

# WRS GUIDE TO RETIREMENT



ET-4133 (REV 11/22/2022)



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ETF has made every effort to ensure that this brochure is current and accurate. However, changes in the law or processes since the last revision to this brochure may mean that some details are not current. Visit [etf.wi.gov](http://etf.wi.gov) to view the most current version of this document. Please contact ETF if you have any questions about a particular topic in this brochure.

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## Introduction

This brochure can help you complete a retirement application. It also covers general topics and provides answers to questions frequently asked by members who have met with a Department of Employee Trust Funds benefits specialist.

## How Retirement Benefits Are Calculated

Wisconsin Retirement System benefits are calculated using two separate methods:

- The formula method.
- The money purchase method.

ETF calculates your benefit using both methods and automatically pays the higher amount. Under both methods, any gain or loss from Variable Trust Fund participation and any additional contributions made to your account are reflected in the benefit computation.

A **formula** retirement benefit is calculated using:

- Your final average monthly earnings.
- Your total years of creditable service (including military service credits, if applicable).
- The formula multiplier(s) for your service and employment categories.
- Any age reduction factor(s) based on your age at retirement.

A **money purchase** retirement benefit is calculated by multiplying your current total contributions (employee- and employer-required contributions, plus accrued interest) by an actuarial factor based on your age when the annuity begins. Your money purchase balance is reported on your annual *Statement of Benefits*.

For more information about these calculation methods, see the *Calculating Your Retirement Benefits* (ET-4107) brochure.

# How to Complete Your Retirement Application

You may apply for your WRS retirement benefit up to 90 days before your termination date. You can apply for your benefit up to 90 days after your termination date without losing benefits. If ETF receives your application more than 90 days after you terminate employment, you may lose some benefits. You will receive any late payments retroactively after the account has been set up on estimated payroll. It takes ETF approximately 60 days to process your *Retirement Benefit Estimates and Application* (ET-4301) and establish your estimated monthly WRS benefit payments.

For more information about the application process, see the *Applying for Your Retirement Benefit* (ET-4106) brochure, available at [etf.wi.gov](http://etf.wi.gov) or from ETF.

## **Step 1: Confirm Personal Information**

Confirm your name, birth date, Social Security number, and address (and the joint survivor's name and birth date, if applicable). If you see an error, please correct the information on the retirement estimate. If your birth date or Social Security number are wrong, you may be required to submit legal documentation with the correct information. A birth date error could affect the amount of your monthly annuity benefit.

## **Step 2: Benefit Payment Options**

This is perhaps the most challenging decision of the retirement process. There are pros and cons to weigh among the various options.

### **Lump-sum Payment**

Your eligibility for a one-time, lump-sum payment versus a monthly payment depends on the size of your For Annuitant's Life Only benefit. Annual minimum and maximum amounts are determined by the IRS. See the current rates online at [etf.wi.gov](http://etf.wi.gov).

- If your monthly annuity is less than the minimum amount set by the IRS, you are restricted to a one-time, lump-sum payment.
- If your monthly annuity is at or above the minimum amount, but less than the maximum amount set by the IRS, you may

choose between a lump-sum payment or a monthly payment.

- If your monthly annuity is greater than the maximum amount set by the IRS, you are not eligible for a lump-sum payment and may only take a monthly payment.

If you are eligible for a lump-sum payment, you may be able to roll the benefit over to a qualified plan. For more information, see the *Federal Withholding Requirements and Rollover Options* (ET-7289) and the *Authorization for Direct Rollover* (ET-7355) forms, available from ETF. These two forms only apply if you are eligible for a lump sum and a direct rollover.

If you are only eligible for a lump-sum payment, you may move to step 4; steps 3 and 5 of this process do not apply.

### **Monthly Payment Options**

Everyone who is eligible for monthly payments has three life annuity options. They are:

- For Annuitant's Life Only.
- Annuitant's Life with 60 Payments Guaranteed.
- Annuitant's Life with 180 Payments Guaranteed.

If you provided ETF with information regarding a qualified joint survivor, you have four Joint and Survivor Annuity options. They are:

- 75% Continued to Your Named Survivor.
- 100% Continued to Your Named Survivor.
- Reduced 25% on Death of Annuitant or Death of Your Named Survivor.
- 100% Continued to Your Named Survivor with 180 Payments Guaranteed.

For a full explanation of these choices, please see the *Choosing an Annuity Option* (ET-4117) brochure, available at [etf.wi.gov](http://etf.wi.gov) or from ETF.

**All monthly annuity options provide you with payments for the rest of your life.** However, the options differ in what happens after you pass away.

## How to Complete Your Retirement Application, continued

There are three possible outcomes, depending on the option selected:

1. The annuity stops and no death benefit is payable to beneficiary(ies).
2. Monthly benefits are paid for a guaranteed period. After your death, any remaining payments will be made to beneficiary(ies).
3. A joint and survivor annuity option pays the named survivor as long as they are living.

