



Retirement Savings Options Available to UW System Employees

UW System employees have three retirement savings options. The primary retirement plan is the Wisconsin Retirement System, a mandatory public employee retirement plan. The two optional retirement savings plans are the Tax-Sheltered Annuity 403(b) and Wisconsin Deferred Compensation 457 plans.

Wisconsin Retirement System (WRS)

- **Design of the WRS**
 - The WRS is a hybrid pension plan with both defined benefit and defined contribution components
 - Structured as a defined benefit plan but separate individual accounts for all participants are also maintained.
- **Vesting**
 - Fully vested upon hire
- **Retirement contributions**
 - For most employees, the employer will contribute 10.4% of gross earnings* to the WRS on the employee's behalf – the employee pays nothing
 - 5% of gross earnings credited to employee's individual account
 - Remainder of contributions sent to Employer Reserve to fund future retirement, death and disability benefits
- **Interest crediting**
 - Employee accounts are credited with the annual effective rate of interest and annuitants receive an annual dividend based on the performance of the WRS.
 - For a history of interest rates and dividends: www.swib.state.wi.us/returns_history.pdf
- **Guaranteed annuity for life upon retirement**
 - If account is too small at retirement to provide a monthly annuity, a lump sum benefit of the total value of your account will be payable
 - Options available to guarantee annuity for life of named survivor (age restrictions apply to non-spouse survivor)
- **Calculation of retirement benefits**
 - Retirement benefits are calculated under two methods – receive the greater of the two
 - Formula calculation: based on years of service, final average earnings, age and a formula factor based on employment category
 - Money purchase calculation: value of employee's individual account is doubled and multiplied by a factor based on age
- **Distribution options**
 - Two distribution options if employee terminates before minimum retirement age (typically 55)
 - Keep the account with the WRS and it will continue to accumulate interest. If the employee receives a distribution of the account after minimum retirement age, benefit will be based on full value of account (including employer match).
 - Withdraw the account and receive a lump sum payment or roll into another retirement savings vehicle. Not eligible for the employer match if money is withdrawn before minimum retirement age.

* WRS contributions subject to IRS limits - receive WRS contributions for the first \$245,000 in gross earnings.

- **Paid retiree health insurance benefits**
 - Accumulated sick leave balance at time of retirement is multiplied by highest hourly base rate of pay and converted to a dollar amount to pay for retiree health insurance under the State Group Health Insurance program.
 - Almost all employees with 15 or more years of continuous UW or state service are eligible for supplemental sick leave credits that increase overall value of account.
 - Program offsets full cost of retiree health insurance premiums until account is exhausted.
- **Death benefits**
 - If you die while actively employed, a minimum of twice the value of the employee's account is payable (receive employer match)
- **Disability benefits**
 - The WRS provides disability benefits (service requirements apply)
- **For more information about the WRS:** www.uwsa.edu/hr/benefits/retsav/wrs.htm

Tax-Sheltered Annuity (TSA) – 403(b) plan & Wisconsin Deferred Compensation (DC) – 457 plan

- **Pre-tax deferrals**
 - Both programs allow investment of a portion of the employee's income on a pre-tax basis to save for retirement.
- **No employer contribution or match**
- **Annual contribution maximums**
 - Can contribute up the annual IRS maximum to both plans
 - IRS annual contribution maximum is \$16,500 (\$22,000 if 50 or over)
 - Can contribute up to \$33,000 between the two plans (\$44,000 if 50 or over)
 - May be eligible for additional catch-up provisions (certain requirements must be met)
- **No account balance minimums required**
- **Low administrative fees**
- **Distributions**
 - Upon termination of employment, full access to total value of account and may take a distribution or roll money into another qualified retirement plan.
- **Roll-ins from other retirement plans**
 - TSA program investment companies will accept tax-deferred money from 401(a) "qualified" plans, 401(k), 403(a), 403(b), 457 governmental deferred compensation plans and traditional IRAs. Always check with past and current vendors regarding restrictions or potential tax penalties.
- **Investment companies available under TSA program**
 - Insurance companies: TIAA-CREF, Lincoln National Life, Riversource/Ameriprise
 - Mutual fund companies: Dreyfus, Fidelity, T. Rowe Price
- **TSA companies offer a variety of investment options**
 - Mutual funds including index, target retirement date, asset allocation and actively managed funds
 - Fixed and variable annuity products
- **FAQ about TSA program:** www.uwsa.edu/hr/tsafaq.pdf
- **More information about the TSA program:** www.uwsa.edu/hr/benefits/retsav/tsa.htm
- **Wisconsin Deferred Compensation offers four tiers of investment options**
 - Lifecycle funds, index funds, actively managed funds, and a self-directed brokerage account through Charles Schwab Personal Choice Retirement Account
 - Go to www.fascore.com/PDF/wisconsin/spectrum.pdf for more information about investment types
- **More information about DC:** www.etf.wi.gov/members/benefits_def_comp.htm

Glossary of Terms

Defined Benefit Pension/Retirement Plan

A qualified pension plan that guarantees a specified benefit at the participant's age of retirement. The participant receives a specific monthly amount (annuity) based on a formula stated in the plan document that is based on salary history, years of service and age at retirement. Investment risk and portfolio management are entirely under the control of the retirement plan administrator. Contributions may be made by the employee, the employer, or both. There are restrictions on when and how you can withdraw these funds without penalties.

Defined Contribution Pension/Retirement Plan

A qualified pension plan that does not guarantee any particular pension amount upon retirement. The employer and/or employee pays into the pension fund a certain amount for each employee. The specific contributions made to the individual participant's retirement account are specified under the terms of the plan. The accumulated value of the employee's account at retirement or termination represents the total value of all contributions made, plus any investment income earned on those contributions.

Vesting

The minimum number of years of covered employment needed to qualify a participant for a benefit or distribution from a qualified retirement plan.

Annuity

A contract or agreement by which one receives fixed payments on an investment for a lifetime or for a specified number of years. The WRS provides a monthly payment for the life of the annuitant. The annuitant can also opt to provide a monthly annuity to a survivor.

Tax-Sheltered Annuity Program

A voluntary supplemental retirement savings program authorized by section 403(b) of the Internal Revenue Code. An employee can invest a portion of income for retirement on a pre-tax basis. Investment options include a wide array of mutual funds and fixed and variable annuities managed by six authorized investment companies.

Deferred Compensation Program

A voluntary supplemental retirement savings program authorized by section 457 of the Internal Revenue Code. An employee can invest a portion of income for retirement on a pre-tax basis. Investment options include a wide array of mutual funds, index funds and a self-directed brokerage account.