DEATH BENEFITS

Department of Employee Trust Funds
P. O. Box 7931
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etf.wi.gov

ET-6101 (REV 5/13)

The Department of Employee Trust Funds (ETF) administers three programs that provide survivor benefits: Wisconsin Retirement System, Group Life Insurance and Group Health Insurance. In the event of your death, your survivors should contact ETF immediately. They may be eligible for one or more of these benefits. ETF will send information about survivor benefits and how to apply to the designated beneficiary(ies).

WISCONSIN RETIREMENT SYSTEM (WRS) BENEFITS

The amount of WRS benefits payable to your beneficiaries depends on whether you die before **or** after retirement.

Before Retirement

Provided you did **not** close your Wisconsin Retirement System (WRS) account, your beneficiaries are entitled to a benefit whether your death occurs as an active employee or after you have terminated WRS employment. All active and inactive WRS members annually receive an updated death benefit value on their annual Statement of Benefits.

> Death benefits changed as a result of 1999 Wisconsin Act 11. If you are a beneficiary of a participant who died or terminated employment prior to January 1, 2000, contact ETF for death benefit information.

- If you die as an inactive member, the death benefit will include all employee required contributions, any voluntary additional contributions and accumulated interest. Alternate payees are considered inactive members under the WRS.
- If you are inactive **and** your WRS employment began before 1966, the death benefit **may** include some employer contributions. Accumulated interest will also be included.
- If you die as an active WRS employee and have not reached minimum retirement age (age 55 for most; age 50 for protective occupations), your death benefit is twice the amount of your employee required contribution balance, plus any voluntary

additional contributions in your account and accumulated interest.

- Death benefits for active WRS employees who have reached minimum retirement age are calculated using the two methods described below. The higher of the two calculations determines the amount payable.

  1. Twice the amount of your employee required contribution balance, plus any voluntary additional contributions in your account;

     or

  2. A special death benefit based on both employee and employer contributions. This type of death benefit is normally available as a lump sum or life annuity. Special death benefits are calculated as though you retired on the date of death and selected a joint and survivor annuity continued in full to your beneficiary(ies).

With both calculations above, the beneficiary(ies) **must be** one or more living individuals **or** a trust in which one or more living individuals has a beneficiary interest.

The initial value of a special death benefit will **not** increase over time. If a beneficiary delays submitting an application, no additional benefit or accrued interest will be due.

After Retirement

If your death occurs after you begin a WRS annuity, death benefits are determined according to the annuity option you selected upon retirement.

If you selected the For Annuitant's Life Only option, your annuity will be paid for as long as you live and will end upon your death. There are no death benefits due with this option.

Other annuity options, such as life annuities with a guaranteed number of payments or joint and survivor options, provide varying levels of death benefits. In general, joint and survivor annuities provide better death benefit protection to a surviving spouse or domestic partner than the other annuity options.

A July 1, 2008 law change removed the requirement that accelerated annuity payments stop if the annuitant's death occurs before age 62. The law change does not apply to accelerated payments that began prior to July 1, 2008.

Under this law, if an annuitant dies before reaching age 62, the temporary annuity will be paid to the named survivor or beneficiary(ies) through the month the annuitant would have reached age 62. This is true regardless of the annuity option selected.

GROUP LIFE INSURANCE BENEFITS

Current WRS Participating Employees

If you are under age 70 and insured under the Wisconsin Public Employers Group Life Insurance Program, the minimum death benefit (called "Basic" insurance) is equal to your highest year of WRS earnings rounded to the next higher $1,000. Depending on the insurance options offered by your employer and the levels you selected, your insurance benefit may total as much as five times the Basic insurance. For accidental deaths, the death benefit is doubled.

If you are age 70 or older and insured, the minimum death benefit will be equal to 25% of your Basic insurance. The minimum death benefit will be equal to 50% of your Basic insurance if you are a state employee or a local government employee whose employer filed a resolution to provide a minimum death benefit of 50% of your Basic insurance. Depending on the insurance options offered by your employer and the levels you selected, you may have additional amounts of insurance. There is no accidental death benefit for insured employees who are age 70 and older.

Former Employees, Including Retirees

Eligibility

To be eligible to continue group life insurance after termination, you must meet one of the of the following two requirements:

1. Your WRS employment began before January 1, 1990, or

2. You were covered by the group life insurance plan during five

calendar years or a portion of five different calendar years beginning on or after January 1, 1990.

In addition to 1 or 2 above, one of the three requirements listed below must also be met to continue life insurance coverage.