### Beneficiary Versus Named Survivor

Upon your death, a beneficiary may receive the remaining annuity payments for the guarantee period selected, or a lump-sum payment (if applicable). A named survivor will receive payments for the remainder of their life. A beneficiary can be changed at any time, while a named survivor cannot be changed. You may name multiple beneficiaries. A beneficiary can be a person, a trust, an estate or organization(s).

You can have only one named survivor. A named survivor can be anyone, but federal restrictions on the age difference between you and your survivor may limit options. By law, your spouse or domestic partner has a right to be a named survivor and must waive that right if you do not select a named survivor.

### Accelerated Payments

If you are eligible for accelerated payments, dollar amounts will appear in two columns next to the regular monthly retirement benefit column. These payments provide a higher benefit amount *until* age 62.

Accelerated payments are intended to provide approximately the same income from a WRS annuity alone (prior to age 62), as the combined income you may receive from the WRS and Social Security after age 62. The same annuity options are available. However, an accelerated option consists of both a lifetime annuity payment and a temporary (accelerated) payment that ends at age 62. At that time, your WRS annuity payment automatically decreases permanently when the temporary portion ends, even if you choose not to begin your Social Security benefit.

This means the longer you live after age 62, the more it will “cost” you for the temporary acceleration.

Essentially, you buy the temporary benefit from your after-age-62 lifetime benefit. For more information, see the Accelerated Payment Cost Calculator at [etf.wi.gov](http://etf.wi.gov).

If you are an alternate payee or firefighter interested in receiving accelerated payments, see [Special Concerns Related to Accelerated Payment Options \(ET-4932\)](#).

### Additional Contributions

If additional contributions were made to your account, you will see monthly dollar amounts in the column titled “Employee Additional Contributions Benefit.” You will also see amounts printed for some annuity certain periods (defaulted to pay for 24 months, 60 months, and 120 months), as well as a lump-sum dollar amount. You may choose to delay payment(s) until a minimum distribution based on your age is required. For more information, see “Am I Subject to a Required Minimum Distribution?” in the *Frequently Asked Questions* section of this brochure.

### Changing or Canceling Your Option

You may change your annuity option within 60 days of the date of your first payment. You must request this change in writing. Either submit a [Retirement Annuity Option Change Application \(ET-4319\)](#) form or write a letter expressing your request to ETF.

You may cancel your application for monthly payments if ETF receives your written request no later than the last working day before the 21st of the month in which your first payment is dated. This is 18-20 days after your first payment. If you chose a lump-sum payment, ETF must receive your written request no later than the last working day before the date of your payment.

### Step 3: Joint and Survivor Information (if applicable)

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If you selected a joint and survivor annuity option, complete all of the fields in this section. If your spouse or domestic partner is your named survivor, they do not need to sign the back of the application.

### Step 4: Direct Deposit Authorization

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Direct deposit is the most secure, reliable, and convenient method of receiving payments and is

## How to Complete Your Retirement Application, continued

generally the only payment method used by ETF. Annuity payments can be deposited into your checking, savings, or money market account at the financial institution of your choice. Provide all the information requested in this section and staple a voided check to your application if you selected to direct deposit into a checking account. If you have any questions or concerns, contact ETF at 1-877-533-5020.

You may change the direct deposit location at any time. Submit a new, completed *Direct Deposit Authorization (ET-7282)* form to ETF. Leave your old account open until at least one deposit is received in your new account. Otherwise, your payment may be returned to ETF and may not be paid until the following month.

### **Step 5: Taxability**

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This section tells you how much of your monthly annuity payment will *not* be subject to federal taxes. Members who have made post-tax contributions will see a monthly tax exclusion in this section. The remainder of your monthly benefit is taxable. For more information about taxation of annuities you should contact your tax advisor, see IRS Publication 575, or contact the Wisconsin Department of Revenue or your state's tax agency.

Also see the *Tax Liability on WRS Benefits (ET-4125)* brochure, available at [etf.wi.gov](http://etf.wi.gov) or from ETF.

### **Step 6: Income Tax Withholding Election**

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Most retirement benefits are subject to federal and state tax (if applicable in your state of residence). If you do not have taxes withheld, you are responsible for making any necessary estimated tax payments directly to the taxing authority. Failing to make estimated tax payments may result in tax penalties.

**Federal:** Complete the *Withholding Certificate for Periodic Pension or Annuity Payments* (IRS Form W-4P). If you do not specify how you want taxes withheld, federal regulations require ETF to withhold as if you are single with no adjustments.

**State:** Complete the *Wisconsin Tax Withholding Election for WRS Annuity Payments* (ET-4337) form. Wisconsin income tax withholding is

voluntary. If you do not specify how you want state taxes withheld, ETF will make *no* deductions.

ETF cannot advise you what the proper withholding amount is for you. It is best to contact your tax advisor or the IRS for advice regarding proper withholding. You may use the Income Tax Withholding Calculator, available online at [etf.wi.gov](http://etf.wi.gov).

