



STATE OF WISCONSIN
Department of Employee Trust Funds

Wisconsin Retirement System (WRS)

Separation Benefits Paid in 2007

WRS SEPARATION BENEFITS

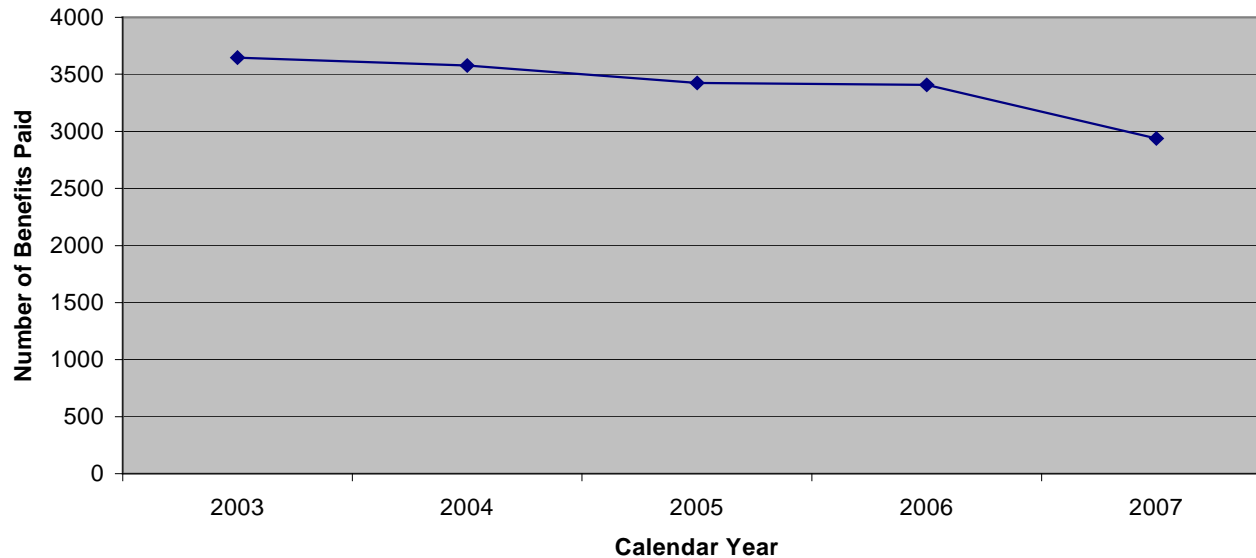
Separation Benefit information

- To be eligible for a separation benefit a participant must:
 - ◆ Terminate all WRS covered employment,
 - ◆ Be under minimum retirement age (50 for protective and 55 for other employment categories), and
 - ◆ Remain separated from all WRS employment throughout a period beginning with the WRS termination date and ending on the latest of the following dates:
 - The 31st day after termination of all WRS employment
 - The 31st day after the date the Department receives the benefit application.
- Certain participants are only eligible for a separation benefit:
 - ◆ Participants who began WRS covered employment after December 31, 1989 AND terminated their WRS covered employment prior to April 24, 1998 must meet a vesting requirement. They must have some WRS service in at least five calendar years to be eligible for a retirement benefit once reaching minimum retirement age. If not, they are only eligible for a separation benefit.
 - ◆ Participants with teacher accounts under the old State Teacher Retirement System (STRS) who have no state deposits credited to their accounts are only eligible for a separation benefit consisting of their employee contributions.
- The separation benefit consists of:
 1. Employee-required contributions, whether deducted from the employee's earnings or paid by the employer,
 2. Any voluntary additional contributions, and
 3. Accumulated interest on employee-required and any additional contributions.
- A participant forfeits employer-required contributions and associated accumulated interest upon taking a separation benefit.
- A participant's account is closed and the individual has no further right, interest or claim to any further benefit from the WRS upon payment of a separation benefit.

