

WRS GUIDE TO RETIREMENT



ET-4133 (2/9/2016)



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WRS Guide to Retirement

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The following information will walk you through completing a retirement application, cover general topics and provide answers to frequently asked questions. This material will answer the same questions that would be asked if you met with a benefits specialist in person. This brochure references a number of publications that contain more specific information. Visit etf.wi.gov/members/how_to_retire.htm for more information and links to these forms and brochures.

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. The most current version of this document can be found at etf.wi.gov. Please contact ETF if you have any questions about a particular topic in this brochure.

ETF does not discriminate on the basis of disability in the provision of programs, services or employment. If you are speech, hearing or visually impaired and need assistance, call toll free 1-877-533-5020 or 608-266-3285 (local Madison). We will try to find another way to get the information to you in a usable form.

How Retirement Benefits Are Calculated

The Department of Employee Trust Funds calculates retirement benefits using two methods:

- the Formula calculation method, and
- the Money Purchase calculation method.

Benefits are paid based on whichever results in a higher benefit. The higher paying method is shown on page 1 of your *Retirement Benefit Estimates and Application* (ET-4301).

The Formula calculation is based on the total years of service in your employment category(ies), the formula multiplier for your employment category(ies), military service credit (if applicable), the three high years of earnings to determine the final average monthly earnings and the age reduction factor (if applicable and based on age at the date of retirement). An age reduction factor is applied if you retire before normal retirement age with less than the required years of service. If you elected to participate in the Variable Fund and your account has an excess or a deficiency, this information is also factored into this calculation method.

The Money Purchase calculation is based on the current total contributions (employee and employer required, plus interest accrued), the actuarial factor based on age at the date of retirement and assumed interest based on the termination date (.416% interest for each full month the money stays on deposit at ETF).

For more information about these calculation methods, see [Calculating Your Retirement Benefits](#) (ET-4107).

How to Complete Your Retirement Application

You may apply for your benefit up to 90 days before your termination date. It takes ETF approximately 60 days to process your application and establish your estimated payments. You can apply for your benefit up to 90 days after your termination date without losing benefits. An application received more than 90 days after termination may result in the loss of some benefits. You will receive any late payments retroactively after the account has been set up on estimated payroll.

For more information on the application process, see [Applying for Your Retirement Benefit \(ET-4106\)](#).

Step 1: Confirm Personal Information

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

Eligibility for a lump sum versus a monthly payment depends on the size of your annuity. If your monthly annuity figure for the "For Annuitant's Life Only" option is less than \$190 (for 2016), you are restricted to a lump sum payment. If your annuity is at least \$190 (for 2016) but less than \$388, you may choose between a lump sum payment or a monthly option. If your monthly annuity is \$388 (for 2016) or more, a lump sum payment is not available.

If you are eligible for a lump sum, you may choose to roll the benefit over to a qualified plan. For more information, see [Federal Withholding Requirements and Direct Rollover Option \(ET-7289\)](#) and the [Authorization for Direct Rollover](#)

(ET-7355), 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 document do not apply.

- **Monthly Payments**

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; and,**
- **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; and,**
- **100% Continued to Your Named Survivor with 180 Payments Guaranteed.**

For a full explanation of these choices, please see [Choosing an Annuity Option \(ET-4117\)](#).

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

- **The annuity stops and there is no death benefit payable to beneficiary(ies);**
- **Annuities payable for a guaranteed period are still in effect and the remaining payments will be made to a beneficiary;**
- **A joint and survivor annuity option was selected and, as long as the named survivor is living, they will receive benefits.**

How to Complete Your Retirement Application (continued)

- **Beneficiary Versus Named Survivor**

Upon your death, a beneficiary will receive the remaining payments from an annuity for a guaranteed period; whereas 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 difference in age between you and your survivor may limit the options. By law, your spouse or domestic partner has a right to be a named survivor and must waive that right if a survivor option is not selected.

- **Accelerated Payments**

If you are eligible for accelerated payments, dollar figures will appear in two columns next to the regular monthly retirement benefit column. Choosing an accelerated payment means you will get more money while you are younger; then, after you turn age 62, your benefit will decrease. That decrease in benefits at age 62 is permanent and it is assumed you will initiate benefits from Social Security at that point. 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.