### **Lump-sum Payment**

If you are eligible for a lump-sum payment, it can either be paid directly to you or rolled over to another qualified plan. Lump-sum payments not rolled over to a qualified plan will have 20% withheld for federal income tax and may be subject to other taxation, such as early withdrawal penalties. If you wish to withhold more than 20% for federal income tax, complete a *Withholding Certificate for Nonperiodic Payments and Eligible Rollover Distributions* (IRS Form W-4R) and submit the completed form to ETF. If you are younger than age 59½, you may be subject to a 10% income tax penalty on early distributions from the WRS (including the amounts withheld for income tax) that are not rolled over.

Direct rollovers are not subject to withholding. Please check the box indicating your choice. If you choose a direct rollover, complete the *Authorization for Direct Rollover* (ET-7355) form available from ETF and submit with your retirement application.

For more information, see the *Tax Liability on WRS Benefits (ET-4125)* brochure and *Federal Withholding Requirements and Rollover Options (ET-7289)* form, available at [etf.wi.gov](http://etf.wi.gov) or from ETF.

### **Step 7: Applicant Information**

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#### **Termination Date of All WRS Employment**

Your termination date is the last day for which you are paid, or if later, the date on which you terminate from an unpaid leave of absence. Enter your anticipated termination date. *If you are an inactive member and do not recall your termination date, you may leave this blank.*

Depending on your employer's policies, you might be able to use vacation time, personal holiday, Saturday holiday, or sabbatical leave to extend your

## How to Complete Your Retirement Application, continued

termination date. Or, you may receive a one-time payout from your employer for your unused leave. If you receive a payout from your employer, the employer will withhold taxes from the payment. If you participate in the Wisconsin Deferred Compensation (WDC) program, you may roll that payment over to the WDC (up to the maximum WDC limits) and avoid withholding until you receive a distribution from WDC. Contact your employer for more information.

### Benefit Effective Date

Select the begin date for your annuity (benefit effective date) by choosing either the earliest possible date or by specifying a later date.

- **Earliest possible date:** If you are terminating employment and intend to begin benefits immediately, check this box. Benefits will begin the day after termination. If you terminated in the last 90 days, ETF can backdate an annuity effective date up to 90 days.
- **Specify a later date:** When a member selects an effective date that is something other than the day after they terminated employment, the annuity must begin on the first of a month. The "Specify Later Date" box is used for this purpose.

If a member dies after terminating all WRS service and before beginning a retirement benefit, the death benefit is generally reduced. Beneficiaries will only be eligible for the member's employee-required contributions, additional contributions (if applicable), and accumulated interest. Employer-required contributions are generally not included.

*Caution:* In many cases it is important for benefits to be effective within 30 days of termination. For example, a person may lose eligibility for group life or health insurance administered by ETF if their annuity is not effective within 30 days of termination. An annuity application received within 90 days of termination can still become effective in time to preserve rights to benefits such as health insurance.

### Step 8: Marital Status

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Check the box indicating your marital status and provide information about your spouse or domestic partner, if relevant. *Even if you provided this earlier in the joint survivor section, please provide it again.*

A spouse or domestic partner must be considered as a named survivor if the couple has been married or in a domestic partnership longer than 12 months. A person can still select an annuity that does not provide a lifetime annuity for their spouse or domestic partner, but the spouse or domestic partner will need to specifically waive their right to this benefit in the application certification section (see step 9).

### Domestic Partnership

Under state law, domestic partners are treated similarly to spouses for some WRS benefits administered by ETF.

Legislative changes made in 2017 modified some of the benefit options previously available to Chapter 40 domestic partners. For more information about these important changes, see the *Domestic Partner Benefits (ET-2166)* brochure or the domestic partnership information available at [etf.wi.gov](http://etf.wi.gov) or from ETF.

### Step 9: Application Certification

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You must sign and date the application. If you have a guardian of the estate or conservator, that person may be required to sign your application instead of you, depending on the powers that the court gave that person. In this case, a copy of the order of guardianship or conservatorship must also be submitted to ETF. A power of attorney may be eligible to sign an application on your behalf depending upon the type of power of attorney. For more information on this, see Chapters 54 and 244, Wis. Stats.

If you have been married or in a domestic partnership for at least one year and do not select a joint survivor option, your spouse or domestic partner must also sign the application, waiving their right to the lifetime benefit that would be provided by a joint and survivor benefit.

### Step 10: Copy and Submit

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Make a copy of both sides of your completed application and mail the original to ETF.

# What to Expect After ETF Receives Your Application

## Acknowledgment

After ETF processes your application, you will receive an acknowledgment letter titled *Notice to Retirement Applicant* (ET-4414). This confirms the selections made on your application. Contact ETF as soon as possible if you find any discrepancies.

## Annuity Payment Statement

The week before you get paid for the first time, ETF will send an *Annuity Payment Statement* (ET-7211). The statement shows your first payment amount. After this first statement, ETF will only send a statement if there is a change to your payment amount (e.g., tax withholding changes, annuity adjustments, etc.).

