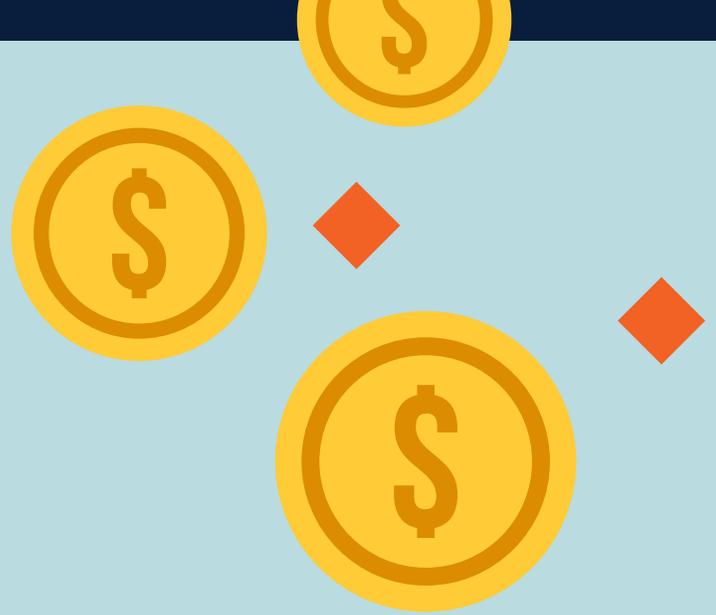


Educators' Guide

# 20 WRS FAQs

you should know about your

Wisconsin  
Retirement  
System  
Pension



## QUICK FACTS

# You Need to Know About WRS

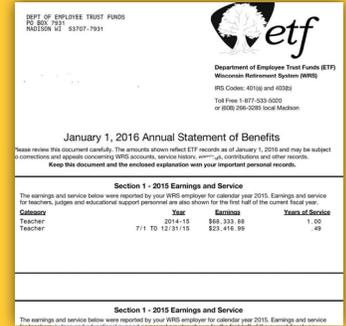
- WRS stands for the Wisconsin Retirement System. WRS is the pension plan for most state of Wisconsin employees, including Wisconsin public school employees.\*
- Both you and your employer contribute to WRS (50% equally).
- The amount you contribute, called a contribution rate, can change each year.
- The amount you contribute comes out of your paycheck, pretax.
- The WRS pension is designed to cover 40%-50% of your income in retirement.\*\*
- The WRS benefit is an annuity--a series of monthly payments payable during your lifetime.
- WRS is administered by the Department of Employee Trust Funds (ETF).
- ETF administers several programs for state employees.
- SWIB stands for the State of Wisconsin Investment Board. They manage the pension funds.
- WRS is a pre-funded pension, and has historically been at or near a 100% funding level each year.
- WRS funding: \$92 billion in WRS assets as of 12/31/2015.

**\*The WRS covers employees of the state of Wisconsin and employees of local government employers who elect to participate, and Milwaukee Public School District teachers. Employees of the city of Milwaukee and Milwaukee County are covered under different pension systems. \*\*The percentage of salary replaced is tied to your years of creditable service. 40%-50% assumes someone accrues 25-30 years of creditable service.**

## 1. What is the earliest age I can retire and receive WRS benefits?

All employees other than those in the protective category (police, firefighters, etc.) can retire and receive a retirement benefit at age 55. (Those in the protective category can retire as early as age 50.) Normal retirement age (the age at which you may begin receiving a retirement annuity that is not reduced by an age reduction factor) for teachers and general employees is 65. The second way you can achieve an unpenalized benefit is to be age 57 with 30 years or more of service.

# About your ETF statement



- Each year you receive a copy of the Annual Statement of Benefits from the Department of Employee Trust Funds (ETF).
- Look it over and pay attention to the current beneficiaries that are listed, creditable years of service, etc. Be sure these figures match what your employer has on file.
- Your creditable service from all WRS-covered positions accrues into the same WRS account. Therefore, your total years of service include current and past WRS employers you may have worked for.
- Keep in mind, the dollar figure in section 9 of your statement reflects your balance as of the statement date. It does not reflect future earnings or contributions.
- The numbers in section 10 are based on your account as of the statement date. It does not reflect continued service past the date of the statement.



