

Wisconsin Retirement System

New Employee Orientation

# Retirement Benefits



August 2010

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Department of Employee Trust Funds (ETF)

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## The Wisconsin Retirement System (WRS) At A Glance

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### Retirement Benefit Objective

Qualified under Sec 401 (a) of the Internal Revenue Code (IRC)



Assumes a full career of public employment and retirement at normal retirement age (NRA)

♦ Plan expects that you will **supplement** your WRS retirement with your own savings program

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## WRS Participating Employers

- ◆ State of Wisconsin (including UW)
- ◆ All counties (except Milwaukee County)
- ◆ Wisconsin Technical Colleges and Cooperative Education Service Agencies (CESAs)
- ◆ All public school districts (including Milwaukee Public Schools)
- ◆ Any other public employer in the State of Wisconsin that elects to participate (except City of Milwaukee)

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## Employment Categories

- ◆ General: Includes Teachers, Educational Support, University faculty
- ◆ Elected Officials and State Executives
- ◆ Protectives with Social Security (Police Officers, Correctional Officers)
- ◆ Protectives without Social Security (Firefighters)



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## Eligibility

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## Eligibility

Your employer is required to cover you as a participating employee if you work in a position that meets WRS participation standards

- ◆ To qualify
  - ◆ You must receive earnings for your employment (volunteer work is not covered) **and**
  - ◆ You must be expected to work at least one-third of full time, for at least one year
    - ◆ 440 hours – teachers and non-teaching employees of school districts
    - ◆ 600 hours – all others

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## Required Contributions

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## Employee Required Contributions

- ◆ Contribution rates (by statute) are calculated as a percentage of WRS earnings and vary by employment category
- ◆ You are required to contribute, unless your employer pays (all or part) as a fringe benefit
- ◆ Contributions are credited to your individual WRS account
  - ◆ May include a mandatory "Benefit Adjustment Contribution" (BAC) that is not credited to your individual account
    - ◆ Deposited in the *employer reserve* to help fund formula retirement benefits
- ◆ Contribution rates can change each year based on the ETF consulting actuary recommendations

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### Employer Required Contributions

- ◆ Contribution rates can change each year based on the ETF consulting actuary recommendations
- ◆ Employers may also pay other contributions

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### Employee/Employer Required Contribution Rates

**Employee + Employer Required Contribution Rates**  
 Sample Chart – 2010  
 Rates subject to change annually

Employment Category	Employee	Mandatory Employer	Matching Employer	Total Contribution to your WRS Account
General, Teacher and Educational Support employees	6.2% - Includes 1.2% BAC (not credited) = 5%	4.8%	5%	10%
Protectives with Social Security	5.5%	8.6%	5.5%	11%
Protectives without Social Security	3.9%	11.3%	3.9%	7.8%
Elected Officials & State Executive Retirement Plan employees	3.2%	8.7%	3.2%	6.4%

For retirement purposes, the employer contribution is an equal match of the employee contribution

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Supplement Your Retirement

### Employee Voluntary Additional Contributions

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## Additional Contributions

Also qualified under Sec 401 (a) of the Internal Revenue Code (IRC)

- ◆ Regular (after-tax) Additional Contributions



Additional contributions receive the same rate of interest as the *required* contributions

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## Regular (after-tax) Additional Contributions

- ◆ Contributions can be made by payroll deduction **or** direct payment to ETF
- ◆ Only pay tax on the interest accrued when you receive the benefit
- ◆ Contributions are subject to federal annual contribution limits

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## Additional Contributions Resources

- ◆ Brochure (ET-2123)
- ◆ Worksheet (ET-2566)
- ◆ Visit ETF's Web site
- ◆ ETF Video Library see webcast entitled *Additional Contributions*



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Interest Crediting

## Retirement Fund Investments

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## Retirement Fund Investments

By law, the assets of the WRS are invested by the *State of Wisconsin Investment Board (SWIB)*

<h3>Core</h3> <p><b>Fully diversified</b></p> <ul style="list-style-type: none"><li>Mixture of assets helps stabilize effects of market changes</li><li>Market gains and losses recognized over 5-year periods</li></ul>	<h3>Variable (optional)</h3> <p><b>All stocks</b></p> <ul style="list-style-type: none"><li>Greater degree of risk due to stock market fluctuation</li><li>Market gains and losses fully recognized (no smoothing)</li></ul>
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## Retirement Fund Investments

100% of all contributions are deposited into the Core Fund **unless** . . .

