

DEATH BENEFITS



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

Introduction

The Department of Employee Trust Funds administers three programs that may provide death benefits to your survivors:

- The Wisconsin Retirement System
- Group Life Insurance
- Group Health Insurance

In the event of your death, your survivors should contact ETF immediately because they may be eligible for benefits from one or more of these programs. ETF will send information about how to apply for any available death benefits to your beneficiary(ies).

The amount of WRS benefits payable to your beneficiaries depends on whether you die before you begin a retirement benefit or after.

Death benefits changed as a result of 1999 Wisconsin Act 11. If you are a beneficiary of a participant who died or terminated employment prior to January 1, 2000, contact ETF for death benefit information.

Before Retirement

Provided you did not close your WRS account by taking a separation benefit, your beneficiaries are entitled to a benefit whether your death occurs while you are still working for a WRS employer (as an “active” member) or you have terminated all WRS employment but are not yet receiving a retirement benefit (“inactive” member).

Alternate payees are also considered inactive members under the WRS. Both active and inactive members receive updated death benefit information annually on their *Statement of Benefits* (ET-7365).

Introduction, continued

Active members: The amount of your WRS death benefit depends on whether you have reached minimum retirement age (MRA), which is age 55 for most; age 50 for protective occupations.

- *If you are under MRA at the time of death:* Your beneficiaries will receive your employee- and employer-required contributions, additional contributions (if applicable) and accumulated interest.
- *If you are at or above MRA at the time of death:* The amount of the death benefit is determined using the calculations described below. Your beneficiaries will receive the highest amount of the two calculations. Your beneficiary(ies) *must be* one or more individual(s) or a trust in which one or more living individual(s) has a beneficiary interest.
 1. *Money Purchase Calculation:* The money purchase calculation is the total of your employee and employer required contributions, additional contributions (if applicable) and accumulated interest.
 2. *Special Death Benefit:* A “special death benefit” is calculated as though you retired on your date of death and selected a joint and survivor annuity option continued in full to your oldest beneficiary. This formula calculation may provide a greater death benefit if it is higher than your money purchase retirement calculation at the time of your death.

See the [Calculating Your Retirement Benefits \(ET-4107\)](#) brochure for additional information about benefit calculations.

Inactive members: Your beneficiaries will receive your employee-required contributions, additional contributions (if applicable) and accumulated interest. Employer-required contributions are generally not included.

Introduction, continued

After Retirement

If your death occurs after you began a WRS annuity, death benefits are determined by the annuity option you selected upon retirement. For detailed information about annuity options, see the *Choosing an Annuity Option (ET-4117)* brochure available at etf.wi.gov.

If you selected the *For Annuitant's Life Only* option, your annuity will be paid for as long as you live and will end upon your death. There are no death benefits due with this option.

The remaining annuity options, such as life annuities with a guaranteed number of payments or joint and survivor options, provide varying levels of death benefits.

In general, joint and survivor annuities provide better death benefit protection to a surviving spouse or domestic partner than the other annuity options.

If you selected an annuity with an accelerated payment option, the death benefit is impacted by when the accelerated payments began and which life annuity option you selected:

- If you die while receiving an accelerated payment option that began *before* July 1, 2008, the temporary accelerated portion of your annuity ends at death. Any death benefit available is based **only** on the after-age-62 portion of your annuity that may be payable to a beneficiary(ies) or named survivor.
- If you die while receiving an accelerated payment option that began *after* June 30, 2008, the temporary accelerated portion of your annuity is paid as a death benefit until you would have reached age 62. Any additional death benefits are based on the after-age-62 portion of your annuity that may be payable to a beneficiary(ies) or named survivor.

Life Insurance for Current Employees

Current WRS Participating Employees

The benefits payable under the Wisconsin Public Employers Group Life Insurance Program depends on your age at the time of death.

If you are under age 70:

- The minimum death benefit (called “Basic” insurance) is equal to your highest year of WRS earnings rounded to the next higher \$1,000.
- Depending on the insurance options offered by your employer and the levels you selected, your insurance benefit may total as much as five times the Basic insurance coverage.
- For accidental deaths, the death benefit is doubled.