WRS SEPARATION BENEFITS Number of Separation Benefits Paid

- 2,937 separation benefits paid to WRS participants during calendar year 2007
- Of these, 153 inactive participants over minimum retirement age (age 55 or older) were restricted to a separation benefit; 138 because they did not meet vesting requirements; and 15 with old teacher accounts with no state deposits
- 13.8% decrease in separation benefits as compared to 2006 (3,406 in 2006 vs. 2,937 in 2007) continuing a downward trend from 3,647 in 2003

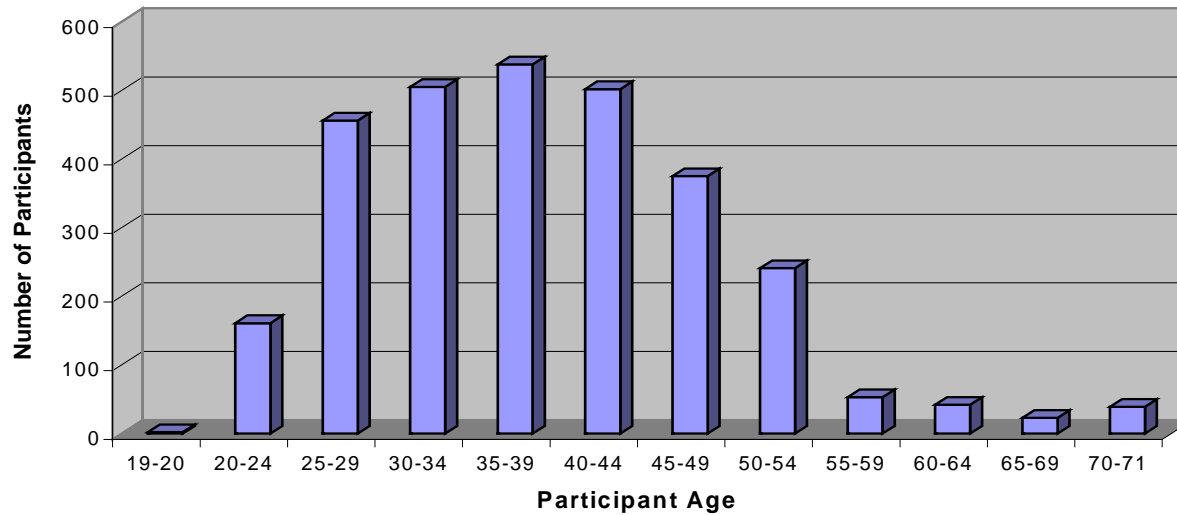
Separation Benefits Paid by Year



WRS SEPARATION BENEFITS Participant Age & Gender

- 19 to 71 age range of participants taking separation benefits in 2007; same age range as 2006
- 38.5 average age of participant taking a separation benefit; 38.1 in 2006
- Little variation in average age due to gender:
 - 38.8 average age - male
 - 38.4 average age - female

Age of Participants Taking a Separation Benefit in 2007



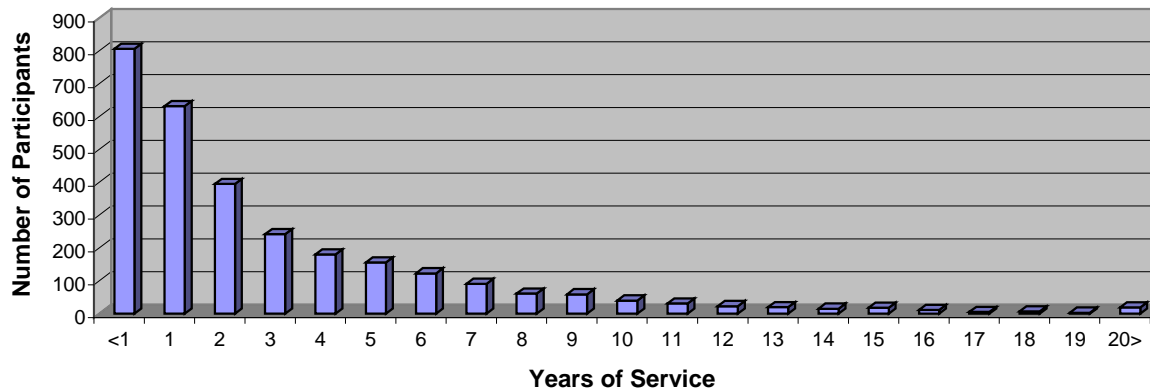
WRS SEPARATION BENEFITS Participant Age & Gender

