

Retirement Benefit Calculation Methods

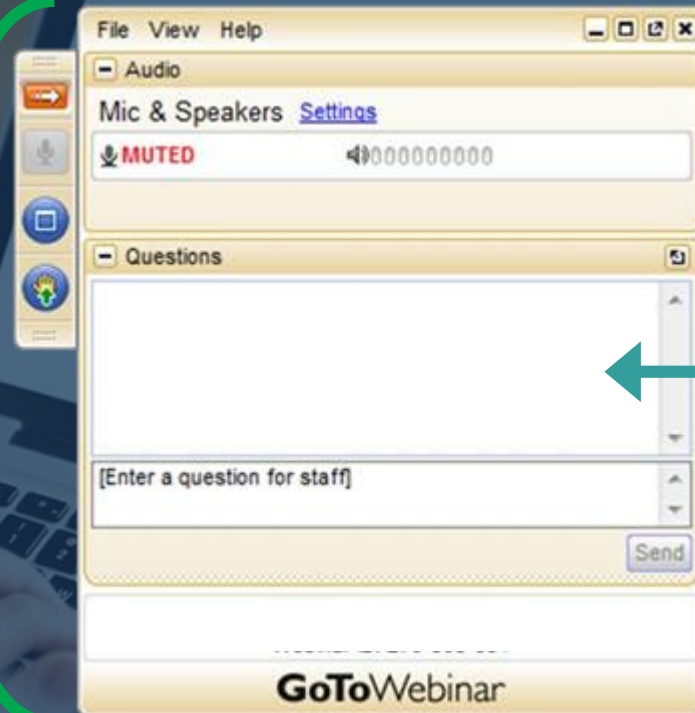
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Presenter



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Agenda

- Explain the individual components of the two retirement benefit calculation methods
- Demonstrate how the components of each calculation are combined to provide a WRS benefit amount



Two Calculation Methods

- Money Purchase
- Formula
- By law the Wisconsin Retirement System (WRS) always pays the higher of these two calculations



Money Purchase Calculation

- Money Purchase *Balance* at retirement
 - Employee contributions balance plus matching amount of employer contributions
 - Balances as of the benefit effective date
 - Variable participation impacts the money purchase balance
- Money Purchase *Factor*
 - Actuarial factor based on your age at the benefit effective date
 - Based on actual year, month, and day of birth
 - Can find exact factor using WRS Retirement Benefits Calculator
 - Factors are generally adjusted every two to three years
 - Actuaries adjust due to life expectancies, mortality rates

Money Purchase Calculation

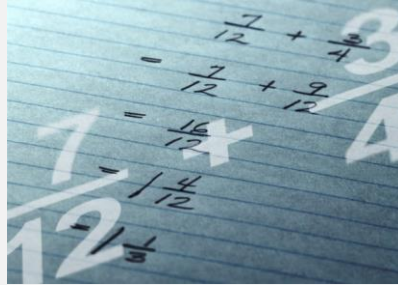
- Money Purchase balance at retirement
- Money Purchase factor –
 - age 56 years, 4 months
- “For Annuitant’s Life Only” annuity option

\$215,000.00

X 0.00563

\$1,210

Formula Calculation



- Final average monthly earnings (FAE)
 - Based off your three highest years of WRS earnings
- Formula multipliers for your employment categories
- Years of WRS creditable service
- Age reduction if applicable
- Adjustment due to participation in the Variable Fund
 - Excess adds to the benefit amount
 - Deficiency decreases the benefit amount

Final Average Earnings (FAE)

- Three highest years of WRS earnings added together
 - Calendar or fiscal
- Total divided by 3 then divided by 12
 - If worked part-time, total of the service in the three highest years divided by that total
- Do not have to be consecutive years
- This number is your final average monthly earnings

Formula Factors

- Determined by legislation
- 1999 WI Act 11
 - Provided for a higher formula multiplier on service earned prior to 2000 for formula benefit calculation purposes
- 2011 WI Act 10
 - Changed factor for elected officials
 - .016 in effect for terms starting after 6/28/2011



Formula Factors

Category	Pre-2000	Post-1999	Post 6/28/11
General, Teacher and Educational Support	.01765	.016	
Elected Officials, State Executive Retirement Plan Employees and Judges	.02165	.020	.016
Protective with Social Security (police, prison guards, sheriffs, deputies)	.02165	.020	
Protective with out Social Security Firefighters	.02665	.025	

Years of WRS Creditable Service

- Can't earn more than 1.00 in a year
 - Calendar/fiscal
- 1320 hrs = 1.00 creditable service for teachers
- 1904 hrs = 1.00 creditable service for everyone else
- Can add to years of WRS reported service
 - Active duty military service
 - Purchased creditable service
 - Qualifying
 - Forfeited
 - Other Governmental Service



Age Reduction

- Applies to formula calculations only
- An annuity that begins before Normal Retirement Age (NRA) may be reduced because it is expected to be paid longer



Age Reduction

- The age reduction factor changes incrementally between your Minimum Retirement Age (MRA) and your NRA
- To determine age reduction factor, use WRS Retirement Benefits Calculator
 - etf.wi.gov/calculators/disclaimer.htm
- For general employees, teachers, and educational support staff with 30 years of service and age 57, age reduction won't apply