## Payments

Payments are made for the previous month. For example, if you retire on June 1, the first payment is made July 1 for the month of June. If you retire in the middle of the month, your first payment will be prorated based on your termination date. Annuities are direct deposited on the first *business day* of each month.

## Final Calculation

Annuity payments begin based on an estimated payment amount. The amount is estimated because ETF does not always have final information about earnings, service, and contributions when a retirement benefit begins.

Between 6-12 months after retirement, ETF will send you a *Notice of Final Retirement Annuity Calculation* (ET-4820). This is a recalculation of your annuity benefit based on the final information submitted to ETF by your employer. At that time, if your annuity was underestimated, you will receive a lump-sum adjustment for the difference. If your annuity was overestimated, your annuity will be permanently reduced by an amount that results in recovering the overpayment during the life of your annuity (this is a present value offset). If you wish to avoid the permanent reduction, you may send a check to ETF for the overpayment.

## Tax Statement (1099-R)

If you are a U.S. Citizen or a resident alien, ETF will send you a 1099-R statement annually by January 31, providing information necessary to complete your tax return. You do not need to request this information.

The 1099-R will provide:

- The annual gross amount of your benefit payment(s).
- The taxable portion of your WRS distribution(s).
- The total amount withheld for life and health insurance premiums, and federal and Wisconsin state income taxes, if any.

If you have more than one WRS annuity account (for example, you receive an annuity from both your own WRS account and as a beneficiary of another account), you will receive a separate annual 1099-R tax statement for each of your annuity accounts.

It is important that you file copies of all your 1099-R forms with your annual tax returns, if required by the taxing authority. The 1099-R forms will be mailed in separate envelopes and may arrive on different days.

If you are receiving monthly payments in the year in which you turn age 59½, IRS regulations require ETF to provide you with two 1099-R statements for that calendar year. One will reflect the income you received for the time you were under 59½ years of age. The other will reflect the income you received after you turned age 59½.



## Eligibility for Other Benefits

### Health Insurance

If you are a WRS-covered state employee and insured under the State of Wisconsin Group Health Insurance Program, you are entitled to continue the insurance for life after your retirement.

If you are an insured local government employee when you begin a retirement benefit, you may continue coverage as long as your former employer participates in the group health insurance program.

Whether you are a state or local employee, it is important to be enrolled in an ETF-administered group health plan at the time of your termination if you intend to continue coverage during retirement. Even if you do not intend to continue coverage after retirement, coverage upon termination may be required to preserve future eligibility, as well as eligibility for related benefits like saving sick leave credits for state employees. See your employer's benefits representative for more information.

If you subscribe to any of the health insurance options administered by ETF, you are required to apply for Medicare Part A and Part B when you are first eligible. For most members, that is age 65 or at the end of active employee health insurance, whichever is later. If you do continue your ETF-administered group health insurance, shortly before you or your spouse turn age 65 you will receive a reminder to enroll in Medicare Parts A and B.

When you are Medicare eligible, visit ETF's website for important information about your health care options and frequently asked questions. Complete the [Medicare Eligibility Statement \(ET-4307\)](#) and return it to ETF with a copy of your Medicare card. Your health insurance premiums will decrease when you or your spouse are enrolled in Medicare.

### Local Employees Health Insurance

#### ***Employer participates in the Wisconsin Public Employers (WPE) Group Health Insurance Program***

If your employer participates in the WPE Group Health Insurance program, your health insurance will continue automatically if you take an immediate

annuity. Your employer must complete the [Local Employer Verification of Health Insurance Coverage \(ET-4814\)](#) and send a copy to ETF. You should receive a copy as well.

This form only applies if your local employer participates in the WPE program, and is available from your employer. After any employer-paid premiums are exhausted, premiums will automatically be deducted from your annuity. Be aware that premium deductions from annuities are taken one month in advance (e.g., October's premium is taken from September's annuity). These premiums are adjusted annually.

#### ***Employer does not participate in the Wisconsin Public Employers (WPE) Group Health Insurance Program***

Retiring employees whose local employer does not participate in the WPE Group Health Insurance Program may have rights to other types of continuation coverage through their employer. Contact your employer directly for more information.

Employees may also be eligible to enroll in the Local Annuitant Health Program (LAHP). LAHP was established to provide group health insurance for retirees from local public employers whose group health insurance with their former employer does not meet their needs or is not permanently available after retirement.

There are two open enrollment opportunities available for you and your dependents to enroll in the LAHP without evidence of insurability:

1. You may apply within 60 days after the date you retire from local government employment. To ensure that your coverage begins as soon as possible after retirement, it is best to file for your annuity and health insurance benefits before you retire.
2. You may apply when you become age 65 and/or first enroll in Medicare Part B if you are over age 65. This open enrollment period extends for seven months:
  - The three calendar months before you turn age 65 or enroll in Medicare Part B.

## Eligibility for Other Benefits, continued

- The calendar month in which you turn age 65 or enroll in Medicare Part B.
- The three calendar months immediately following the month you turn age 65 or enroll in Medicare Part B.

