



## Information for Beneficiaries of Wisconsin Retirement System (WRS) Accounts

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Federal and Wisconsin laws specify when a beneficiary of a WRS account must receive distributions. Beneficiaries who do not comply with these requirements may be subject to tax penalties.

The application enclosed with this document specifies whether you are eligible for:

1. Only a monthly annuity.
2. Only a lump sum payment.
3. Either a monthly annuity or a lump sum payment.

### Application Deadlines

**If you are a beneficiary of a member who was receiving a WRS annuity at the time of death, the following deadlines apply to you:**

1. *Monthly Annuity*—If you are eligible for and want to receive a monthly annuity, the Department of Employee Trust Funds must receive your application by the end of the third month after the month in which ETF sent you the application.
2. *Lump Sum*—The benefit will automatically be paid as a lump sum if ETF does not receive your application for a monthly annuity by the deadline.

**If you are a non-spouse beneficiary of a member who died before beginning his or her retirement benefit, the following deadlines apply to you:**

1. *Monthly Annuity*—If you are eligible for and want to receive a monthly annuity, ETF must receive your application by the last working day of September in the calendar year following the year of the member's death. The annuity effective date may not be later than November 1 of that year.
2. *Lump Sum*—If you are eligible for and want to receive a lump sum payment, ETF must receive your application by the last working day of September in the fifth calendar year following the year of the member's death.

**If you are the spouse beneficiary of a member who died before beginning his or her retirement benefit, the following deadlines apply to you:**

1. *Monthly Annuity*—If you are eligible for and want to receive a monthly annuity, ETF must receive your application for a monthly annuity by the last working day of September in the calendar year following the year of the member's death.
  - The annuity effective date may not be later than November 1 of that year.
  - *Exception to the Monthly Annuity deadline*—If you file a *Beneficiary Designation* (ET-2320) form with ETF by the last working day of September, in the calendar year following the year of the member's death, you may delay beginning your monthly annuity until January 1 of the year in which the member would have reached age 70½.
2. *Lump Sum*—If you are eligible for and want to receive a lump sum payment, ETF must receive your application for a lump sum by the last working day of September in the fifth calendar year following the year of the member's death.
  - *Exception to the Lump Sum deadline*—If you file a *Beneficiary Designation* (ET-2320) form with ETF by the last working day of September in the calendar year following the year of the member's death, you may delay receiving your lump sum payment until January 1 of the year in which the member would have reached age 70½.

## Rollover Information

You *may* rollover your lump sum payment if you are:

- The spouse of the WRS account holder.
- Not the spouse of the WRS account holder; you are receiving this payment because that person named you on a beneficiary designation form filed with ETF.
- Not the spouse of the WRS account holder; you are receiving this payment as a beneficiary of that person under Wis. Stat. § 40.02 (8) (a) 1. or 2.
- A trust with specific, named beneficiaries who were named by the WRS account holder.

You *may not* rollover your lump sum payment if you are:

- Receiving this payment from the WRS account holder's estate, either by the terms of a will or through intestacy under Wis. Stat. § 852.01.
- The beneficiary of someone who received this account from the WRS account holder.
- A non-spouse beneficiary and it is more than four years after the year of the WRS account holder's death.

Where you may rollover your lump sum depends on whether you are a spouse or a non-spouse beneficiary.

- If you are a spouse beneficiary, you may roll your lump sum death benefit into a traditional or Roth IRA, Section 403(b) tax-sheltered annuity, Section 457 governmental deferred compensation plan or other eligible employer plan.
- If you are a designated beneficiary of a deceased WRS member (other than a surviving spouse), you may be able to roll over all or part of the distribution that you are eligible to receive. The distribution must be a direct trustee-to-trustee transfer to a traditional or Roth IRA that was set up to receive this distribution. The transfer will be treated as an eligible rollover distribution and the receiving plan will be treated as an inherited IRA. For more information about inherited IRAs, see chapter 1 of the IRS Publication 590-B, *What if You Inherit an IRA?*

You *may not* roll your lump sum payment into your own WRS account.

## Information for All Beneficiaries

The following information applies to both spouse and non-spouse beneficiaries:

- If you are eligible to delay distribution of a WRS death benefit and do not want to apply immediately, you must complete and return a *Beneficiary Designation* (ET-2320) form.
- If a beneficiary dies before applying for the death benefit or filing their beneficiary designation form, the death benefit will be paid according to the last *Beneficiary Designation* (ET-2320) form filed by the deceased member.
- If you do not apply by your deadline, ETF has the authority to make an automatic lump sum distribution to you.

## For More Information

- IRS Publication 575, *Pension and Annuity Income*, provides details from the Internal Revenue Code about distribution requirements and tax penalties for beneficiaries.
- You may also contact the IRS or a tax consultant for more information about applicable requirements and potential penalties.
- For more information about WRS death benefits, contact ETF at 1-877-533-5020 (toll free), or 608-266-3285 (local Madison).