a collective bargaining agreement under subch. V of Ch. 111.</p> <p>See Chapter 12 of the <i>WRS Administration Manual</i> (ET-1127).</p>	<p>Employer should determine if an actuarial reduction would be applied to the individual employee's annuity. See attached Chart B.</p> <p>The employer or employee must contact ETF to request an <i>Election to Pay Cost of Actuarial Reduction</i> form (ET-4311) for each employee for whom the employer will provide increased benefits under this program. ETF calculates the employer's estimated cost to pay for 100% of the actuarial reduction and sends the information on the ET-4311. The employer agent must indicate on the ET-4311 either the dollar amount, a specific number of years added to the employee's age, or the percentage of the actuarial reduction the employer will pay. ETF must receive the signed ET-4311 no later than the employee's termination date.</p>
Additional Information	<p>Payable only as a life annuity; no lump sum or annuity certain is available. Generally paid in the same optional form as the regular annuity when application is made for the regular annuity on required deposits. This annuity amount is taxable when paid.</p> <p>Benefit purchased by additional contributions is not subject to the formula benefit maximum (70% of final average earnings, or 65% for protectives covered by Social Security, or 85% for protectives not covered by Social Security).</p>	<p>The increased amount is included in the taxable portion of the annuitant's benefit. Cannot be used for:</p> <ul style="list-style-type: none"> • Non-protective category employees who are at least age 57 with 30 or more years of creditable service. • Protective category employees who are at least age 53 with 25 years of creditable service, or age 54 with less than 25 years of service. • Any employee whose retirement benefit is greater when calculated under the money purchase method than when calculated under the formula method.

Chart A Contribution Benefit Table

This chart gives a general estimate of the amount of monthly annuity that can be purchased with \$1,000 in additional contributions at different retirement ages. The chart also shows how much in additional contributions would be needed to purchase a \$50 or \$100 a month additional benefit paid as a "For Annuitant's Life Only" annuity.

These benefit amounts assume the person retires at the age shown on the chart and are based on the assumption the additional contributions are paid just prior to retirement.

If Benefit Begins at Age:	Initial Monthly "For Annuitant's Life Only" Benefit Amount Provided by \$1,000**	Amount Needed to Fund Initial "For Annuitant's Life Only" Benefit of:**	
		\$50	\$100
50*	\$5.23	\$9,560.23	\$19,120.46
51*	5.30	9,433.96	18,867.92
52*	5.37	9,310.99	18,621.97
53*	5.44	9,191.18	18,382.35
54*	5.52	9,057.97	18,115.94
55	5.60	8,928.57	17,857.14
56	5.69	8,787.35	17,574.69
57	5.78	8,650.52	17,301.04
58	5.88	8,503.40	17,006.80
59	5.98	8,361.20	16,722.41
60	6.09	8,210.18	16,420.36
61	6.22	8,038.59	16,077.17
62	6.35	7,874.02	15,748.03
63	6.49	7,704.16	15,408.32
64	6.64	7,530.12	15,060.24
65	6.81	7,342.14	14,684.29
66	6.98	7,163.32	14,326.65
67	7.17	6,973.50	13,947.00
68	7.38	6,775.07	13,550.14
69	7.61	6,570.30	13,140.60
70	7.85	6,369.43	12,738.85

* Only protective occupation employees are eligible to start receiving retirement benefits prior to age 55.

** WRS benefits are designed to increase the amount after retirement to compensate, at least in part, for inflation. The amount of increase depends on the investment experience of the retirement funds (investment earnings in excess of 5% generate increases in annuities). Annuities purchased from life insurance companies normally begin at a higher rate than WRS annuities because they usually do not provide for any future increases to offset inflation.

To use the table on the previous page, you need to know the employee's age and either the amount of the monthly "Annuitant's Life Only" annuity which you would like to purchase or the amount of money you intend to deposit into the additional account.

For example, if you would like to purchase an annuity of \$135 a month for a 60-year old employee at retirement, your cost would be:

$$\frac{\$135}{\$6.09} \times \$1,000 = \$22,167.49$$

Alternatively, if you have \$25,000 with which you would like to purchase a "For Annuitant's Life Only" annuity for a 60-year old employee, the annuity purchased would be:

$$\frac{\$25,000}{\$1,000} \times \$6.09 = \$152.25$$

If this employee elects an annuity option other than a "For Annuitant's Life Only" annuity, the benefit amount would be reduced to provide for the cost of survivor benefits. The amount of reduction would vary depending on the option elected.