For more information on this plan, see the health benefits decision guide for the LAHP program, available at [etf.wi.gov](http://etf.wi.gov) or from ETF.

### State Employees Health Insurance

For state employees to continue coverage, your retirement benefit effective date must be within 30 days after you terminate employment. If it is, the coverage in effect on your termination date will automatically continue. If you do not want coverage to continue during retirement, you must submit a [Health Insurance Application/Change \(ET-2301\)](#) form or a letter to ETF to cancel your health insurance. See the following sick leave section if you plan to save your sick leave.

Former state employees who do not take an immediate annuity may enroll in the program, but the effective date of their coverage will be delayed. Premiums are deducted either from your Accumulated Sick Leave Conversion Credits (ASLCC) or from your annuity. If your annuity is not large enough to make the payment, the health insurance company will bill you directly. Premiums change annually.

For more information, see the [Group Health Insurance \(ET-4112\)](#) brochure.

### Sick Leave

State employees may have the right to have accumulated sick leave converted to credits for the payment of health insurance premiums (ASLCC). In general, to be eligible, your annuity must begin within 30 days of termination and you must be enrolled in the State of Wisconsin Group Health Insurance Program at the time of retirement. Employers report sick leave conversion values to ETF for eligible state employees and premiums are automatically deducted from sick leave credits.

You may also enroll in comparable coverage and escrow your sick leave credits by completing the [Sick Leave Credit Escrow Application \(ET-4305\)](#).

Some state employees who meet certain eligibility requirements may retain sick leave credits under other conditions.

For additional information, see the [Sick Leave Credit Conversion Program \(ET-4132\)](#) brochure, available online at [etf.wi.gov](http://etf.wi.gov) or from ETF.

### Life Insurance

All state and some local employers participate in the life insurance program through the WRS. If you are enrolled when your annuity begins and you have been covered for five calendar years, your coverage continues automatically. The value of your life insurance is based on the highest calendar year earnings period reported to ETF.

Premiums are required until you reach age 65 and will automatically be deducted from your annuity payment. The premium amount may increase during retirement. Upon turning age 65, any additional or supplemental coverage ends and the basic coverage diminishes to 75% of its maximum value. At age 66, the basic coverage diminishes to 50% of its maximum value. For many local employees, at age 67, the basic coverage diminishes to 25% of its maximum value. If you retire after age 65, any supplemental and additional coverage ends and your basic life insurance will be based upon your current age. After your annuity begins, ETF will send a [Group Life Insurance Certification of Coverage \(ET-4802\)](#) form that shows the amount of your coverage and how it changes as you age.

Spouse and Dependent Coverage ends at termination for members who have not had coverage in five calendar years. However, Spouse and Dependent Coverage can be converted to a regular policy. If you are interested in this, request information by completing the [Wisconsin Public Employers Group Life Insurance Conversion to Individual Whole Life Insurance Policy \(ET-2306\)](#) form and return it to Securian.

If you wish to terminate your life insurance during retirement, complete the [Life Insurance Application/Cancellation/Refusal \(ET-2304\)](#) form.

## Eligibility for Other Benefits, continued

Upon reaching its final diminished amount, you may be eligible to convert your life insurance to pay for health insurance or long-term care insurance premiums. For more information, see the [Converting Your Group Life Insurance to Pay Health or Long-term Care Insurance Premiums \(ET-2325\)](#) brochure. For an estimate of the conversion value of your life insurance, contact ETF.

For more information, see the [Group Life Insurance After You Terminate Employment \(ET-4104\)](#) brochure.

### Supplemental Benefits

Any retiree who is eligible for the group health insurance program is also eligible for the supplemental vision and dental programs.

A subscriber who terminates employment and begins their annuity must complete and submit a retiree enrollment form to the vendor. This must be done within 60 days of coverage termination as an active employee.

Employees enrolled in a supplemental plan may continue coverage with that plan following retirement by paying premiums directly to the vendor.

Employees of local employers who do not participate in the state of Wisconsin supplemental dental and/or vision programs can enroll at retirement as a loss of other coverage life event if the following apply:

- The employee was enrolled in a supplemental dental and/or vision plan offered by their local employer as an active employee,
- and
- Their local employer does not offer retiree coverage for supplemental dental or vision.

Outside of this life event, local retirees are eligible to enroll during open enrollment to be effective January 1 of the following calendar year.

### Creditable Service

Buying creditable service can increase an annuity benefit. You must purchase the creditable service *before* your termination date.

There are three service purchase types:

#### 1. Qualifying Service

Non-teaching employees who began employment prior to January 1, 1973 did not qualify for participation in the WRS for the first six months of employment. This *qualifying period* may be purchased.

#### 2. Forfeited Service

If you ever took a WRS separation benefit (a lump-sum withdrawal of employee contributions), you forfeited creditable service and employer contributions. This service can be purchased.

#### 3. Other Governmental Service

If you worked for a non-WRS government employer, including the military, you may be eligible to purchase WRS-creditable service for that employment.

