# Are You Considering Early Retirement?

If you've been thinking about early retirement, this guide is designed to help. If you have further questions, please contact your campus staff benefits office for information.

### How early can I retire?

You are eligible for a Wisconsin Retirement System (WRS) retirement benefit if you are 55 years of age or older (50 for those in protective occupations). Normal retirement age is age 65 (lower ages for protective occupations). You may begin your Social Security benefit at age 62, but you're not eligible to receive full benefits until age 65 or later.

### How is my pension calculated?

Wisconsin Retirement System (WRS) benefits are calculated under two separate methods, the formula and the money purchase method. You do not need to decide which method is best for you when you apply for retirement; the Department of Employee Trust Funds (ETF) calculates your benefit both ways and automatically pays the higher amount.

### What is the formula?

*For general employees and teachers:*

Base monthly retirement benefit (amount payable to you for your lifetime only) =

| | | | | | | |
|---|---|---|---|---|---|---|
| Final Average Monthly Salary | x | Years of Creditable Service before 2000 | x | .01765 | x | Age Reduction Factor |

***plus***

| | | | | | | |
|---|---|---|---|---|---|---|
| Final Average Monthly Salary | x | Years of Creditable Service after 1999 | x | .016 | x | Age Reduction Factor |

Assuming you work full-time, your final average monthly salary is the total of your three highest years of earnings divided by 36. Part-time employees have a smaller divisor. Earnings for faculty and academic staff are determined on a fiscal year basis (July 1 to June 30); earnings for classified staff are determined on a calendar year basis.

Years of Creditable Service are the total years for which WRS retirement contributions were made, prorated for part-time, plus qualifying military service. Your annual Statement of Benefits from ETF shows your creditable service. In some cases, not all military service is credited until retirement.

### What is the age reduction factor? Is that a 'penalty'?

Because early retirees typically enjoy a longer payout period, their annuity benefit is adjusted. The reduction varies based on age and years of service as shown in the following chart. It may be smaller than you think.

Employees (other than protective) who retire at age 55 have a reduction of at least 9.6% or .4% per month between the ages of 55 and 57. Between the ages of 57 and normal retirement age the .4% is reduced by .00111% for each month of creditable service. Therefore, if you have 30 years of service you can retire at age 57 with no "penalty." If you have less than 30 years of service, the additional payments you receive through early retirement may make up for the amount you lose through the reduction. The chart below shows the percentage of the base monthly retirement benefit (For Annuitant's Life Only) that is payable with various combinations of age and service.

| Years of Service | Age | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 57 | 58 | 59 | 60 | 61 | 62 | 63 | 64 | 65 |
| 20 | 87.2% | 88.8% | 90.4% | 92.0% | 93.6% | 95.2% | 96.8% | 98.4% | 100% |
| 25 | 93.6% | 94.4% | 95.2% | 96.0% | 96.8% | 97.6% | 98.4% | 99.2% | 100% |
| 27 | 96.2% | 96.6% | 97.1% | 97.6% | 98.1% | 98.6% | 99.0% | 99.5% | 100% |
| 29 | 98.7% | 98.9% | 99.0% | 99.2% | 99.4% | 99.5% | 99.7% | 99.8% | 100% |
| 30 | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

### What is a money purchase benefit?

The money purchase benefit converts the total of employee and employer contributions and interest in your retirement account to an annuity benefit based upon your age at retirement. There is no additional age reduction. If this calculation provides a higher monthly benefit than the formula calculation, you will be paid a money purchase benefit.

### How does participation in the variable fund affect my retirement benefit?

If you receive a money purchase benefit, the portion of your account which is in the variable fund is directly included in the calculation of your annuity. If your benefit is determined under the formula calculation method, a variable adjustment is made to your annuity, based on the variable excess (or deficiency) in your account when you retire. Your variable excess or deficiency is determined by comparing of the actual balance in your account to the balance you would have had, if you had participated in the fixed fund only. Under both annuity calculations, if investment experience of the variable trust is negative in a given year, you may see a decrease in the variable portion of your monthly annuity.

### What are accelerated payments?

You are not eligible to receive Social Security benefits until you reach age 62. For this reason, the WRS allows you to choose an annuity option which pays you more pension dollars until you reach age 62 in return for a reduced amount thereafter. This is known as the accelerated payment option. At age 62, your retirement benefit payment decreases by an amount roughly equal to your Social Security benefit.

If you are receiving an accelerated payment option and you die before you reach age 62, the amount of the death benefit payable to your beneficiary is always reduced to the after-age-62 amount.

### What payment options are available?

When you apply for a retirement benefit you will choose an annuity option. All of the options provide monthly payments to you for life. The base annuity benefit *"For Annuitant's Life Only"* (adjusted for early retirement as appropriate) is ***only*** payable during your lifetime. If you wish to protect a spouse or other beneficiary, you may choose an option that pays you throughout your life, and then your survivor for his or her life, or an option that guarantees at least 60 or 180 monthly payments (5 or 15 years). See the Department of Employee Trust Fund brochures ***Calculating Your Retirement Benefits*** and ***Choosing An Annuity Option*** for more information.