If you are age 70 or older:

- If you are a local government employee, the minimum death benefit is equal to 25% of your Basic insurance. However, some local employers elected to increase the minimum death benefit to 50% of the Basic insurance coverage.
- If you are a state government employee, the minimum death benefit will be equal to 50% of your Basic insurance.
- Depending on the insurance options offered by your employer and the levels you selected, you may have additional amounts of insurance.
- There is no accidental death benefit for insured employees who are age 70 and older.

Contact your employer for detailed information regarding the coverage options you have selected and the associated death benefits. For additional information, see [The Wisconsin Public Employers Group Life Insurance Program \(ET-2101\)](#) brochure available online at etf.wi.gov.

Life Insurance for Former Employees, Including Retirees

Eligibility

You are eligible to continue group life insurance after termination if your WRS coverage began before January 1, 1990 **or** you have been covered by the group life insurance plan in five calendar years beginning January 1, 1990. In addition, you must also meet one of the following requirements:

- You are receiving an immediate WRS annuity or meet all of the requirements for receiving an immediate WRS annuity except the filing of an application.
- The sum of the years of your creditable service in the WRS on January 1, 1990 plus your years of group life insurance coverage after 1989 equals 20 years.
- You have at least 20 years of WRS service on payroll with your last employer.

Insurance Coverage and Premiums

If you are under age 65 and elect to continue life insurance after termination of or retirement from WRS employment, the value of your insurance and the cost of your premiums will remain the same. If you begin an immediate annuity, premiums will be deducted from your monthly payments. If your monthly payment is not large enough to cover the cost of all of your deductions, the life insurance premium will be billed directly by Securian.

If you do not take an immediate annuity, you must file a *Group Life Insurance Program Continuation Application (ET-2154)* to continue insurance. Premiums for continued insurance are paid directly to Securian.

Life Insurance for Former Employees, continued

When you reach age 65, all premiums cease and only Basic insurance coverage continues at a reduced rate. If you are a state employee, reduced Basic insurance will continue as follows:

- At age 65, the value of your benefit would equal 75% of the Basic insurance coverage.
- At age 66, the value of your benefit would equal 50% of the Basic insurance coverage.
- No further reduction occurs after age 66.

For local government employees whose employer filed a resolution to provide a final reduced benefit, the insurance reductions are the same as above except that the Basic insurance may reduce to 25% at age 67. No further reduction occurs after age 67.

There is no accidental death and dismemberment benefit on post-retirement coverage for either state or local government employees.

Living Benefit

If you are insured under the Wisconsin Public Employers Group Life Insurance Program, you may apply to receive all or a part of your life insurance while still living, provided you are diagnosed with a terminal condition caused by illness or injury and have a life expectancy of twelve months or less.

You are not allowed to claim more benefits than the amount for which you are insured. If you have any remaining life insurance at the time of your death, it is payable to your beneficiary as a death benefit. Living benefits may be taxable to the recipient as regular income in the year of payment. Please contact ETF for more information about this provision, or see the [Living Benefits \(ET-2327\)](#) brochure available at etf.wi.gov.

Group Health Insurance Benefits

If you die as an active or retired employee with family coverage, your surviving insured dependents have the right to continue coverage for life. Your dependent children may continue coverage until eligibility ceases, if they:

- were enrolled at the time of death,
- were previously insured and regain eligibility, or
- are your children who were born after your death.

Health insurance coverage will automatically continue for covered surviving dependents. Surviving dependents may terminate the health insurance coverage by providing written notice to ETF. See the *Group Health Insurance (ET-4112)* brochure for additional information.

Special note for state employees and state retirees: If you have family coverage in effect upon your death, your unused sick leave credits may be used to pay group health insurance premiums for eligible survivors. If you have escrowed sick leave credits, your surviving dependents may continue to escrow the credits or apply to convert the credits to pay health insurance premiums.

Special note for graduate assistants: If you have family coverage in effect at the time of your death, your covered surviving dependents are eligible for COBRA Continuation.

