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## ***WISCONSIN RETIREMENT SYSTEM (WRS) BENEFIT SUMMARY***

### **Funding**

WRS benefits are authorized and defined in Chapter 40 of the Wisconsin statutes. Participants are eligible only for the specific benefits provided by statutes. The only funding sources for WRS benefits are the contributions made to the WRS by participants and their employers, plus the investment earnings that those contributions earn. The basic formula for funding retirement benefits is:

$$\mathbf{B = C + I - E}$$

**(Benefits = Contributions + Investment earnings - Expenses)**

In other words, the contributions to the WRS plus the investment earnings must be sufficient to pay the benefits promised in the statutes, plus the expenses for administering the retirement benefit program.

When investment earnings exceed the expected returns, contribution rates can be lowered because a larger portion of the benefit liabilities can be paid from the investment earnings. However, when investment earnings are lower than anticipated, contribution rates must be increased to assure that there will be sufficient funding for the promised benefits.

Contribution rates are reviewed annually by the consulting actuary, who then recommends any necessary contribution rate increases or decreases to the Employee Trust Funds (ETF) Board. The ETF Board approves the contribution rates at the June quarterly meeting, and the new rates go into effect the following January 1.

### **Participant Benefits**

When a person begins working for a WRS participating employer in a position that meets the statutory eligibility criteria for WRS coverage, the employer enrolls the employee in the WRS. The Department creates an account for the participant, and thereafter credits the service, contributions and earnings reported by the employer for that participant to his/her WRS account. Once a participant has terminated all employment covered under the WRS, that individual is eligible for a benefit from his/her WRS account. The portion of the benefit is based on whether the participant is vested. However, no WRS benefits are ever payable until the participant has terminated all employment covered under the WRS.

### **Separation Benefits**

A participant who terminates WRS employment and applies for a benefit before minimum retirement age 55 (age 50 for protective occupation employees) is eligible for a separation benefit. A separation benefit is a lump sum payment consisting of the

employee required contributions plus accumulated interest. Any voluntary additional contributions to the participant's account are also included in a separation benefit.

By taking a separation benefit the participant forfeits all rights to the employer required contributions and the years of WRS creditable service earned prior to taking the benefit. A separation benefit completely closes the participant's WRS account, and the participant is treated as a new WRS participant if he or she later returns to WRS employment.

When participants terminate employment before reaching minimum retirement age, they have the option of deferring application and leaving the money in their WRS accounts until reaching age 55 (age 50 for protective occupation participants). Once they reach minimum retirement age, they are then eligible for a retirement benefit based on both the employee and employer contributions.

### **Retirement Benefits**

A retirement benefit is available to WRS participants after they have reached age 55 (50 for protective occupation participants), are vested and have terminated all employment covered under the WRS. To be vested, the participant generally must have five years of WRS creditable service. A retirement benefit is based on both employee and employer contributions, and is normally paid as a monthly annuity. Participants can select from a number of annuity options that may provide a death benefit after the annuitant's death. All of the annuity options pay a monthly benefit for the participant's lifetime; the differences are only in the level of death benefit protection provided by the annuity option selected.

There are two methods of calculating retirement benefits, **formula** and **money purchase**, and the participant receives the **higher** of the two calculations. A formula benefit is based on the participant's "final average earnings" (based on the three highest years of earnings), years of WRS service credit, formula multipliers based on the participant's WRS employment category, and any applicable actuarial reduction for early retirement. The money purchase calculation is based only on the dollar balance in the participant's account and his or her age when the annuity begins.

A lump sum retirement benefit (based on both employee and employer contributions) is paid from accounts that are too small to provide a monthly annuity. To be payable as a monthly benefit the annuity would have to meet the statutory threshold. In 2019, the life annuity amount must be at least \$204 per month; that amount is increased each year based on the national salary index.

### **Disability Benefits**

If a participant becomes permanently and totally disabled while employed under the WRS **and** meets the service requirements, they may be eligible for disability benefits. There are various disability programs for WRS participants who become disabled. The program that provides the benefit depends on the timing and duration of the disability as well as the occupation.

**Death Benefits**

Death benefits payable are based on the status of the participant's WRS account on the date of death.

If a participant dies before beginning a WRS retirement or disability annuity, a death benefit will always be payable from the participant's WRS account. If a participant dies as an "inactive" WRS participant (not currently employed in a position covered under the WRS, but has not yet taken a WRS benefit), the death benefit normally consists of the participant's employee required contributions plus accumulated interest. However, if the participant dies while in "active" status (employed in a position covered under the WRS), the minimum death benefit includes both the employee required contributions and accumulated interest, plus a matching amount of employer contributions.

Any voluntary additional contributions to the participant's account plus accumulated interest will also be included for both "active" and "inactive" death benefits.

If the participant has begun receiving a WRS retirement or disability annuity before the date of death, the type and amount of the death benefits (and whether any death benefit is payable) will depend upon the annuity option the participant selected at retirement.