- Gender of participants taking separation benefits in 2007:
 - 30.9% male (908)
 - 69.1% female (2,029)
 - Ratio of 1:2.2 (1 male for every 2.2 females)
- As a comparison, gender mix for annuities finalized in 2007:
 - 41.6% male (4,093)
 - 58.4% female (5,753)
 - Ratio of 1:1.4 (1 male for every 1.4 females)
- 245 participants, age 50 – 54, took a separation benefit in 2007, including 4 participants, 2 male and 2 female, who applied at age 54 and received their separation benefit at age 55 (applied for a separation benefit just prior to their 55th birthday):
 - 28.2% male (69)
 - 71.8% female (176)
 - Ratio of 1:2.6 (1 male for every 2.6 females)

WRS SEPARATION BENEFITS Participant Years of Service

- Zero to 34.48 years of service obtained by participants taking separation benefits in 2007
(Example of “zero” service: no service credited on certain old teacher accounts when partial years worked)
 - 3.39 average years of service
 - 2.00 median years of service
- Of the participants taking a separation benefit in 2007:
 - 76.8% or 2,255 participants had less than 5 years of service
 - 16.7% or 490 participants had 5 to 9.99 years of service
 - 6.5% or 192 participants had 10 or more years of service
- 19 participants taking a separation benefit in 2007 had 20 or more years of service

Years of Service of Participants Taking a Separation Benefit in 2007



**WRS SEPARATION BENEFITS
Participant Employment Category**

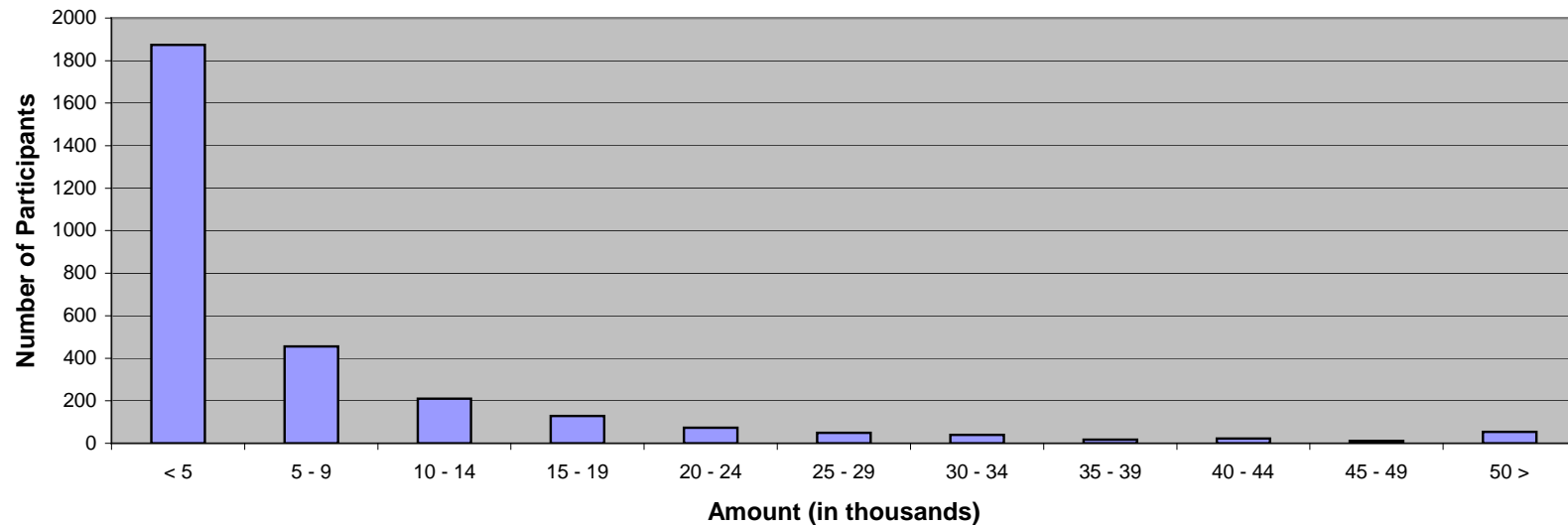
Participants Taking a Separation Benefit in 2007