Special note for local Wisconsin Public Employer members: If your surviving dependent(s) terminates coverage for any reason, he or she may not re-enroll later.

Designating a Beneficiary

Death benefits are always paid according to the most recent, valid beneficiary designation on file with ETF prior to your death. If a beneficiary designation is not on file, death benefits will be paid according to statutory standard sequence. It is important that you periodically review your designation because **your beneficiary information does not automatically change when a significant life event occurs**, such as a marriage, divorce or birth.

Designation by letter is not acceptable. However, beneficiary designations may be changed or updated at any time by requesting a *Beneficiary Designation (ET-2320)* or a *Beneficiary Designation-Alternate (ET-2321)* form from ETF or by obtaining one of these forms online at etf.wi.gov. When ETF receives a new and valid beneficiary designation, it supersedes your previous designation.

Joint and survivor annuities are the exception. With these annuity options, the named survivor cannot be changed.

Standard Sequence Beneficiaries

If you have not filed a valid beneficiary designation, death benefits are paid according to the statutory standard sequence shown below.

Group 1. Surviving spouse or domestic partner.

Group 2. Children (biological or legally adopted). If one of your children dies before you, that child's share is divided among your deceased child's children. The beneficiaries in Group 2 will include all of your marital and non-marital children (or grandchildren, when applicable) as long as any relevant paternity is established, regardless of whether your child's date of birth is before or after your date of death.

Designating a Beneficiary, continued

Group 3. Grandchildren. If one of your grandchildren dies before you, that grandchild's share is divided among your deceased grandchild's children.

Group 4. Parent(s).

Group 5. Brother(s) and sister(s). If one of your siblings dies before you, that sibling's share is divided among your deceased sibling's children.

Group 6. If there are no survivors in Groups 1 through 5, any death benefits will be paid to your estate.

Payment will be made to the person(s) in the lowest numbered group that contains one or more living persons. Wills do *not* govern the payment of benefits from ETF. If your estate is the named beneficiary, payment will be made to, and distributed by, the estate.

Alternate Payees

If you were awarded a portion of your former spouse or domestic partner's WRS account, you are entitled to name beneficiaries for any potential death benefits associated with your alternate payee account. For alternate payees who are already receiving a monthly annuity payment, death benefits are determined by the annuity option you originally selected.

If you are an alternate payee with more than one WRS account, you may name beneficiaries for each account by filing separate designations. Examples of multiple accounts include:

- An alternate payee account plus your own account as a covered WRS employee.
- An alternate payee account plus one or more accounts as a beneficiary.
- More than one alternate payee account.

Designating a Beneficiary, continued

To designate a beneficiary(ies), you must complete and submit a *Beneficiary Designation (ET-2320)* or a *Beneficiary Designation-Alternate (ET-2321)* form with ETF. Contact ETF with any question you may have about designating beneficiaries.

Taxation of Death Benefits

Taxability

Some death benefits include both taxable and nontaxable WRS contributions. Nontaxable contributions are paid by the WRS participant from post-tax dollars. Any death benefit in excess of nontaxable contributions is considered taxable income to beneficiaries. For additional information, see the [Tax Liability on WRS Benefits \(ET-4125\)](#) brochure, available at etf.wi.gov.

If a WRS account includes both required and additional contributions, beneficiary(ies) may take a lump sum payment from the additional contributions and leave the required contributions. **If they do so, eligibility for income averaging and capital gains treatment may be lost.**

WRS death benefits may include a taxable portion that would need to be included on both a state and federal income tax return. For more information regarding income or estate tax, contact your tax advisor or the appropriate tax authority.

Rollovers

You may rollover your lump sum payment if you are:

- The spouse of the WRS account holder.
- Not the spouse of the WRS account holder, and you are receiving this payment because that person named you on a beneficiary designation form filed with ETF.
- Not the spouse of the WRS account holder and you are receiving this payment as a beneficiary of that person under s. 40.02 (8) (a) 1. or 2., Wisconsin Statutes.
- A trust with specific, named beneficiaries who were named by the WRS account holder.