**Want to know how to read your statement?**

Watch the video at [weabenefits.com/wrs](http://weabenefits.com/wrs)

## 2. What happens if I terminate employment before my earliest retirement age? Do I need to withdraw my retirement account?

You have two options:

1. **You can take a withdrawal and forfeit half of the account** (the employer share). If you decide to withdraw your account, your only option is to take a separation benefit (lump sum).
2. **If you leave the account where it is until you are vested**, you can apply for a retirement benefit once you reach age 55. Once vested, you will receive both the employee and employer shares. Generally speaking, it is often best to leave the account where it is.

### 3. What's the difference between the Core and Variable Fund?

These are the two trust 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. It includes a mixture of holdings, such as stocks, bonds, and real estate, and is diversified to stabilize the effects of stock market changes. All WRS members participate in the Core Fund. The Variable Fund is primarily a stock fund, which results in a greater degree of risk due to the volatility of the stock market. The Core Fund is also partially invested in the stock market, and the particular stocks held by the Core and Variable Funds are the same. If you don't elect otherwise, your dollars will be deposited to the Core Fund by default. If you opt to participate in the Variable Fund, 50% of your ongoing contributions will be directed to the Variable Fund while the other 50% of ongoing contributions continue to the Core Fund.

#### A BENEFICIARY

- Receives the remaining payments from your WRS annuity for a guaranteed period.
- Can be a person, a trust, an estate, or an organization.
- Can be changed at any time.
- Supersedes your will.
- Is named on your account prior to beginning your retirement annuity.

#### A NAMED SURVIVOR

- Will receive payments for the remainder of their lifetime.\*
- Can be anyone, but there are age difference restrictions for non-spouses.
- Cannot be more than 10-15 years younger than you if not your spouse (typically excludes your children).
- Cannot be changed or eliminated once the 60-day change deadline has passed.
- By law, your spouse or domestic partner has a right to be named survivor and must waive that right if a survivor option is not selected.

*\* Only if one of the several joint and survivor annuity options are selected that provide a lifetime annuity for both the retiree (annuitant) and one named survivor.*



## 4. In the past, I worked in a WRS covered position, but left my job and withdrew my funds. Is there any way I can buy back the creditable service?

Yes. And generally speaking, you should consider this option. If you are currently employed under the WRS and meet the eligibility criteria, you can buy back your forfeited service. Keep in mind, **you must buy back your years of service BEFORE you retire or you will lose them.** The cost is based on your three highest annual earning years completed at the time you repurchase. 90% can be paid by a transfer of funds from a 403(b) (if you don't have a 403(b), this is a great reason to start one) and at least 10% must be paid out-of-pocket.

## 5. Can I make additional contributions?

Yes, you can make after-tax additional contributions to your WRS account to supplement your benefit at any time while you are actively employed by a WRS employer. But generally speaking, you should take advantage of tax-favored options (like a 403(b) or IRA) first so you don't miss out on the tax benefits that are available to you.

# Annuity payment options

When you retire, your WRS benefit will be paid out in a monthly annuity unless your account is too small for a monthly benefit. All annuity options provide you with payments for the rest of your life, but differ in what happens after you pass away. There are several annuity payment options from which to choose. Keep in mind that you can only change annuity options within 60 days of receiving your initial annuity payment.

### LIFE ANNUITY OPTIONS

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

### JOINT AND SURVIVOR OPTIONS

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



For an explanation of how the annuity options work, watch Section 3: Benefit Payout Options of the Understanding WRS video at [weabenefits.com/wrs](https://weabenefits.com/wrs).

## 6. How do Core and Variable investments affect my pension payout? Can I move my money between the two funds?

Once you retire and start taking a monthly pension benefit, the starting amount of your monthly benefit attributed to the Core Fund establishes a “floor” that your benefit payments will never fall below. For example, a retiree invested 100% in the Core Fund starts with a \$1,000 pension payment each month. Your monthly payments will never go below \$1,000 regardless of future investment performance. Additionally, the Core Fund returns utilize a five-year average that is designed to smooth out significant fluctuations in the market. In contrast, the Variable Fund does not average and your payout can be less than your initial “floor” when you started. So your \$1,000 payout could be less (or more) depending on what happens in the market each year.

