Buying Service

A Saving and Investing topic
Objectives:

By the end of this presentation, you will be able to:

• Identify if you are eligible to purchase service
• Define the different types of service that may be purchased
• Explain how purchasing service increases your benefit
• Take steps to purchase service
• Find resources for more information
Buying Service Definition

Buy Creditable Service
Lost from Separation

Terminated employment & closed account prior to retirement

Buy Creditable Service from Non-WRS Public Service

Another state or federal

Increases your retirement benefit
Eligibility Requirements

WRS Employee

- 3 continuous years of service since returning to WRS employment

Buy service equal to the number of years currently have worked

You must buy service before you terminate from the WRS
Why Buy Service?

What it CAN do for you:

- Increase your retirement account balance
- Increase your years of service used in your calculation
- Therefore, it can increase your monthly WRS retirement payment

What it CAN’T do for you:

- Be used toward vesting
- Be used toward pre-1974 military service credit
- Buy eligible years for sick leave
- Buy years lost to divorce
### Return on Investment Example

<table>
<thead>
<tr>
<th>Calculation Factor</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost to Purchase Service</td>
<td>$18,000</td>
</tr>
<tr>
<td>Estimated Annual Increase ($300 monthly increase to annuity)</td>
<td>÷ $3,600</td>
</tr>
</tbody>
</table>

Years to Recover Investment = 5 years
Forfeited Service
Forfeited Service Definition

- Service that was lost when a WRS separation benefit was taken

Employee share of the benefit + interest

Employer share of the benefit + interest

50%

Gain back

Buy

Employee share of the benefit + interest

Employer share of the benefit + interest
### Wisconsin Retirement System

**Forfeited Service Cost Calculator**

**Name:** Example

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**Estimated Cost to Purchase Your Total Forfeited Service:**

<table>
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<tr>
<th>Forfeited Service</th>
<th>Employment Categories</th>
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<tbody>
<tr>
<td></td>
<td>General/ Teacher/ Educational Support</td>
</tr>
<tr>
<td># Years to Purchase</td>
<td>5.00</td>
</tr>
<tr>
<td>Cost for Years</td>
<td>$12,765.02</td>
</tr>
<tr>
<td>Monthly Formula Annuity Increase</td>
<td>$288.85</td>
</tr>
<tr>
<td>Monthly Money Purchase Annuity Increase</td>
<td>NA</td>
</tr>
</tbody>
</table>

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**Formula Benefit**

- Formula Benefit projected monthly increase at normal retirement age is: $288.85
- The estimated years to recover your cost is: 3.68
- Estimated annual rate of return is: 27.2%  

**Money Purchase Benefit**

- Money Purchase projected monthly increase at age 65 is: $166.97”
- The estimated years to recover your cost is: 6.37”
- Estimated annual rate of return is: 15.7%”
## Estimated Cost to Purchase Your Total Forfeited Service:

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## Forfeited Service Cost Calculator
### Monthly Benefit Increases

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"The Money Purchase calculations assume a retirement age of 65."
Forfeited Service Cost Calculator Options:

- Change the original information you entered and recalculate
- Calculate the cost of purchasing a part of your total years of forfeited service. Select this option to estimate the cost of buying less than your total forfeited service or to estimate the years of forfeited service you can buy with a specific dollar amount.
1. Go to [etf.wi.gov](http://etf.wi.gov)
2. Scroll down to bottom of page and click **Calculators**
3. Select [WRS Forfeited Service Cost Calculator](http://etf.wi.gov)
4. Calculator link at bottom of information page
Other Governmental Service (OGS)
OGS Definition

• The service you earned working for non-WRS public employers at the federal, state, or local level

• OGS will always be credited as general category service regardless of the type of duties you performed or your current WRS employment category

Employee share of the benefit + interest

Employer share of the benefit + interest

100%
Who is Eligible for OGS?

- Active WRS employees who previously worked for a non-WRS public employer
  - Must have 3 continuous years of WRS employment
- Examples:
  - Teaching service outside of Wisconsin
  - Federal employment (including military post-1974)
  - Public service outside of Wisconsin
• You cannot purchase OGS based on any service from which you are already (or will be) receiving a benefit
  • For example, you worked in Illinois as a teacher and are receiving a monthly benefit for that service
• This does not apply to Social Security, disability, or benefits paid for service in the Reserves or National Guard
Purchasing Service
Cost Of Buying Service

Forfeited Service

Based on 3 highest years of earnings, the contribution rate, and years to be bought

50%

Other Governmental Service (OGS)

Based on the projected amount needed to completely fund the increase your service purchase provided

100%
How to Purchase

Personal Check or Money Order

Use Additional Contributions

Plan-to-Plan Transfer

Minimum 10% of Payment

- 90% of the cost can be paid by a plan-to-plan transfer from a qualifying retirement account.
- Minimum 10% of the payment must come from the participant.

Retirement Account

WRS Retirement Benefit

Participant portion
Summary

- Can never buy more service than you have currently earned as an active employee.
- Doesn’t have to be bought all at once – you can make multiple purchases (2 purchases per year max).
- ETF can accept plan-to-plan transfers from non-WRS retirement plans or from additional contributions to pay for up to 90% of the purchase cost.
- Must have 3 continuous years of service since your return to WRS employment.
Next Steps

• Contact ETF for an estimate

• The estimate will provide the following:
  • The amount of service you are eligible to buy
  • The cost to buy the service
  • How much the purchase could increase your monthly benefit
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