Normal & Minimum Retirement Age

- NRA (MRA)
 - Age 53 (50) - Protective occupation with at least 25 years of creditable service
 - Age 54 (50) – Protective occupation with less than 25 years of service
 - Age 62 (55) – Elective/Executive
 - Age 65 (55) – General employees, teachers and educational support staff

Variable Participation

- Based on the investment experience of the Variable Fund
 - Either an excess (the amount you are ahead) or a deficiency(the amount you are behind) from your Variable participation
- The excess or deficiency is multiplied by the money purchase factor for your age and increases or decreases your formula retirement benefit



Formula Calculation

- Final Average Earnings - Monthly
 - 3 highest earnings years*
- Formula Factors**
- WRS Creditable Service
- Subtotal #1
- Age Reduction Factor**
- Subtotal #2
- Variable Excess or Deficiency
- “For Annuitant’s Life Only” Option

\$3,652	
Pre-2000	Post-1999
X 0.01765	X 0.016
X 13.35	X 13.91
\$1,673	
X 0.885	
\$1,481***	
+ 24	
\$1,505	

*Can be calendar or fiscal years **General/Teacher Category *** Subject to formula maximum

Summary

Money Purchase Method

- Based on balance and age at time of retirement
- If in variable, excess or deficiency reflected in balance
- Annuity paid for life

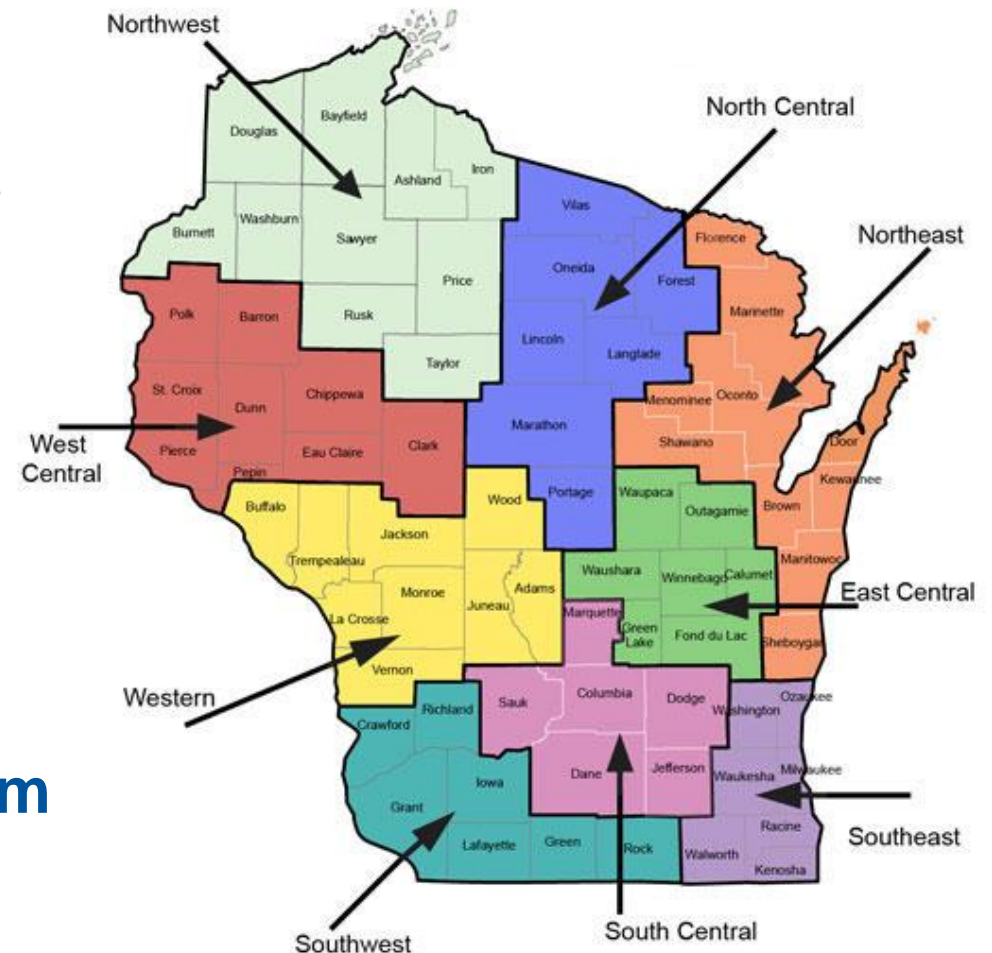


Formula Method

- Account balance not a factor
- Based on earnings and service
- If in variable, variable excess or deficiency applied
- Annuity paid for life

Face-to-Face Events

- Regular visits statewide
- Daytime group retirement appointments
 - Retirement packet required
 - Appointment required
- Evening benefits presentations
 - New and mid-career employees
 - Nearing retirement
- Visit etf.wi.gov/member_education.htm and click **Face-to-Face** to learn more.



A family of three—a woman with curly hair, a man, and a young girl—are walking together on a dirt path through a lush, green forest. The woman is on the left, the man is on the right, and the girl is in the center, slightly in front of them. They are all smiling and appear to be enjoying their time outdoors. The scene is captured in a soft, natural light, with the background filled with tall trees and dense foliage. The overall mood is peaceful and family-oriented.

Questions?

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