That said, you can move your money between the Core and Variable funds, but keep in mind that it is not possible to have all of your money in the Variable fund. Moreover, if decide to opt in to the Variable fund, you can only do so once. So once you’re out, you’re out.

### GOOD TO KNOW

At the time of retirement, the WRS will run two calculations (Formula and Money Purchase) to determine your monthly annuity payment, or benefit.

The **Formula** calculation method is based on your three highest earning years, years of creditable service, formula multipliers for your employment category, and any actuarial reduction for early retirement. It is a defined benefit calculation.

The **Money Purchase** calculation method is based only on your WRS retirement account balance and your age when your retirement benefit begins. It is a defined contribution calculation.

*Retirement benefits are always calculated under BOTH methods. You automatically receive the HIGHER of the two benefit calculations at retirement.*



## 7. Can I get a lump sum benefit when I retire, or am I limited to receiving a monthly annuity?

If your benefit 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 annuity. If your monthly annuity is \$388\* (for 2016) or more, a lump sum payment is not available. The annuity option you select will determine the amount and whether death benefits will be payable after your death.

\*These amounts increase annually and are based on the "Annuitant's Life Only" option.

For current figures, visit [etf.wi.gov](http://etf.wi.gov).

## 8. What if I become disabled? Are any disability benefits available through WRS?

If you become permanently and totally disabled while you are actively employed under the WRS, you may qualify for disability benefits. If you meet the service requirements, your disability does not have to be work related to qualify.

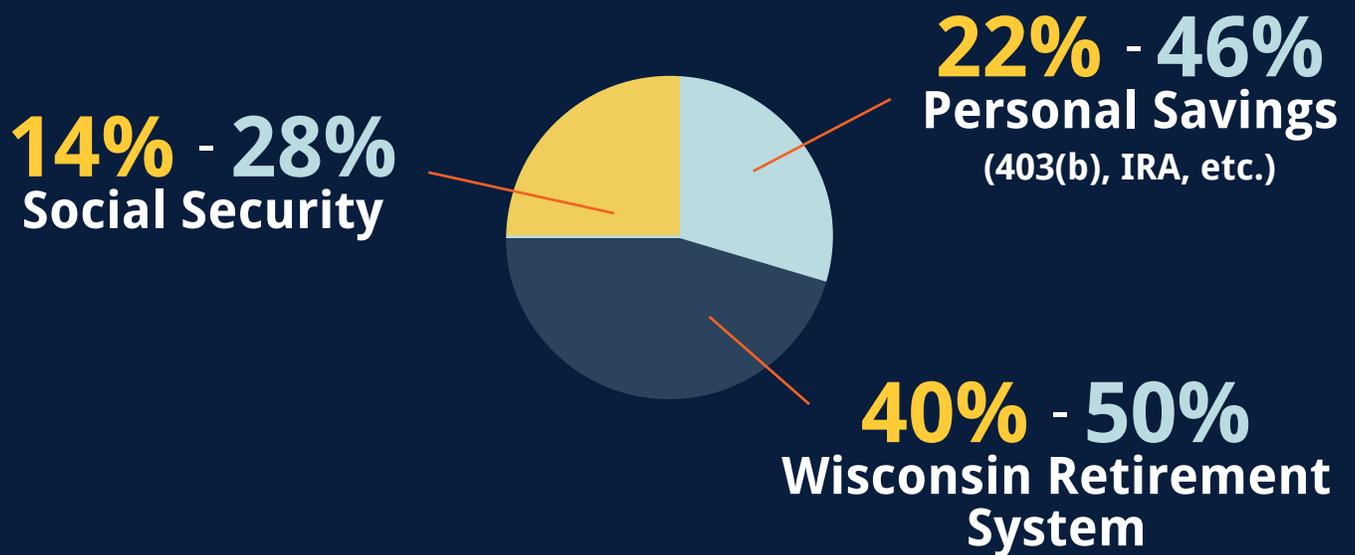
## 9. Is it necessary to visit the WRS office before I decide to retire? What do I need to do?