Chart B

Actuarial Age Reduction Factors, Based on Age and Years of Service

Elected/Exec.,				AGE 55	AGE 56	57	58	59	60	61	62			
General, Teachers Categories	AGE 55	AGE 56	AGE 57	58	59	AGE 60	AGE 61	AGE 62	AGE 63	AGE 64	AGE 65			
Years of Service	5	.584	.632	.680	.720	.704	.760	.752	.800	.840	.880	.920	.960	1.000
	6	.597	.645	.693	.731	.712	.770	.760	.808	.846	.885	.923	.962	1.000
	7	.610	.658	.706	.742	.720	.779	.768	.816	.853	.890	.926	.963	1.000
	8	.622	.670	.718	.754	.728	.789	.776	.824	.859	.894	.930	.965	1.000
	9	.635	.683	.731	.765	.736	.798	.784	.832	.866	.899	.933	.966	1.000
	10	.648	.696	.744	.776	.744	.808	.792	.840	.872	.904	.936	.968	1.000
	11	.661	.709	.757	.787	.752	.818	.800	.848	.878	.909	.939	.970	1.000
	12	.674	.722	.770	.798	.760	.827	.808	.856	.885	.914	.942	.971	1.000
	13	.686	.734	.782	.810	.768	.837	.816	.864	.891	.918	.946	.973	1.000
	14	.699	.747	.795	.821	.776	.846	.824	.872	.898	.923	.949	.974	1.000
	15	.712	.760	.808	.832	.784	.856	.832	.880	.904	.928	.952	.976	1.000
	16	.725	.773	.821	.843	.792	.866	.840	.888	.910	.933	.955	.978	1.000
	17	.738	.786	.834	.854	.800	.875	.848	.896	.917	.938	.958	.979	1.000
	18	.750	.798	.846	.866	.808	.885	.856	.904	.923	.942	.962	.981	1.000
	19	.763	.811	.859	.877	.816	.894	.864	.912	.930	.947	.965	.982	1.000
	20	.776	.824	.872	.888	.824	.904	.872	.920	.936	.952	.968	.984	1.000
	21	.789	.837	.885	.899	.832	.914	.880	.928	.942	.957	.971	.986	1.000
	22	.802	.850	.898	.910	.840	.923	.888	.936	.949	.962	.974	.987	1.000
	23	.814	.862	.910	.922	.848	.933	.896	.944	.955	.966	.978	.989	1.000
	24	.827	.875	.923	.933	.856	.942	.904	.952	.962	.971	.981	.990	1.000
	25	.840	.888	.936	.944	.864	.952	.912	.960	.968	.976	.984	.992	1.000
	26	.853	.901	.949	.955	.872	.962	.920	.968	.974	.981	.987	.994	1.000
	27	.866	.914	.962	.966	.880	.971	.928	.976	.981	.986	.990	.995	1.000
	28	.878	.926	.974	.978	.888	.981	.936	.984	.987	.990	.994	.997	1.000
	29	.891	.939	.987	.989	.896	.990	.944	.992	.994	.995	.997	.998	1.000
	30+	.904	.952	1.000	1.000	.904	1.000	.952	1.000	1.000	1.000	1.000	1.000	1.000

Protective Category Employees

Years of Service	AGE 50	AGE 51	AGE 52	AGE 53	AGE 54
Under 25	.808	.856	.904	.952	1.000
25 and Over	.856	.904	.952	1.000	1.000

Discrimination is Against the Law 45 C.F.R. § 92.8(b)(1) and (d)(1)

The Department of Employee Trust Funds complies with applicable Federal civil rights laws and does not discriminate on the basis of race, color, national origin, age, disability or sex. ETF does not exclude people or treat them differently because of race, color, national origin, age, disability or sex.

ETF provides free aids and services to people with disabilities to communicate effectively with us, such as qualified sign language interpreters and written information in other formats. ETF provides free language services to people whose primary language is not English, such as qualified interpreters and information written in other languages. If you need these services, contact ETF's Compliance Officer, who serves as ETF's Civil Rights Coordinator.

If you believe that ETF has failed to provide these services or discriminated in another way on the basis of race, color, national origin, age, disability or sex, you can file a grievance with: Compliance Officer, Department of Employee Trust Funds, 801 West Badger Road, P.O. Box 7931, Madison, WI 53707-7931; 1-877-533-5020; TTY: 1-800-947-3529; Fax: 608-267-4549; Email: ETFSMBPrivacyOfficer@etf.wi.gov. If you need help filing a grievance, ETF's Compliance Officer is available to help you.