For more information, see the [Buying Creditable Service \(ET-4121\)](#) brochure. If eligible, contact ETF to request an estimate to purchase service.

### Military Service

In some instances, active U.S. military service that occurred before 1974 may be counted as WRS-creditable service. This can increase a formula benefit. Eligible members may receive one year of military service credit for each five years of WRS-creditable service, up to a maximum of four years. A member who was called to active duty and later returned to employment with the same employer may also be eligible for credit for service and earnings under the Uniformed Services Employment and Reemployment Rights Act (USERRA).

Visit [etf.wi.gov](http://etf.wi.gov) for more information.

### Reciprocity

Limited benefit reciprocity is available between the WRS, the City of Milwaukee Employees' Retirement System, and the Milwaukee County Employees' Retirement System. You may benefit from this if you are not yet retired and you have a retirement account with at least two of these retirement systems. For more information, see the [Reciprocity \(ET-7364\)](#) brochure, available at [etf.wi.gov](http://etf.wi.gov) or from ETF.

## Frequently Asked Questions

**Q: Is there a better time of the year to retire?**

A: A money purchase annuity is based on the balance in your retirement account. A money purchase balance changes as a result of contributions and interest. For long-term employees, interest usually affects the account balance the most. Annual interest is credited to accounts when money is on deposit for the entire year.

If you have not yet terminated employment, you should determine whether the guaranteed prorated interest based on your termination date is more advantageous (5.0% prorated based on the month of termination) or whether you would rather receive the full effective rate by staying actively employed for the full calendar year.

A Formula annuity is calculated using the following formula:

$$\text{Final Average Earnings (FAE)} \times \\ \text{Formula Multiplier} \times \text{Creditable Service} \times \\ \text{Age Reduction Factor}$$

In most cases, the last years of earnings are the highest years, so it may be beneficial to complete an additional annual earnings period before retirement. For teachers, educational support, and judges, the annual earnings period is the fiscal year (July 1 to June 30). All other employees' annual earnings are reportable based on the calendar year.

**Q: Should I update my beneficiary designation?**

A: Survivor benefits are always paid based on the most recent valid beneficiary designation received by ETF prior to an individual's death. Members should review their current beneficiary designation periodically and update it as necessary.

A beneficiary designation does not change automatically when significant life events occur, such as a divorce or remarriage. For example, if a member named a spouse as their primary beneficiary, and that marriage ends, the former spouse will remain the member's named beneficiary unless ETF receives a new beneficiary designation.

You may file a beneficiary designation for any WRS annuity which has guaranteed payments (Life Annuity with 60/180 Payments Guaranteed or 100% Continued to Joint Survivor with 180 Payments Guaranteed). You may also file one if you have life insurance under the WRS.

See the [Beneficiary Designation \(ET-2320\)](#) or [Beneficiary Designation-Alternate \(ET-2321\)](#) form.

**Q: How does Variable Trust Fund participation affect my benefits?**

A: If you elected to participate in the Variable Trust Fund, you took on additional investment risk for the potential of greater gains and losses. Deciding whether to remain in the Variable Fund is a personal decision, and it should be based on factors such as how much of your account is in the Variable Fund and your overall risk tolerance. ETF cannot advise you on the best course of action because we do not know your personal situation and, like you, we cannot predict future stock market performance.

For more detailed information about the affects of Variable Fund participation, including canceling participation, see the [Variable Trust Fund \(ET-4930\)](#) brochure.

**Q: Will the amount of my annuity ever change?**

A: Each year, annuities are adjusted based on the market results of the prior calendar year. These adjustments are reflected on the May 1 payment and will apply until the next adjustment is made the following year. Annuity adjustments can be positive or negative. Some years an annuity will receive positive adjustments. Those gains can be taken away by market losses at a later time. However, the Core Trust Fund portion of an annuity cannot be reduced below the final calculated Core amount of the annuity when it first began. For those who participate solely in the Core Fund, your annuity will never drop below your final calculation. There is no limit to the amount the Variable portion of an annuity can be reduced.

## Frequently Asked Questions, continued

For more information, see the [Variable Trust Fund \(ET-4930\)](#) and [Canceling Variable Participation \(ET-2313\)](#) publications.

### **Q: What happens if I return to work?**

A: Some WRS annuitants pursue employment after retirement. Due to legislative changes, the rules regarding returning to work for a WRS employer differ, depending upon your WRS-termination date.

If you terminated WRS employment on or after July 2, 2013:

If you are rehired and meet the current WRS eligibility standards (two-thirds of full time), your annuity will be suspended until you re-retire. You do not have a choice on participating in the WRS again if you meet this participation standard.

If you are rehired and you work *less than* two-thirds of full time in your new position, what happens to your annuity depends on when you were first employed in a WRS position:

- If you first began work under the WRS *before* July 1, 2011, and you return to work for a WRS employer in a position that is at least one-third of full time, you may elect whether you want to continue or stop your annuity.
- If you first began work under the WRS *on or after* July 1, 2011, and you return to work for a WRS employer in a position that is less than two-thirds of full time, you may not become a participating employee. Your annuity will continue.