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 figures in the column titled “Employee Additional Contributions Benefit.” You will also see dollar figures printed for annuity certain periods (defaulted to pay for 24 months, 60 months and 120 months), as well as a lump sum dollar amount. You also 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?* on Page 13 of this brochure.

- **Changing or Canceling Your Option**

You may change your 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 form \(ET-4319\)](#) 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 to 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.

For more information on annuity options, see [Choosing an Annuity Option \(ET-4117\)](#).

Step 3: Joint and Survivor Information (if applicable)

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.

How to Complete Your Retirement Application (continued)

Step 4: Direct Deposit Authorization

Direct deposit is the only payment method available for ETF benefits. Please provide all the information requested in this section and staple a voided check to your application if you selected a direct deposit into a checking account. If you have any questions or concerns, you may contact ETF toll free at 1-877-533-5020 or 608-266-3285 (local).

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

Step 5: Taxability

This section tells you how much of your monthly 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. The tax treatment of WRS benefits is generally similar for federal and Wisconsin income tax purposes. Other states may treat WRS benefits differently. For more information about taxation of annuities you should:

- Contact your tax advisor;
- See IRS Publication 575;
- Contact the Wisconsin Department of Revenue or your state's tax agency.

For more information, see *Tax Liability on WRS Benefits (ET-4125)*.

Step 6: Income Tax Withholding Election

Most retirement benefits are subject to federal and state tax (if applicable in your state of residence). You may elect whether or not to have federal tax and Wisconsin state tax withheld from your benefit. If you do not have tax 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 Tax: Select a filing status (married or single) and a number of exemptions. Selecting single status will cause a higher amount to be withheld. Selecting a higher number of exemptions will cause a lower amount to be withheld. You may also specify an additional amount to be withheld.

State Tax: Select a filing status (married or single) and a number of exemptions. You may also specify an additional amount to be withheld, or Wisconsin tax law also allows you to set a specific dollar amount for withholding. 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. Complete and mail ETF an *Income Tax Withholding Election (ET-4310)* form.

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 are younger than 59 1/2, 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)* available from ETF and submit with your retirement application.

For more information, see *Tax Liability on WRS Benefits (ET-4125)* and *Federal Withholding Requirements and Direct Rollover Option (ET-7289)*.

How to Complete Your Retirement Application (continued)

Step 7: Applicant Information

Termination Date of All WRS Employment

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 time on payroll, or you may receive it as a one-time payout from your employer. If you receive a payout from your employer, they 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 allows) and avoid withholding until you receive a distribution from WDC. Please 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 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 back date an annuity effective date up to 90 days.

Specify a later date: When a member wishes to select 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.

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

Check the appropriate box indicating your marital status and provide the information about your spouse or domestic partner if relevant. *Even if you provided this information 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 which does not provide a lifetime annuity for their spouse or domestic partner, but their spouse or domestic partner will need to waive their right to this benefit in the application certification section (see Step 9).

Domestic Partnership

Under state law, same-sex and opposite-sex domestic partners are treated similarly to spouses for benefits administered by ETF, including the Wisconsin Retirement System, group health insurance, deferred compensation, life insurance and other programs. An *Affidavit of Domestic Partnership form (ET-2371)* must be received and approved by ETF to establish a Chapter 40 domestic partnership. Please see the domestic partnership information on ETF's Internet site at etf.wi.gov/publications/domestic_partners.htm or call ETF to request the packet. When "domestic partner" is used in this brochure, it means a Chapter 40 domestic partnership is in effect at ETF.

For more information see *Domestic Partner Benefits (ET-2166)*.