You can also file a civil rights complaint with the U.S. Department of Health and Human Services, Office for Civil Rights, electronically through the Office for Civil Rights Complaint Portal, available at <https://ocrportal.hhs.gov/ocr/portal/lobby.jsf>, or by mail or phone at: U.S. Department of Health and Human Services, 200 Independence Avenue, SW, Room 509F, HHH Building, Washington, D.C. 20201; 1-800-368-1019; TDD: 1-800-537-7697. Complaint forms are available at www.hhs.gov/ocr/office/file/index.html.

Spanish: ATENCIÓN: si habla español, tiene a su disposición servicios gratuitos de asistencia lingüística. Llame al 1-877-533-5020 (TTY: 1-800-833-7813).

Hmong: LUS CEEV: Yog tias koj hais lus Hmoob, cov kev pab txog lus, muaj kev pab dawb rau koj. Hu rau 1-877-533-5020 (TTY: 1-800-947-3529).

Chinese: 注意：如果您使用繁體中文，您可以免費獲得語言援助服務。請致電 1-877-533-5020 (TTY: 1-800-947-3529)

German: ACHTUNG: Wenn Sie Deutsch sprechen, stehen Ihnen kostenlos sprachliche Hilfsdienstleistungen zur Verfügung. Rufnummer: 1-877-533-5020 (TTY: 1-800-947-3529).

Arabic: ملاحظة: إذا كنت تتحدث اللغة العربية، فهناك خدمة مساعدة متاحة بلغتك دون أي مصاريف: اتصل بالرقم 1-877-533-5020 (خدمة الصم والبكم: 1-800-947-3529)

Russian: ВНИМАНИЕ: Если вы говорите на русском языке, то вам доступны бесплатные услуги перевода. Звоните 1-877-533-5020 (телетайп: 1-800-947-3529).

Korean: 주의: 한국어를 사용하시는 경우, 언어 지원 서비스를 무료로 이용하실 수 있습니다. 1-877-533-5020 (TTY: 1-800-947-3529)번으로 전화해 주십시오.

Vietnamese: CHÚ Ý: Nếu bạn nói Tiếng Việt, có các dịch vụ hỗ trợ ngôn ngữ miễn phí dành cho bạn. Gọi số 1-877-533-5020 (TTY: 1-800-947-3529).

Pennsylvania Dutch: Wann du [Deutsch (Pennsylvania German / Dutch)] schwetzsch, kannsch du mitaus Koschte ebber gricke, ass dihr helft mit die englisch Schprooch. Ruf selli Nummer uff: Call 1-877-533-5020 (TTY: 1-800-947-3529).

Laotian/Lao: ໂປດຊາບ: ຖ້າວ່າທ່ານເວົ້າພາສາລາວ, ການບໍລິການຊ່ວຍເຫຼືອດ້ານພາສາ, ໂດຍບໍ່ເສັຽຄ່າ, ແມ່ນມີພ້ອມໃຫ້ທ່ານ. ໂທ 1-877-533-5020 (TTY: 1-800-947-3529).

French: ATTENTION : Si vous parlez français, des services d'aide linguistique vous sont proposés gratuitement. Appelez le 1-877-533-5020 (ATS : 1-800-947-3529).

Polish: UWAGA: Jeżeli mówisz po polsku, możesz skorzystać z bezpłatnej pomocy językowej. Zadzwoń pod numer 1-877-533-5020 (TTY: 1-800-947-3529).

Hindi: ध्यान दें: यदि आप हिंदी बोलते हैं तो आपके लिए मुफ्त में भाषा सहायता सेवाएं उपलब्ध हैं। 1-877-533-5020 (TTY: 1-800-947-3529) पर कॉल करें।

Albanian: KUJDES: Nëse flitni shqip, për ju ka në dispozicion shërbime të asistencës gjuhësore, papagesë. Telefononi në 1-877-533-5020 (TTY: 1-800-947-3529).

Tagalog: PAUNAWA: Kung nagsasalita ka ng Tagalog, maaari kang gumamit ng mga serbisyo ng tulong sa wika nang walang bayad. Tumawag sa 1-877-533-5020 (TTY: 1-800-947-3529).