1. You receive an immediate annuity **or** meet all requirements to receive an immediate annuity except for filing an application.
2. The sum of your WRS creditable service **before** January 1, 1990 plus your years of group life insurance participation **beginning** January 1, 1990 equals 20 years or more.
3. You worked for your last employer for 20 years or more.

Insurance Coverage and Premiums

If you are under age 65 and elect to continue insurance, your amount of insurance and premiums will be the same as prior to your termination or retirement. Premiums will automatically be deducted from your monthly payments if you file for an immediate annuity.

If you do not take an immediate annuity, you must file a Group Life Insurance Continuation Application (ET-2154) to continue insurance. Premiums for continued insurance are paid directly to Minnesota Life Insurance Company.

When you reach age 65, all premiums cease and all insurance terminates except the Basic insurance. Basic insurance continues at a reduced amount for state employees and local government employees whose employer filed a resolution to provide a final reduced benefit of 50% as follows: 75% of your Basic insurance at age 65,and 50% at age 66. No further reduction occurs after age 66.

For all other local government employees the insurance reductions are the same as above except that the Basic insurance will reduce to 25% at age 67. No further reduction occurs after age 67.

There is no accidental death and dismemberment benefit on post-retirement coverage for either state or local government employees.

Living Benefit

If you are insured under the Wisconsin Public Employers Group Life Insurance Program, you may apply to receive all or a part of your life insurance while still living, provided you are diagnosed with a terminal condition caused by illness or injury and have a life expectancy of twelve months or less. You are not allowed to claim more benefits than the amount for which you are insured. If you have any remaining life insurance at the time of your death, it is payable to your beneficiary as a death benefit. Living benefits may be taxable to the recipient as regular income in the year of payment. Please contact ETF for more information about this provision.

GROUP HEALTH INSURANCE BENEFITS

If you die as an active or retired employee with family coverage, your surviving insured dependents have the right to continue coverage for life. Your dependent children may continue coverage until eligibility ceases, if they:

- were enrolled at the time of death,
- were previously insured and regain eligibility, or
- are your children who were born after your death.

Health insurance coverage will automatically continue for covered surviving dependents. Surviving dependents may terminate the health insurance coverage by providing written notice to ETF.

Special note for state employees and state retirees: If you have family coverage in effect upon your death, your unused sick leave credits may be used to pay group health insurance premiums for eligible survivors. If you have escrowed sick leave credits, your surviving dependents may continue to escrow the credits or apply to convert the credits to pay health insurance premiums.

Special note for graduate assistants: If you have family coverage in effect at the time of your death, your covered surviving dependents are eligible for COBRA Continuation.

Special note for Wisconsin Public Employer members: If your surviving dependent(s) terminates coverage for any reason, he or she may not re-enroll later.

DESIGNATING A BENEFICIARY

You determine the beneficiary of your WRS retirement account and life insurance (if applicable). A designation of beneficiary does not change automatically when significant life events occur. Significant events include births, deaths, domestic partnerships, marriages or divorces. Regardless of legal changes in personal relationships or significant life events, death benefits are paid according to the most recent *Beneficiary Designation (ET-2320)* filed with ETF.

Joint and survivor annuities are the exception. With these annuity options, the named survivor cannot be changed.

STANDARD SEQUENCE BENEFICIARIES

If you have not filed a *Beneficiary Designation (ET-2320)*, death benefits are paid according to the statutory standard sequence shown below.

Group 1. Surviving spouse or domestic partner.

Group 2. Children (natural or legally adopted). If one of your children dies before you, that child's share is divided between your deceased child's children. The beneficiaries in Group 2 will include all of your marital and non-marital children (or grandchildren, when applicable) as long as any relevant paternity is established, regardless of whether your child's date of birth is before or after your date of death.

Group 3. Grandchildren. If one of your grandchildren dies before you, that grandchild's share is divided between your deceased grandchild's children.

Group 4. Parent(s)

Group 5. Brother(s) and Sister(s). If one of your siblings dies before you, that sibling's share is divided between your deceased sibling's children.

Group 6. If there are no survivors in Groups 1 though 5, any death benefits will be paid to your estate.

Payment will be made to the person(s) in the lowest numbered group that contains one or more living persons.

Wills do **not** govern the payment of benefits from ETF. If your estate is the named beneficiary, payment will be made to and distributed by the estate.