How to Complete Your Retirement Application (continued)

Step 9: Application Certification

You must date and sign the application. A guardian or conservator of your estate may sign the application. In this case, a copy of the order of guardianship must also be submitted. 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 are married or in a domestic partnership 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

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, we will send you an acknowledgment letter titled *Notice to Retirement Applicant* (ET-4414). This form confirms the selections made on your application. Contact ETF 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*. The statement shows your first payment amount and a breakdown of any lump sum adjustments for back pay. After this first statement, ETF only sends a statement if there is a change to your payment (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 and 12 months after retirement, ETF will send you a *Notice of Final 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 receive a monthly annuity, ETF will send a 1099-R form by January 31 each year. The 1099-R shows the amount of income tax withheld, the total amount of your benefit and the taxable portion of your benefit for the prior year. You will need it when you file your income tax forms. If you receive a lump sum payment, ETF will send your 1099-R form soon after your payment is direct deposited.

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. The 1099-R forms will be mailed in separate envelopes and may arrive on different days.

Eligibility for Other Benefits

Health Insurance

If you are a WRS-covered state employee and insured under our group health insurance program, you are entitled to continue the insurance for life upon 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 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 conversion of sick leave credits for state employees. See your employer's benefits representative for more information.

If you do continue your WRS-covered 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. Complete the [Medicare Eligibility Statement \(ET-4307\)](#) and return it with a copy of your Medicare card. Your health insurance premiums will decrease when you or your spouse are enrolled in Medicare.

Local Employees

Employer participates in the Wisconsin Public Employer (WPE) Group Health Insurance Program:

Employees whose local employer participates in the WPE Group Health Insurance Program have the right to continue coverage, but continuation is not automatic. Your employer must complete the [Verification of Health Insurance Coverage and Local Employer Paid Annuity Transfer Report \(ET-4814\)](#) and you must return the form to ETF with your retirement application. This form only applies if your local employer participates in the WPE program. You can obtain it from your employer. After any employer paid premiums are exhausted, premiums will automatically be deducted from your annuity. Please 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 Employer Group Health Insurance Program (WPE):

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 Annuity 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 windows of opportunity to sign up for this plan without providing evidence of insurability: one upon retirement, one when you turn age 65 (at which time it becomes a supplemental policy).

For more information on this plan, see the [Local Annuity Health Program \(ET-9019\)](#).

State Employees

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 Form \(ET-2301\)](#) or a letter to ETF to cancel your health insurance. Please see the following sick leave section if you are planning to escrow 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 on a yearly basis.

Eligibility for Other Benefits (continued)

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

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 Escrow Application \(ET-4305\)](#). Some state employees who meet certain eligibility requirements may retain sick leave credits under other conditions.

For more health insurance related information see: [Group Health Insurance \(ET-4112\)](#)

For information on premiums see:

- [Sick Leave Conversion Credit Program \(ET-4132\)](#)
- [Sick Leave Escrow Application \(ET-4305\)](#)

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 turn 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. At age 66, the basic coverage diminishes to 50% of its maximum. For some local employees, at age 67, the basic coverage diminishes to 25% of its maximum. 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 *Certification of Group Life Insurance* (ET-4802) that shows the amount of your coverage and how it changes as you age.

Spouse and Dependent Coverage ceases at termination, as well as for those who have not had coverage in five calendar years, but it can be converted to a regular policy. If you are interested in this, request information by completing [Conversion Information \(ET-2306\)](#) and return it to Minnesota Life Insurance.

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

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 [Converting Your Group Life Insurance to Pay Health or Long-Term Care Insurance Premiums \(ET-2325\)](#). For an estimate of the conversion value of your life insurance, contact ETF.

For more information on life insurance, see [Group Life Insurance After You Terminate Employment \(ET-4104\)](#) <http://etf.wi.gov/publications/et4104.pdf>.

Eligibility for Other Benefits (continued)

Creditable Service

Buying creditable service can increase an annuity benefit. You must purchase the creditable service *before* your termination date. See below for the three service purchase types:

- **Qualifying Service**

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

- **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.

- **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 [Buying Creditable Service \(ET-4121\)](#). If eligible, contact ETF to request an estimate to purchase service.

Military Service

In some instances, active U.S. military service 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 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).

For more information, see [Military Service Credit \(ET-4122\)](#).

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 [Reciprocity \(ET-7364\)](#).

Frequently Asked Questions

Q: Is there a Better Time of the Year to Retire?

A: Money Purchase Annuities—A Money Purchase annuity is based on the actual money 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.