Generally speaking, annuitants must have a valid termination of employment and be separated from WRS employment for at least 75 days before they can return to WRS-covered employment. If an annuitant does not separate for at least 75 days, the retirement will be considered invalid.

Elected officials under the WRS who have reached age 55 (age 50 for protective occupation participants), and are employed in both a part-time local elected service position and other WRS-covered employment, may receive an

annuity only after terminating the other WRS employment and waiving their rights to further WRS participation for their part-time local elected service. A WRS annuitant who returns to work as a part-time elected official during the required break in service may waive participation in the WRS to avoid cancellation of the annuity.

For detailed information about returning to work for a WRS employer, see the [Information for Rehired Annuitants \(ET-4105\)](#) brochure.

### **Q: Am I subject to a required minimum distribution?**

A: Once you have terminated WRS employment, federal law requires you to begin receiving your WRS payments by a certain date, depending on your age. This is called a required minimum distribution (RMD).

It is important for you to contact ETF before an automatic distribution is required. Once an automatic distribution is paid, your WRS account is closed and you cannot return your payment or choose another payment option.

The SECURE Act of 2019 changed the age at which RMDs must begin. If you were born July 1, 1949 or later, your first RMD will be in the year you turn age 72. If you were born before July 1, 1949, the age remains 70½.

### **You are Covered by the New RMD Law if You Were Born July 1, 1949 or Later**

If you are still working under the WRS but plan to stop working during the year you turn age 71 or before, you must apply by the end of the calendar year:

- If you stop working, and apply for WRS benefits, you may defer your benefit effective date until no later than March 1 of the calendar year you reach age 73.
- If you stop working, but do not apply for WRS benefits, ETF must begin your WRS payments the calendar year you turn age 72.
- If you will continue working under the WRS after you reach age 72, your WRS benefit

## Frequently Asked Questions, continued

payment must begin on or before March 1 of the year after you retire. This means you must apply for your WRS payments by December 31 of the year you retire.

### **You are Covered by the Old RMD Law if You Were Born Before July 1, 1949**

If your date of birth is before July 1, 1949, and you are still working for a WRS employer:

- When you stop working, your WRS benefit must become effective on or before March 1 of the following year. To do this, you must apply for WRS payments by December 31 of the year you retire.
- If you stop working, but do not apply for WRS benefits, ETF must begin your WRS payments the next calendar year. If you do not apply by the deadline, you will be subject to an automatic one-time (lump-sum) payment. This payment may be subject to tax penalties.

For more information, see the [Tax Liability on WRS Benefits \(ET-4125\)](#) brochure.

### **Q: In the event of divorce, can my annuity be affected?**

A: Upon receipt of a Qualified Domestic Relations Order (QDRO), ETF can divide your WRS account or annuity for marriages legally terminated after 1981 by divorce, annulment, or legal separation. A QDRO divides an account or annuity by awarding a percentage to the member's former spouse or domestic partner (not to exceed 50% of the total value of the account or annuity as of the decree date).

For more information, see the [How Divorce Can Affect Your WRS Benefits \(ET-4925\)](#) brochure.

### **Q: What happens if payments are issued after my death?**

A: Annuity payment(s) issued after your death must be returned promptly to ETF (even if you elected a benefit option where payments continue to a named survivor after your death). Any checks cashed or deposits removed from your bank account after your death will become a legal

liability for the individual cashing the checks or withdrawing the deposits.

It is important that ETF is notified of your death as soon as possible. We will review your account to determine if any death benefits are payable to your named survivor or beneficiary(ies).

### **Q: What should I do if I am permanently disabled?**

A: If you are permanently disabled you may wish to instead consider applying for a disability retirement annuity under Wis. Stat. §40.63. For more information please see the [Disability Retirement Benefits \(ET-5107\)](#) brochure.

### **Q: Are there any special tax exclusions for retired Public Safety Officers?**

A: Since 2009, eligible, retired public safety officers can elect to have health and long-term care insurance premiums deducted from their WRS annuities, including insurance plans offered by providers other than the State of Wisconsin.

If the retired public safety officer meets federal eligibility requirements, they may be eligible for an annual income tax exclusion for insurance premiums paid by annuity deduction. A public safety officer is defined by federal law [26 USC 402 (l) (4) (c)] as an individual serving a public agency in an official capacity, with or without compensation, as a law enforcement officer, a firefighter, a chaplain, or as a member of a rescue squad or ambulance crew. ETF does not determine who is and who is not eligible for this federal tax exclusion.

For more information for retired public safety officers, go to [etf.wi.gov](http://etf.wi.gov).

# Definitions

## **Accelerated Payment**

A WRS annuity option that provides a higher monthly payment until the annuitant reaches age 62. At age 62, the temporary increase ends and the remaining WRS annuity payment decreases by the projected amount of the annuitant's age-62 Social Security benefits.