WRS Employment Category	Number of Participants	Percent of Participants	Percentage Change from 2006
Teacher	608	20.7%	1.70%
Educational Support Personnel	424	14.4%	0.50%
State & Local Government Employees	1,718	58.5%	-2.30%
Total General	2,750	93.6%	-0.10%
Executive/Elected Officials	8	.3%	0.10%
Protective with Social Security	176	6.0%	0.20%
Protective without Social Security	3	.1%	-0.20%
Total	2,937	100.0%	0.00%

WRS SEPARATION BENEFITS Gross Amount of Separation Benefits Paid

- \$5 to \$261,260 gross amount range for separation benefits paid in 2007
(Gross amount is the total benefit amount prior to deductions, such as income tax withholding)
 - \$7,665 average benefit paid
 - \$2,995 median benefit paid
- \$22,511,496 total gross amount for separation benefits paid in 2007, compared to \$23,156,124 in 2006

Separation Benefits Paid in 2007 by Gross Amount



WRS SEPARATION BENEFITS
Gross Amount of Separation Benefits Paid

- 1,874 or 63.8% of the separation benefits paid were less than \$5,000 with 678 or 36.2% of these less than \$1,000
- 2,330 or 79.3% of the separation benefits paid were less than \$10,000, compared to 81.7% in 2006
- Number of separation benefits paid in 2007 with gross amounts of \$10,000 or more:

Gross Amount	Number of Benefits
\$10,000 - 24,999	413
\$25,000 - 49,999	140
\$50,000 - 74,999	33
\$75,000 - 99,999	9
\$100,000 - 124,999	3
\$125,000 - 149,999	5
\$150,000 - 174,999	1
\$175,000 - 199,999	1
\$200,000 - 224,999	0
\$225,000 - 249,999	1
\$250,000 - 274,999	1
Total Benefits \$10,000 or More	607

WRS SEPARATION BENEFITS
Gross Amount of Separation Benefits Paid

- 12 separation benefits paid in 2007 with gross amounts exceeding \$100,000 or more:
 - Gender: 1 male and 11 female
 - Age: 47 to 54 years old
 - Service: 14.08 to 34.48 years of service
 - 6 were inactive and 6 were participants who recently terminated employment
 - 5 benefits were directly rolled over, 2 benefits were split with a portion directly rolled over and a portion paid directly to the participants, and 5 benefits were paid directly to the participants
 - 5 participants took a separation benefit as a result of hardship and 2 participants had medical problems; 1 of these individuals died shortly after receiving the benefit

Note: The Department does not require participants to provide a reason for taking a separation benefit, but participants occasionally offer this information.

WRS SEPARATION BENEFITS

Separation Benefit Information Provided Participants

- The Department contacts participants who are within one year of minimum retirement age and have requested separation benefit applications to ensure they have the information necessary to make an informed decision regarding the potential retirement benefits they are forfeiting.
- The Department explains the negative consequences of taking a separation benefit, such as: forfeiture of the employer-required contributions and associated interest, federal tax consequences, and the loss of rights to previous law provisions should the individual return to WRS-covered employment.
- The Department gives participants a written explanation of federal requirements, such as rollover rules and mandatory 20% withholding rules, and in compliance with federal law on eligible rollover distributions, the Department gives the participant a minimum 30 day window to review this material. Also, the Department cannot issue the separation benefit payment until the employer reports the termination date and final earnings for the employee. Thus, participants have 30 days or more to consider the consequences of taking a separation benefit and rescind their application.
- The Department provides written and verbal information about the effects of taking a separation benefit:
 - ◆ In large group field presentations and small group retirement sessions
 - ◆ To callers and walk-in customers by Member Services staff
 - ◆ Via automated telephone messages
 - ◆ In the *Separation Benefit Booklet* (ET-3101), and other Department resource material
 - ◆ In an online video on Separation Benefits (planned for September 2008)