For more information, see [WRS Interest Crediting \(ET-7373\)](#).

Formula Annuities—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: 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. Filing a beneficiary designation informs ETF who would receive your benefit upon your death.

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

Q: How Does Variable 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 [How Participation in the Variable Trust Fund Affects Your WRS Participation \(ET-4930\)](#).

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 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 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.

For more information, see [How Participation in the Variable Trust Affects Your WRS Benefits \(ET-4930\)](#) and [Canceling Variable Participation \(ET-2313\)](#).

Frequently Asked Questions (continued)

Q: What Happens If I Return to Work?

A: Private employment has no impact on your benefit.

If you return to work for a WRS employer, you can either remain an annuitant or elect coverage under the WRS (i.e., re-establish your account). If you elect coverage, your current annuity will be suspended and WRS coverage will begin after ETF receives the completed *Rehired Annuitant Election (ET-2319) form*. Additionally, if your latest WRS termination date is on or after July 2, 2013, and you are expected to work 2/3 or more of full-time employment for at least 12 months, your annuity will automatically be suspended. After you re-terminate employment, ETF will determine what you are eligible to receive, based on your previous annuity and any new service and earnings.

Please be aware that if you take a retirement benefit, you must wait until the latest of the following dates to return to work. The length of the break depends on when you terminated employment:

- the day after the benefit effective date,
- the 31st* or 76th** day after termination of participating employment, or
- the 31st* or 76th** day after ETF receives the benefit application.

*You must wait until the 31st day if you terminated WRS employment before July 2, 2013.

** You must wait until the 76th day if you terminated WRS employment on or after July 2, 2013.

Part-time elected officials age 55 (age 50 for protective occupation participants) or older may irrevocably waive coverage under the WRS if terminating all other covered WRS employment. Complete and send ETF a *Waiver of Part-Time Elected Service form (ET-4303)* if this applies to you and you wish to file this waiver.

For more information, see *Information for Retirees (ET-4116)*.

Q: Am I Subject to a Required Minimum Distribution?

A: If you are 69 1/2 or older as of your termination date, ETF will send you a special letter which explains the requirements for a minimum distribution. You may wait to begin your annuity until as late as age 71 1/2. If you do not voluntarily begin an annuity by age 71 1/2, by law, ETF must force an automatic distribution.

For more information, see *Tax Liability on WRS Benefits (ET-4125)*.

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 alternate payee (not to exceed 50% of the total value of the account or annuity as of the decree date).

For more information, see *How Divorce Can Affect Your WRS Benefits (ET-4925)*.

Definitions

Accelerated Payment – A WRS annuity option that provides a higher monthly payment until the annuitant reaches age 62. At age 62 the WRS payments decrease approximately by the amount of the annuitant's projected age-62 Social Security benefits.

Age Reduction Factor – A reduction in a WRS Formula retirement benefit when an individual receives a retirement benefit before normal retirement age. The percentage that the benefit is reduced is based on the individual's age and the statutory normal retirement age for his/her 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.

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

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 to 180 months.

Beneficiary – A person, entity, trust or estate designated by a WRS member to receive a member's benefits upon the member's death.

Core Fund – The Core Fund is one of two funds into 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 Multiplier – A percentage factor used to calculate a Formula benefit. There are different formula factors for different WRS employment categories.

Formula Benefit – One of the 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.

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.

Definitions (continued)

Joint or Named Survivor – A member may select one of several joint and survivor monthly annuity options which provide a lifetime annuity for the member and 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 the 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 Wisconsin Retirement System). 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 separation benefit is a lump sum payment of the employee contributions and voluntary additional contributions in your retirement account plus accumulated interest. All service and employer contributions credited to the account are forfeited through a separation benefit.

Variable Fund – The Variable Retirement Investment Trust is 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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Find Wisconsin Retirement System benefits information, forms and publications, benefit calculators, educational offerings, email and other online resources.

Call us toll free at 1-877-533-5020 or 608-266-3285 (local Madison)

Benefit specialists are available 7:00 a.m. to 5:00 p.m. (CST) Monday-Friday

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