

**Department of Employee Trust Funds (ETF)**  
**Wisconsin Retirement System**  
**December 2009**

**Non-retired WRS members are asking....**  
**.....Should I retire in December or wait until January?**

Many participants who were planning to retire in January are wondering whether their benefits would be higher if they start their annuities in December the prior year.

*There is no definitive, "one size fits all" answer. Whether a December or January annuity effective date provides the higher benefits for you will be based on your own Wisconsin Retirement System (WRS) account. The key factors are:*

- Whether you participate in the Variable Fund.
- How much of your account is in the Variable Fund.
- Whether your annuity is higher under the **Formula** or **Money Purchase** calculation.

**Do you currently participate in the Variable Fund?**

- If unsure, check your last **Annual Statement of Benefits** (Section 3 or Section 9) to see if there are any funds listed under "Variable".
- If yes, be sure to read both the Core **and** Variable sections below.

**Core Fund Benefits**

If you have never been in the Variable Fund, or your Variable contributions were transferred to the Core Fund before your annuity effective date, any market turmoil will have less of an effect on the initial amount of your retirement annuity, or may even have no effect at all. Whether there is any effect on your annuity depends on whether your benefit is higher under the formula or the money purchase calculation. *You will be paid a retirement benefit based on the method that produces the higher of the two calculations.*

- If you have only participated in the Core Fund *and* your annuity is higher under the **Formula** calculation, your benefit will *not* be increased by starting your annuity before January. There is no advantage to your WRS benefit from terminating employment and beginning your annuity in December.
- If you are currently in the Core Fund, but have a residual excess or deficiency balance (from past Variable contributions) and your benefit is higher under the **Formula** calculation, then
  - The Core effective rate of interest (based on investment returns) credited to your account each year may make a difference in when you retire because the residual excess or deficiency is still used in the calculation.
- If you are currently in the Core Fund only *and* your annuity is higher under the **Money Purchase** calculation, it may be to your advantage to terminate employment **before** 12/31 and begin your annuity in December if the final Core Fund effective rate of interest is expected to be less than 4.583% (prorated 5%) for that year. Why? If your annuity has an *effective date before* the last day in any year, you will receive prorated 5% interest on your account.

So, in any year that the actual Core effective rate is:

- Less than 4.583%, and you terminate employment before 12/31, the 4.583% interest credited for that year would provide a higher annuity.
- Higher than 4.583% and you terminate employment on or after 12/31 then you would receive the higher interest and a higher annuity.

**Note:** All Core annuities are guaranteed never to be reduced below the original final benefit amount regardless of any future Core losses that may occur.

### **Variable Fund Benefits (the Variable portion of your benefit)**

- **If you terminate employment and begin your annuity in December**, the full Variable Fund interest rate will not be applied to your account when your annuity begins. **However, the full Variable annuity adjustment would be applied to the Variable portion of your annuity the following May 1.** This means:

- The initial amount of your annuity may be less *until the annuity adjustments are applied on May 1*, if there is a gain in the Variable.
- If there were a loss in the Variable, your annuity amount may be higher until an annuity decrease is applied on May 1.

**Note:** Unlike the Core annuity adjustment, the Variable annuity adjustment is not prorated in the first year after retirement and there is no guaranteed benefit amount.

- **If you terminate employment and begin your annuity in January:**
  - The Variable Fund interest will already be applied to your account, so the amount of your annuity would be higher than if your annuity began in December *if there is a gain in the Variable*.
  - *If there were a loss in the Variable*, the loss will be applied to your account and the amount would be lower than if your annuity began in December.
  - There will not be any Core or Variable annuity adjustments applied to your annuity the following May 1.

### **The bottom line...**

***...If you are in the Variable Fund, you cannot “escape” the effects that any Variable Fund gain or loss would have on your retirement benefits.***

### **Variable Cancellations**

If you are interested in canceling your Variable participation and ETF receives your completed *Canceling Variable Participation* form (ET- 2313) before 12/31 in any year:

- You will still have the Variable gain or loss for that year applied to your Variable account or annuity.
- More detailed information on canceling Variable participation is available in the resources listed at the end of this document.

### **How do I find out which calculation method would produce a higher retirement annuity amount?**

See Section 10 of your most recent annual *Statement of Benefits* **or** utilize any of these handy tools to do your own projection:

- The Department's online calculators at <http://etf.wi.gov/calculator.htm>
  - *WRS Retirement Benefits Calculator*
  - *Variable Excess/Deficiency Calculator*

- The worksheets in our brochure, *Calculating Your Retirement Benefits* (ET-4107)

For extra help and information, view our online video, *Calculating Your Retirement Benefits*. Find it in our Video Library at <http://etf.wi.gov/webcasts.htm>.

### **Resources**

We strongly encourage you to take advantage of the many resources available to you so that you can make informed decisions. These include the information provided in this document, in addition to ETF's customer service specialists, brochures, online videos and other ETF online resources.