

WRS Federal Compliance

Item 4E1 – Employee Trust Funds Board

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Informational Item Only

No Board action is required.

Significant Laws

Apply to the WRS

- Wis. Stats. Chapter 40
- Tax Code

Apply to Other ETF Activity

- Health Insurance Portability and Accountability Act of 1996 (HIPAA)

WRS Is a Qualified 401(a) Governmental Plan

- Complies with Tax Code s. 401(a).
- Is “established and maintained for its employees” by a state government or political subdivision.

Impact of Maintaining Qualified Status

- Employer contributions are not taxed.
- Employee mandatory contributions are pre-tax.
- Protect participants from other negative financial ramifications.

Examples of WRS Requirements

Compensation
limits

Contribution limits

Distribution
requirements

Distribution limits

Break-in-service
and return-to-work
requirements

Federal Compliance – SECURE Acts

Setting Every Community Up for Retirement Enhancement “SECURE”

SECURE Acts

- SECURE 1.0 – effective on Jan. 1, 2020.
- SECURE 2.0 – effective on Dec. 29, 2022.

Three Primary Purposes

- Help American's save for retirement.
- Improve (simplify) retirement rules.
- Lower the cost of administering and setting up retirement plans.

Primary Impact on the WRS

Required Minimum Distributions (RMD)

- A RMD is the amount of money that must be withdrawn annually from an employer-sponsored retirement plan (like the WRS).
- RMDs can be triggered after certain events – e.g., retirement and meeting certain age requirements, death of an employee, death of beneficiary who inherited a retirement account.

SECURE Acts Impacts on RMDs

SECURE 1.0 Impact on RMDs

- Pushed back the age at which retirement plan participants need to take RMDs, from 70½ to 72.

SECURE 2.0 Impact on RMDs

- Effective Jan. 1, 2023, raises the age for RMDs from age 72 to age 73 for individuals attaining age 72 after Dec. 31, 2022; additional age increases are phased-in after that.
- Effective Jan. 1, 2024, allows a spousal beneficiary to elect to be treated as the employee for RMD purpose (already covered in Chapter 40 Wis. Stats.).
 - Awaiting further guidance from IRS on how this ‘election’ must be made.

SECURE Act 2.0 Required Minimum Distributions (RMD) – Required Beginning Ages

Birth Year	Age RMDs Must Begin
1950 or earlier	72 (70.5 for those who turned 70.5 prior to 2020)
1951-1959	73
1960 or later	75

Secondary Impact on WRS

Other SECURE Provisions

- Public Safety Officer Insurance Deduction Program.
- Qualified Public Safety Employees.
- Gave plans more leeway to correct overpayments.
- Reduce excise tax for failure to take RMDs.
- Increased ability for plans to correct minor errors through EPCRS.
- Disability related pension payments excludable from gross income (beginning 2027).

Consequences for Not Taking RMDs

Members and Beneficiaries

- Excise taxes and other penalties.
- IRS – [Retirement Topics \(RMD\)](#).

ETF

- Compliance monitoring/penalties and potentially plan disqualification.
- IRS – [Correcting RMD Failures](#).

ETF Actions to Implement SECURE Acts and Ensure Compliance

ETF webpages –
<https://etf.wi.gov/retirement/required-minimum-distribution>

Member and
Employer newsletters

Update ETF forms,
brochures, and
notices

Internal staff training

Monitoring federal and
other external
guidance

Updating Chapter 40
and associated
regulations

Run ETF system's
reports, alerts, and
flags

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Questions?

Thank you



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