Beneficiary designations should be updated periodically to reflect changes in your personal circumstances. If you wish to change your beneficiary designation, obtain a *Beneficiary Designation (ET-2320)* from ETF. Designation by letter is not acceptable. You may request a blank form by telephone, in writing or by e-mail. The form is also available on ETF's Internet site, etf.wi.gov. When ETF receives a new and valid beneficiary designation, it supersedes your previous designation.

ALTERNATE PAYEES

If you have a WRS account as the alternate payee (former spouse) of a WRS participant, you are entitled to name beneficiaries for potential death benefits from your account. To designate your beneficiary(ies), you must complete a *Beneficiary Designation (ET-2320)* and file it with ETF. If you do not designate a beneficiary, or if your beneficiary(ies) are deceased at the time of your death, all death benefits are paid according to statutory standard sequence.

If you receive a monthly annuity as an alternate payee, potential death benefits are determined by the annuity payment option and its associated provisions. Contact ETF for more information about designating beneficiaries for your annuity.

If you are an alternate payee with more than one WRS account, you may name beneficiaries for each account by filing separate designations. Examples of multiple accounts include: having an alternate payee account plus your own account as a covered WRS employee; your alternate payee account plus one or more accounts as a beneficiary; or more than one alternate payee account. Contact ETF for more information about designating beneficiaries for multiple accounts.

ROLLOVERS

A spouse beneficiary is eligible to roll over lump sum WRS death benefits into his or her own (non-WRS) retirement account. Rollover options include traditional and Roth IRAs, Sec. 403(b) tax deferred plans, and Sec. 457 plans (except WRS). For additional information, please consult your tax advisor.

Non-spouse beneficiaries **may** be able to roll over death benefits but only to an inherited IRA.

TAX INFORMATION

There are specific federal tax laws that regulate when a beneficiary of a WRS account must begin distribution. Beneficiaries who do not comply with these laws may be subject to federal excise taxes or penalties. For information about distribution requirements and tax penalties, see Internal Revenue Service (IRS) Publication 575 entitled *Pension and Annuity Income*.

Some death benefits include both taxable and nontaxable WRS contributions. Nontaxable contributions are paid by the WRS participant from post-tax dollars. Any death benefit in excess of nontaxable contributions is taxable income to beneficiaries.

If a WRS account includes both required and additional contributions, beneficiary(ies) may take a lump sum from additional contributions and leave the required contributions. **If they do so, eligibility for income averaging and capital gains treatment may be lost.**

WRS death benefits (other than tax-deferred additional accounts) are exempt from **Wisconsin** inheritance tax but are subject to federal estate tax. For more information regarding federal estate tax, contact your tax advisor or the IRS.

ALWAYS INCLUDE YOUR NAME, SOCIAL SECURITY NUMBER OR MEMBER ID, AND DATE OF BIRTH ON CORRESPONDENCE TO ETF.

ETF does not discriminate on the basis of disability in the provision of programs, services or employment. If you are speech, hearing or visually impaired and need assistance, call toll free 1-877-533-5020 or (608) 266-3285 (local Madison). We will do our best to provide the information in a more usable form.

The Department of Employee Trust Funds (ETF) has made every effort to ensure this brochure is current and accurate. However, changes in the law or processes since the last revision may mean some details are not current. Please contact ETF if you have questions about a particular topic in this brochure.

Contact the Department of Employee Trust Funds

Internet Site

etf.wi.gov

Find Wisconsin Retirement System and related benefit program information, as well as several ways to contact ETF by e-mail. Look for the red envelope at etf.wi.gov to sign up for free ETF E-mail Updates.

Self-Service Lines

1-877-383-1888 (toll free)
(608) 266-2323 (local Madison)
Request forms or brochures through the ETF self-service lines, available 24 hours a day, seven days a week. Annuitants may also call to change address information or tax withholding elections.

Main Telephone Lines

1-877-533-5020 (toll free)
(608) 266-3285 (local Madison)
Employees and employers can speak on the telephone with an ETF benefit specialist from 7 a.m. to 5 p.m. Monday through Friday (except holidays).
Wisconsin Relay Service (for hearing and speech impaired) 7-1-1 or
1-800-947-3529 (English)
1-800-833-7813 (Spanish)

Mailing Address

P. O. Box 7931
Madison, WI 53707-7931

Street Address

801 West Badger Road
Madison, WI 53713

Appointments

To register for a group appointment in your area, visit http://etf.wi.gov/members/presentation_map.html.
To schedule an individual appointment in Madison, call:
1-877-533-5020 (toll free)
(608) 266-3285 (local Madison)

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