Lump-Sum Payment Information

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of Employee Trust Funds
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Your Wisconsin Retirement System account with the Department of Employee Trust Funds is eligible for a lump-sum payment. This is a one-time payment that then closes the WRS account. The following is important information to consider before you apply for your benefit.

Do I have application deadlines?
You are encouraged to apply for your benefit **immediately**. If ETF does not receive your application by the deadline according to your situation, ETF will automatically pay the benefit, which may be subject to required minimum distribution tax penalties. See the ETF website at etf.wi.gov/required-minimum-distribution for deadlines and more information.

If you are the **spouse** of a member who died before beginning their benefit:

> **To postpone a benefit payment**, you must file a *Beneficiary Designation* (ET-2320) form with ETF by the last working day of September in the calendar year after the original member's death. Search "beneficiary" at etf.wi.gov for help on completing a beneficiary designation form.
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> - **If you postpone distribution of your benefit**, you may only defer the payment until January 1 of the year in which the original member would have reached their requirement minimum distribution age.
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> **To apply for your lump-sum payment**, you must submit your application to ETF within five years of the member's death, by the last working day of September in the fifth calendar year following the year of the member's death.
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> **If you do not apply by the deadline**, you will be subject to an automatic lump-sum payment that may be subject to tax penalties.

If you are the **non-spouse** beneficiary of a member who died before beginning their benefit:

> **To apply for your lump-sum payment**, ETF must receive your application within five years of the member's death, by the last working day of September in the fifth calendar year following the year of the member's death.
>
> - **If you do not apply by the deadline**, you will be subject to an automatic lump-sum payment that may be subject to tax penalties.

What happens if I do nothing?
If no action is taken to apply or communicate with ETF regarding your payment, your benefit may be forced or considered abandoned. If the account is considered abandoned and no response is received, the account will be closed.

Am I able to roll over my lump-sum payment?
You may be able to roll over your payment if it meets certain requirements. See the *Tax Liability on WRS Benefits* (ET-4125) brochure, available at etf.wi.gov for details.

Lump-sum death benefits **can** be rolled over if the taxable amount of the lump-sum benefit is at minimum $200.00 and one of the following also apply:

1. The beneficiary is the **spouse** of the WRS account holder or a trust in which the spouse is the sole beneficiary. You may roll your lump-sum death benefit into an individual retirement account (IRA), 401(k), or other qualified account.

2. The beneficiary is a **non-spouse**, and
    - Has been designated by the original participant on a valid *Beneficiary Designation* (ET-2320) form or according to “standard sequence” which is part of Wisconsin law.
    - A trust that was designated as the beneficiary by the original WRS account holder and whose beneficiaries are all natural persons.
    - Your lump-sum death benefit may only be rolled over into an inherited IRA. For more information about inherited IRAs, see “What if You Inherit an IRA?” in IRS Publication 590-B.
    - It is not past the fourth year after the year of death.

Lump-sum death benefits **cannot** be rolled over if:

- The benefit is under $200.00.
- The beneficiary is an estate or organization.
- You are the beneficiary of a beneficiary.

For more information on rollover options, please see these forms, available on the ETF website:

- *Federal Withholding Requirements and Rollover Options* (ET-7289), page 4
- *Authorization for Direct Rollover* (ET-7355)

Is my lump-sum payment taxable?
Yes, lump-sum benefits are always subject to federal tax withholding unless they are rolled over into another qualified retirement plan. If you are eligible for a lump-sum benefit and you do not roll it over into a qualified account, you will be subject to 20% federal tax withholding.

If you wish to withhold more than the standard 20%, complete IRS Form W-4R and return it to ETF.

If your lump-sum benefit is not eligible for a rollover, ETF can withhold 10% from your benefit or you may pay the taxes you owe when you file your tax return. For information on tax liability, see the ETF website at etf.wi.gov/benefits/taxes-and-my-benefits and the *Tax Liability on WRS Benefits* (ET-4125) brochure.

If you live outside of the United States when you apply for a benefit, use the *Certification of Citizenship for Income Tax Withholding* (ET-4335) form, available on the ETF website.