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you elect Variable Fund participation

- 50% Core
- 50% Variable

There are separate **Core** and **Variable** interest rates each year

By law, the effective rate of interest is credited each December 31 to that year's January 1 balance

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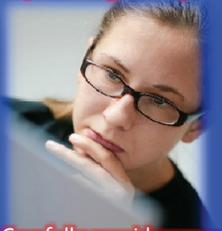
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## Participating in the Variable Fund

Is Variable participation right for you?

- ◆ If yes:
  - ◆ ETF must receive your election form (ET-2356) within 30 days of your begin date (for participation to be effective immediately)
  - ◆ If received more than 30 days after begin date, participation is effective on the January 1 after it is received by ETF



Carefully consider your own risk tolerance!

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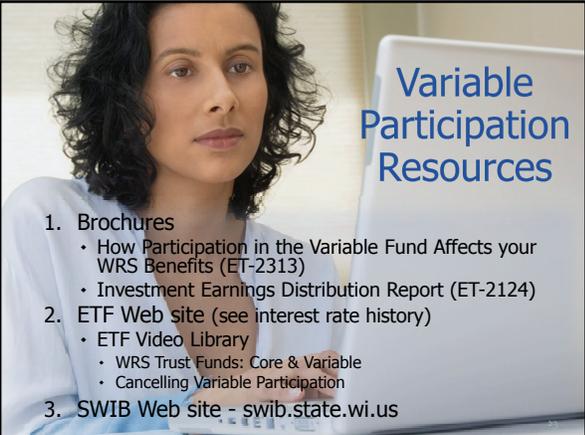
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## Variable Participation Resources

1. Brochures
  - How Participation in the Variable Fund Affects your WRS Benefits (ET-2313)
  - Investment Earnings Distribution Report (ET-2124)
2. ETF Web site (see interest rate history)
  - ETF Video Library
  - WRS Trust Funds: Core & Variable
  - Cancelling Variable Participation
3. SWIB Web site - [swib.state.wi.us](http://swib.state.wi.us)



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## Four Types of Benefits

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Early Distribution

## Separation Benefit

A lump sum withdrawal of only the *employee contribution balance* after terminating WRS employment prior to *minimum retirement age (MRA)*

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## Separation Benefits

- ◆ Eligibility
  - ◆ Terminate all WRS employment and apply for a benefit prior to MRA (55 or 50)
- ◆ Benefit includes only
  - ◆ Employee required contributions
  - ◆ Additional contributions (if any)
  - ◆ Accumulated interest

Employer contributions, interest and creditable service are **forfeited** – account is closed

- ◆ Taxed as ordinary income
  - ◆ Early distribution penalties apply!
  - ◆ Can rollover into another qualified plan to avoid tax and penalties



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## Retirement Benefits

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## Retirement - Eligibility

Must terminate employment  
and  
be at least Minimum Retirement Age (55 or 50)

Employment Category	Minimum Retirement Age (MRA)	Normal Retirement Age (NRA)
General, Teacher & Educational Support employees	55	65
Protectives with less than 25 years of service	50	54
Protectives with 25 or more years of service	50	53
Elected Officials & State Executive Plan Employees	55	62

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## Retirement Calculations

WRS always pays the higher of two calculations

Formula

- Years of creditable service
- Final average earnings
- Formula factors
- Age Reduction (if applicable)
- Variable adjustment (if applicable)

Defined Benefit Plan

Money Purchase

- Account balance
- Age

Defined Contribution Plan

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## Retirement – Payment Options

WRS offers 7 payment (annuity) options

- ◆ All options provide **lifetime** annuities
  - ◆ Most include continued benefits for your beneficiaries