Taxation of Death Benefits, continued

You may not rollover your lump sum payment if you are:

- Receiving this payment from the WRS account holder's estate, either by the terms of a will or through intestacy (dying without a will) under s. 852.01, Wisconsin Statutes.
- The beneficiary of someone who received this account from the WRS account holder.
- A non-spouse beneficiary and it is more than four years after the year of the WRS account holder's death.

Where you may rollover your lump sum depends on whether you are a spouse or a non-spouse beneficiary.

- If you are a spouse beneficiary, you may roll your lump sum death benefit into a traditional [408(a)] or Roth [408(b)] IRA, Section 403(b) tax-sheltered annuity, Section 457 governmental deferred compensation plan or other eligible employer plan.
- If you are a designated beneficiary of a deceased WRS member (other than a surviving spouse), you may be able to roll over all or part of the distribution that you are eligible to receive. The distribution must be a direct trustee-to-trustee transfer to a traditional or Roth IRA that was set up to receive this distribution. The transfer will be treated as an eligible rollover distribution and the receiving plan will be treated as an inherited IRA. For more information about inherited IRAs, see chapter 1 of the IRS Publication 590-B, *What if You Inherit an IRA?*

You *may not* roll your lump sum payment into your own WRS account.

Taxation of Death Benefits, continued

Application Deadlines

There are specific federal tax laws that regulate when a beneficiary of a WRS account must begin distribution. Beneficiaries who do not comply with these laws may be subject to federal excise taxes or penalties.

If you are a beneficiary of a member who was receiving a WRS annuity at the time of death, the following deadlines apply to you:

1. *Monthly Annuity*—If you are eligible for and want to receive a monthly annuity, ETF must receive your application by the end of the third month after the month in which ETF sent you the application.
2. *Lump Sum*—The benefit will automatically be paid as a lump sum if ETF does not receive your application for a monthly annuity by the deadline.

If you are a non-spouse beneficiary of a member who died before beginning his or her retirement benefit, the following deadlines apply to you:

1. *Monthly Annuity*—If you are eligible for and want to receive a monthly annuity, ETF must receive your application by the last working day of September in the calendar year following the year of the member's death. The annuity effective date may not be later than November 1 of that year.
2. *Lump Sum*—If you are eligible for and want to receive a lump sum payment, ETF must receive your application by the last working day of September in the fifth calendar year following the year of the member's death.

Taxation of Death Benefits, continued

If you are the spouse beneficiary of a member who died before beginning his or her retirement benefit, the following deadlines apply to you:

1. *Monthly Annuity*—If you are eligible for (and want to receive) a monthly annuity, ETF must receive your application by the last working day of September in the calendar year following the year of the member's death.
 - The annuity effective date may not be later than November 1 of that year.
 - Exception to the Monthly Annuity deadline—If you file a *Beneficiary Designation (ET-2320)* form with ETF by the last working day of September, in the calendar year following the year of the member's death, you may delay beginning your monthly annuity until January 1 of the year in which the member would have reached age 70½.
2. *Lump Sum*—If you are eligible for and want to receive a lump sum payment, ETF must receive your application by the last working day of September in the fifth calendar year following the year of the member's death.
 - Exception to the Lump Sum deadline—If you file a *Beneficiary Designation (ET-2320)* form with ETF by the last working day of September in the calendar year following the year of the member's death, you may delay receiving your lump sum payment until January 1 of the year in which the member would have reached age 70½.

For information about distribution requirements and tax penalties, see Internal Revenue Service (IRS) Publication 575 entitled *Pension and Annuity Income*.

You may also contact the IRS or your tax consultant for additional information.

Cover photo courtesy of Kathy Bakke.

Contact ETF

Visit us online at etf.wi.gov

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 by phone 7:00 a.m. to 5:00 p.m. (CST)
Monday-Friday

Wisconsin Relay: 711

Write or Return Forms

P.O. Box 7931
Madison, WI 53707-7931

Visit by Appointment

801 West Badger Road
Madison, WI 53713
7:45 a.m. to 4:30 p.m.