No, it is not necessary to visit the WRS office. When you've decided to retire, you will need to request a retirement estimate packet from the WRS. You should request your estimate packet between six and twelve months in advance of when you plan to retire. The packet includes your application for benefits, information about income tax liabilities, electronic deposit of your payments, etc. You can submit your application in person or by mail. If you have questions, contact the WRS to make an appointment with a benefit specialist. But plan ahead, (12-16 weeks ahead) especially if you would like an appointment in spring when most teachers are nearing retirement. ETF can accept your retirement application up to 90 days before the date you terminate employment.



Request your retirement estimate packet by phone, in writing, or by visiting the WRS website at [etf.wi.gov](http://etf.wi.gov).

# Most Wisconsin public school employees can expect their retirement income to come from these sources.



The percentage of salary replaced is tied to how many years one works in state service. The 40%-50% assumes one puts 25-30 years in the WRS system.

Even with a pension and Social Security, **you will need personal savings to fill the gap.**



**Q&A: Is it too late to start saving in a 403(b) or IRA to help fill my retirement savings gap?**

“We get this question all the time. It’s never too late to start saving. The earlier you start, the more time is on your side. When you start later, you will have to save longer or save more.”

**Brenda Echeverria, Financial Planner at WEA Member Benefits**



## **10. I don’t remember who I designated as my beneficiary, or whether I ever filed a designation form. How do I find out who my designated beneficiary is?**

You can call or write to ETF, as ETF does not provide beneficiary information over the phone. If you file a new form, it will supersede all forms you filed in the past, including a will if you have one. It is extremely important to keep your beneficiary designations up to date on all of your retirement accounts (this also includes your 403(b), IRA, etc.). Under the law, all death benefits must be paid according to the most recent designation filed by you, regardless of any changes in your personal situation, such as divorce, remarriage, birth of your children, etc.

## **11. Will I lose benefits if I don’t apply for retirement immediately?**

It depends. If ETF receives your application within 90 days after your termination date, they will pay benefits retroactively to your retirement date. However, if ETF receives your retirement benefit application more than 90 days after you terminate employment, you will lose some benefits since your annuity cannot be backdated more than 90 days. Keep in mind that if you retire and pass away prior to starting your WRS pension, your beneficiary will lose half of your account balance. Therefore, you should generally apply to begin your retirement benefit as soon as you are eligible to do so.

Use the Accelerated Payment Cost Calculator at [etf.wi.gov](https://etf.wi.gov) to help determine if an accelerated payment option may be right for you.

## 12. I'm thinking about selecting an accelerated payment option. How does this affect any payments when I retire, and what happens when I reach age 62?

The accelerated payment option is available if you want your WRS annuity to begin before you are eligible for Social Security. The option provides two annuities: a lifetime annuity and a temporary (or accelerated) annuity that ends at age 62. The purpose is to temporarily provide a higher WRS benefit until you are eligible for Social Security benefits at age 62. Once you reach age 62, your WRS annuity permanently decreases.

This is a popular option for early retirees, but remember that the longer you live after age 62, the more it will "cost" you for the temporary annuity. The reduction in monthly benefit lasts for your lifetime, and your pension percentage increases will be based on a smaller number. After many years your total lifetime income may be less. If you are in good health and expect to live a long life, and don't need the extra funds to age 62, you may want to consider not taking the accelerated payment option.

### GOOD TO KNOW

*WRS and Social Security don't talk to each other. Therefore, if you choose the accelerated payment option, you will need to apply for Social Security yourself when you want to take the benefit.*





## Q&A: I'd like to retire soon. Where do I start?

- Use **ETF's calculator** to run your own (unofficial) benefit projection.
- Review their brochure "**Calculating Your Retirement Benefits**" to get an idea of your WRS benefit.
- Set up an appointment to **meet with one of our financial planners**. We can help you make informed decisions that are best for your situation.
- Use our handy **Pre-retirement Checklist** at the end of this eBook.