### How long can I keep the state group health insurance coverage?

When you retire the State Group Health Insurance can be continued at your own cost, as long as you and/or your spouse live. At age 65, if retired, you must enroll in Medicare. Also see ***How is sick leave valued at retirement?*** below.

### Why do I need to continue health insurance? Doesn't medicare pay medical bills at retirement?

Medicare provides health insurance for retirees at age 65, but it does not pay all medical expenses. You are required to pay annual deductibles and co-pays, as well as almost all prescription drug charges. The State Group Health Plan that you maintained while an active employee continues into retirement and integrates with Medicare when you turn age 65. If you continue the State Group Health Plan after 65, your plan covers the costs that Medicare does not pay so that your overall coverage remains the same as before age 65.

### How is sick leave valued at retirement?

At retirement your unused sick leave is converted to a dollar credit amount which is used to pay premiums for your State Group Health Insurance plan. Classified employees can multiply the number of hours of sick leave on their earnings statement by their hourly rate of pay. If you are a full-time faculty or academic staff member (unclassified), divide your gross monthly salary by 174 to arrive at an hourly rate of pay, and then multiply the result by the number of hours of sick leave on your monthly leave statement. Gross monthly salary for 9-month appointments is calculated by dividing the academic year salary by 9. At retirement, the university will certify your hours of accumulated sick leave to ETF.

In addition, if you retire with at least 15 years of adjusted continuous state service, you may be eligible for supplemental sick leave credits. The following chart shows the matching credits that may be available, based on your actual sick leave balance and number of years of continuous service at retirement.

| Full Years of Adjusted Continuous Service | Maximum Matching Credits General/ Teacher |
|---|---|
| 15 | 780 |
| 16 | 832 |
| 17 | 884 |
| 18 | 936 |
| 19 | 988 |
| 20 | 1040 |
| 21 | 1092 |
| 22 | 1144 |
| 23 | 1196 |
| 24 | 1248 |
| 25 | 1352 |
| For each additional year add 104 hours | |

After you retire the university no longer contributes toward the health insurance premium. The single or family premium is your responsibility. Your campus staff benefits office can help you estimate how long your sick leave credits will last. When the account is exhausted, premiums will be deducted from your monthly retirement benefit.

### What if I have other health insurance through my spouse?

If you have comparable health insurance coverage, you can escrow your sick leave credits indefinitely. To escrow, you must be covered by State Group Health Insurance on your termination date and be covered by comparable health insurance when you escrow. If your spouse is a state employee or retired and you are covered under his or her plan, your sick leave credits can be inactivated until needed.

Sick Leave can be escrowed at retirement or later if you acquire comparable health insurance coverage. You can escrow no more than once per calendar year, and un-escrow only at Dual Choice time with coverage effective the first of the month you select in the following year.

### Can I work after retirement?

You may work for yourself or any private employer without any impact on your WRS annuity. However, if you accept work with an employer who participates in the WRS two conditions must be met. First, you must not have an enforceable contract to return to work prior to your date of termination. Second, you must have at least a 30-day break in employment. The 30-day break is satisfied after the **latest** of three dates: 30 days after your employment termination date; 30 days after your retirement application is received by ETF; or the day after your annuity effective date.

If you return to work in a WRS-eligible position, you will be offered the option of stopping your annuity and restarting WRS participation. For more information on returning to work after retirement see ***Questions and Answers for Employees Considering Early Retirement and a Return to Work*** at www.uwsa.edu/hr/benefits/lifevent/rehired.htm

If you are between age 62 and your normal Social Security retirement age, you may work and collect Social Security benefits without penalty as long as your earnings are under annual limits set by Social Security. If your earnings go over the limit, some or all of your Social Security benefits will be offset by your earnings. Once you reach your normal retirement age, there is no earnings penalty.

### Will my annuity amount ever change?

Many persons are unaware that the WRS retirement benefit is adjusted each year as investment returns dictate. Your retirement benefit reflects this adjustment beginning May 1 of each year. Persons who are in the variable fund after retirement will see an annual adjustment (negative or positive) to that portion of the annuity as well as a fixed adjustment. Increases are not guaranteed.

### What should I do now?

If you have additional questions, visit our web site at www.uwsa.edu/hr/benefits or call your Campus Staff Benefits Office to schedule an appointment.

You can also estimate your annuity by using the calculator on the Department of Employee Trust Funds web site at etf.wi.gov (click on calculators). You may find the Department of Employee Trust Funds brochure ***Calculating Your Retirement Benefits*** useful, as well.

*Every effort has been made to ensure that the information in this guide is accurate. If the information should conflict with State Statutes, statutes must be followed.*

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UWS 18 (12/04)