## **Age Reduction Factor**

A reduction in a WRS formula retirement benefit when an individual receives a benefit before their normal retirement age. The percentage that the benefit is reduced is based on the individual's age and the statutory normal retirement age for their employment category.

## **Alternate Payee**

The former spouse or domestic partner of a WRS member to whom the court has awarded a percentage of a member's WRS account or annuity through a Qualified Domestic Relations Order.

## **Annuitant**

A person receiving a monthly benefit payment (annuity). This could be a member, a survivor of a deceased member, or a former spouse that is receiving a retirement, disability, or death benefit.

## **Annuity**

A series of monthly payments payable during the life of the annuitant or during a specific period of time.

## **Annuity Certain**

A monthly annuity paid for a specific number of months only, rather than for the annuitant's lifetime. A WRS annuity certain can only be paid from voluntary employee additional contributions and is available for a period of 24-180 months.

## **Beneficiary**

A person, entity, trust, or estate designated by a WRS member to receive their benefits upon their death.

## **Core Trust Fund**

One of two trust funds in which the assets of the WRS are placed and managed by the State of Wisconsin Investment Board (SWIB). The Core Fund is a fully diversified, balanced fund containing a mixture of holdings such as stocks and bonds. All WRS members participate in the Core Fund.

## **Creditable Service**

The years of service for which a WRS member has received credit under the WRS. This includes all service for which contributions have been made, purchased service, and any retirement service credit granted by the employer prior to the date the employer joined the WRS.

## **Estimated Payments**

The amount of a new retiree's first several monthly payments. Once the employer reports the member's final earnings, contributions, and service, ETF does a final annuity calculation and adjusts the annuity retroactive to the annuity effective date.

## **Final Average Earnings (FAE)**

The average monthly earnings component used in a formula retirement benefit calculation. The average is calculated by adding the highest earnings for three calendar years (fiscal years for teachers, judges, and educational support personnel) and dividing this total by the creditable service earned during these years, then dividing by 12. The three years used are those in which reported earnings were the highest; they do not need to be consecutive, nor the last years reported.

## **Forfeited Service**

If a member takes a separation benefit (a lump-sum withdrawal of the employee's contributions), the member's account is closed. All service and employer contributions credited to the account are forfeited. If the member returns to WRS employment, the forfeited service can be purchased if the member meets certain eligibility criteria.

## **Formula Benefit**

One of two methods for calculating WRS benefits. A formula benefit is calculated based on a member's final average earnings, years of service, a formula factor based on the member's employment category(ies), and any applicable age reduction factor for early retirement.

## **Formula Multiplier**

A percentage factor used to calculate a formula benefit. There are different formula factors for different WRS employment categories.

## Definitions, continued

### **Guarantee Period**

The minimum number of months for which a life annuity will be paid. If the annuitant dies before the guarantee period ends, the beneficiary(ies) will receive the remainder of the payments.

### **Joint or Named Survivor**

A member may select one of several joint and survivor monthly annuity options that provide a lifetime annuity for the member and for one joint survivor, who is most often a spouse or domestic partner. The joint survivor must be named on the annuity application form. Once the annuity option change deadline has passed, that named joint survivor can never be changed or eliminated. Certain age restrictions apply to named survivors who are not the member's spouse.

### **Life Annuity**

An annuity paid for the lifetime of the annuitant.

### **Lump-sum Payment**

A WRS benefit paid to a member, beneficiary, or alternate payee in one lump sum.

### **Military Service**

Active service earned in the U.S. armed forces which is then credited toward retirement for members of the WRS.

### **Money Purchase Benefit**

One of two methods for calculating WRS benefits. A Money Purchase benefit is calculated based only on the applicant's age when the benefit is paid and the amount of money in the account available to fund the benefit.

### **Other Governmental Service**

Employment with a non-WRS public employer at the federal, state, or local level. Members may be able to purchase this service.

### **Qualifying Service**

Non-teaching members hired prior to January 1, 1973 were required to serve a qualifying period, usually the first six months, which was not covered under the Wisconsin Retirement Fund (now part of the WRS). Eligible members may buy this service.

### **Required Minimum Distribution**

The minimum amount that federal law requires a qualified retirement plan (such as the WRS) to distribute from a member's account by certain deadlines.

### **Separation Benefit**

A lump-sum payment consisting of the employee-required contributions, voluntary additional contributions (if applicable), and the accumulated interest. All service and employer-required contributions are forfeited and the WRS account is closed by taking a separation benefit.

### **Termination Date**

The last day for which a member is paid, or if later, the date on which a member terminates from an unpaid leave of absence. Members can verify their termination date by contacting their last WRS employer.

### **Variable Trust Fund**

One of two trust funds into which the assets of the WRS are placed and managed by the State of Wisconsin Investment Board (SWIB). The Variable Fund is primarily a stock fund, which results in a greater degree of risk due to the volatility of the stock market.



Cover photo courtesy of the Wisconsin Department of Tourism.

# Contact ETF

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