Find these tools and more at [weabenefits.com/wrsresources](http://weabenefits.com/wrsresources)

### 13. When will I receive my first WRS payment?

If you apply 45-90 days before your annuity effective date (normally the day after your termination date), you should receive your first payment about six weeks after your termination date. Your payment will include payments retroactive to your annuity effective date. The payment you receive on the first of each month is for the preceding month. The only payment option available is via direct deposit.

### 14. What if I retire on a day other than the first of the month? Will I be paid for the entire month?

No. You are paid retirement benefits only for the days you are actually retired. Your first payment could be for a partial month or for a full month plus a partial month. For example, if your last day of work is May 20, your annuity effective date is May 21. This means that ETF would add payment for May 21 through May 31 to the payment for the month of June, which you would receive on the first of July.



## Check out these helpful websites:

- ETF/WRS: [etf.wi.gov](http://etf.wi.gov)
- Social Security Administration: [ssa.gov](http://ssa.gov)
- Medicare information: [medicare.gov](http://medicare.gov)

[weabenefits.com/wrsresources](http://weabenefits.com/wrsresources)

## 15. How long after I retire will my annuity payments be based on the amounts from my annuity estimates?

If you are a recent retiree, it usually takes from 6-8 months after you retire for ETF to do the final calculation of your annuity. When the final calculation is done they will send you a final calculation notice that provides the total service, earnings, and account balance information on which your final calculation was based. Any retroactive adjustments due will be made to your subsequent payment(s).

## 16. What about taxes? Do I pay taxes on my monthly pension benefits when I'm retired?

Yes. Since contributions to your pension are pretax (you pay no taxes on your contributions), you will pay taxes on withdrawals in retirement. You will have to pay federal taxes and depending on which state you reside in when you retire, you may pay state income tax. The amount you pay in state taxes depends on which state you live in, and some states have no state income tax. Since you are no longer employed, you will not pay FICA tax. You will select how you want your taxes to be paid when you set up your annuity payments at retirement.

## 17. Do my salary reductions for a 403(b) or flex plan reduce my retirement pension benefits?

No.

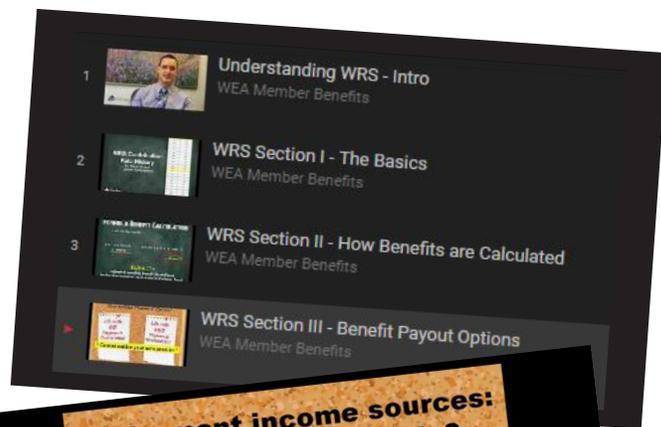
## 18. What happens to my pension if I die?

If you pass away while still working in a WRS-covered position, you are considered an active employee. Your named beneficiary(ies) would then receive both the employee and employer shares of your account. Your spouse can receive the monthly annuity immediately regardless of their age (i.e. they don't have to be of retirement age) or they can take a lump sum. The beneficiary of a beneficiary can only take a lump sum. Keep in mind taxes will apply to lump sum payments received directly by an individual, so a rollover to an IRA may be a better option.

If you were not working for a WRS employer at the time of your death (and you were not yet receiving a retirement annuity), you are considered inactive. Your beneficiary(ies) would only receive the employee share of the WRS benefit and not the employer share, regardless of your years of service.

If you are receiving a retirement annuity at the time of death, any remaining annuity payments (if any) would depend on which annuity payment option you chose at the time you retired.