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# Disability Benefits

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## Disability Benefits

 <p>Must be disabled based on specific criteria set by Statute or Wis. Administrative Code</p>	 <p>Your treating physicians determine if you qualify</p>	 <p>The monthly benefit is payable for as long as you remain disabled <b>or</b> until age 65 May need to supply medical evidence annually</p>
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## Disability Plan Types

Long-Term Disability Insurance (LTDI)	Duty Disability (protective occupations only)
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### Disability Eligibility



Each plan has different eligibility criteria

ETF will tell you which plan you may be eligible for

If you become disabled, contact ETF

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### Death Benefits

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### Death Benefit Amount

Amounts vary depending on participant status at time of death

- ◆ Active participants  
Total account balance *plus* any voluntary additional contributions
- ◆ In-active participants  
Employee required contribution balance (1/2 account value) *plus* any voluntary additional contributions
  - ◆ Annuitants  
Benefit is based on the annuity option selected at time of retirement

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You can ensure prompt payment of death benefits

## Beneficiary Designations

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## Beneficiaries

By law, death benefits can only be paid according to your most recent beneficiary designation on file with ETF

If you own a WRS account <sup>and/or</sup> are enrolled in the *Wisconsin State and Public Employers Group Life Insurance Program*

**You should complete a beneficiary designation form!**  
(Includes alternate payees & some beneficiaries)

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## Beneficiaries

If you do not file a beneficiary designation form with ETF, any benefits payable will be paid according to

*Statutory Standard Sequence (SS)*

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## Beneficiaries: Standard Sequence

- Group 1 Spouse or Chapter 40 Domestic Partner (Chapter 40 must be ETF approved)
- Group 2 Children (natural children or legally adopted)  
If child dies before participant that child's share is divided between the deceased child's children
- Group 3 Grandchildren - If grandchild dies before participant, that grandchild's share is divided between the deceased grandchild's children
- Group 4 Parents
- Group 5 Siblings - If sibling dies before participant, that sibling's share is divided between the deceased sibling's children
- Group 6 Estate

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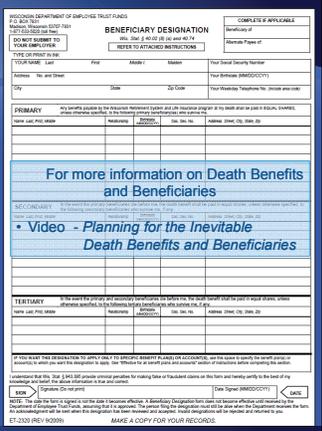
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## Beneficiary Designation Form (ET-2320)

### Alternate (ET-2321)

**Forms available from:**

- Employer
- ETF (online/or call)
- Link in this presentation




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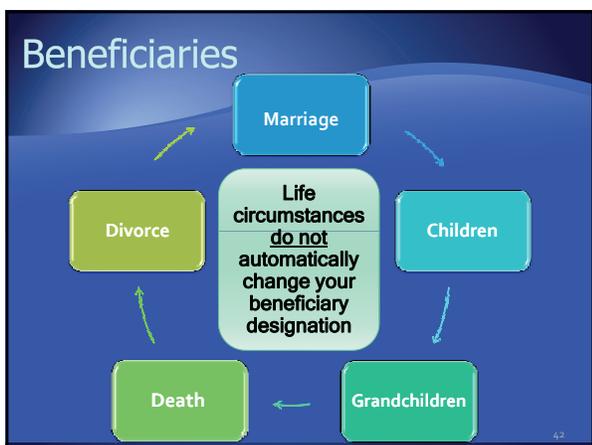
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### Contact Information

Write: Department of Employee Trust Funds  
P. O. Box 7931, Madison, WI 53707

Telephone: Toll Free 1-877-533-5020  
Madison Main Line 608-266-3285

Appointments: Toll Free 1-877-533-5020 ext 65717  
Local 608-266-5717

Self Service Line 1-877-383-1888 or 266-2323  
(to request forms & brochures)

Pre-recorded Message Center: Toll Free 1-800-991-5540  
Local 608-264-6633

Internet: [etf.wi.gov](http://etf.wi.gov)

Offices: 801 W Badger Road  
Madison, WI 53713

Office Hours: 7:45 a.m. - 4:30 p.m., Mon – Fri

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## Thank you for watching

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