**A word of caution:** Let's say you die the day after you retire. You terminated employment before you died, but you did not file for your benefit. In this case, the inactive death benefit applies and your beneficiary(ies) are at risk of losing the employer share if you die after separation of service but before you file. Make sure you file **BEFORE** you retire so this doesn't happen.



[weabenefits.com/wrsresources](https://weabenefits.com/wrsresources)

## WRS video series

Watch the video for more in-depth information and real-life examples about WRS, including:

- how it works
- how to read your statement
- how benefits are calculated
- the different payout options available at retirement
- core versus variable fund participation, and more.

## 19. How does the WRS benefit fit into my

**financial picture?**

The WRS pension benefit is designed to replace a portion of your income in retirement. Even if you are years away from retirement, you may need help understanding how WRS fits into your overall financial strategy.

At WEA Member Benefits, **we offer a variety of free and fee-based financial planning services** to Wisconsin public school employees. Our financial planners specialize in working with Wisconsin public school employees and understand the unique retirement benefits that are available to you.

**“Teaching is a hard job. You should be able to enjoy your retirement... but you have to invest in you.”**

- Lewis Gunderson  
School District of Cadott, WI



## Our services

- Visit our website at [weabenefits.com/fps](https://weabenefits.com/fps) to see what services may be right for you.
- **Sign up** for a free one-hour financial consultation.
- **Email** our financial planners to set up your financial planning appointment.



[weafa@weabenefits.com](mailto:weafa@weabenefits.com)

# 20. What should I do before I retire to help me prepare?



## Pre-Retirement Checklist

### 12+ MONTHS FROM YOUR ANTICIPATED RETIREMENT DATE:

- Schedule a time to meet with a financial planner to review your retirement plan and decide how or when to withdraw money from your various retirement income sources.
- Use ETF's calculator to run your own (unofficial) benefit projection to get an idea of what your payments could be.
- Review the ETF brochure Calculating Your Retirement Benefits at [etf.wi.gov](https://etf.wi.gov).
- Determine your full retirement age and decide if you want full Social Security benefits at [ssa.gov](https://ssa.gov).
- Decide on a retirement date.

### WITHIN 6-12 MONTHS OF RETIREMENT:

- Plan to contact WRS 6-12 months in advance of your anticipated retirement date. Visit their website at [etf.wi.gov](https://etf.wi.gov).
- Request an official benefit estimate from ETF by filling out the Benefit Information Request form. You can find the form on their website: [etf.wi.gov](https://etf.wi.gov).
- Notify your district of your anticipated retirement date.
- Ask your district about any post-employment benefits you may be eligible for.
- Explore supplemental health insurance options, sign up for Medicare at 64 and 9 months of age.
- If you're retiring before age 65 you will need private health insurance. Check into available options (spouse's plan, COBRA, health insurance marketplace) at [healthcare.gov](https://healthcare.gov).

### WITHIN 3 MONTHS OF RETIREMENT:

- Send your retirement application form to ETF no earlier than 90 days before your termination date.
- If you wish to start receiving Social Security benefits at age 62, contact the Social Security Administration (SSA) about starting your benefit three months before you turn 62. Visit [ssa.gov](https://ssa.gov) for more information.

## Important Disclosures:

This eBook is for informational purposes only and is not intended to constitute legal, financial, or tax advice. Certain recommendations or guidelines may not be appropriate for everyone. Consult your personal advisor or attorney for advice specific to your unique circumstances before taking action.

The WRS is administered by the Department of Employee Trust Funds. For specific information about your WRS benefit visit their website at [etf.wi.gov](http://etf.wi.gov).

Seminars are free to attend; however, if you choose to invest in the WEA Tax Sheltered Annuity or WEAC IRA program, fees will apply. Consider all expenses before investing.

The 403(b) retirement program is offered by the WEA TSA Trust. TSA program registered representatives are licensed through WEA Investment Services, Inc., member FINRA. The Trustee Custodian for the WEAC IRA accounts is Newport Trust Company. All investment advisory services are offered through WEA Financial Advisors, Inc.

Family members including your spouse, children, grandchildren, parents, and parents-in-law may also participate in many of these programs.

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