



## Retirement Program Options

Universities of Wisconsin employees have multiple retirement program options available to them. Eligible employees are automatically enrolled in the Wisconsin Retirement System. The two supplemental retirement savings plans are the UW 403(b) Supplemental Retirement Program (SRP) and the Wisconsin Deferred Compensation (WDC) 457 Program.

### 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 are also maintained.
- Vesting
  - Employees who do not have any WRS-creditable service prior to July 1, 2011, must have five years of creditable WRS service to be vested in the WRS.
    - If not vested, can receive a separation benefit upon termination of employment.
    - Separation benefit equals employee contributions plus accumulated interest.
  - Employees who have WRS-creditable service prior to July 1, 2011 are immediately vested.
- Contributions
  - In 2024, the total WRS contribution for most employees is 13.8%. Both the Universities of Wisconsin contribute and employee contribute 6.9% of WRS eligible earnings.
  - Contributions are deducted on a pre-tax basis for state and federal tax purposes and are subject to the IRS annual compensation limits.
- Interest crediting
  - Employee accounts are credited with the annual effective rate of interest and annuitants receive an annual annuity adjustment based on the performance of the WRS.
  - For a history of interest rates and dividends, visit the Department of Employee Trust Funds (ETF) [Annual Returns, Rates and Adjustments web page](#).
- 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 WRS 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. You receive the greater of:
    - 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 (employee & employer contributions plus accumulated interest) is 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 and the employee is vested, the benefit will be based on full value of the account (employee & employer contributions plus accumulated interest).
    - Withdraw the account and receive a lump sum payment or roll into another retirement savings vehicle. If money is withdrawn before minimum retirement age or the employee is not vested, the benefit is based on only the employee contributions plus accumulated

interest (not eligible to receive employer contributions).

- Death benefits
  - If an employee dies while actively employed, a minimum of the total value of the employee's WRS account is payable (employee & employer contributions, plus accumulated interest).
- Disability benefits
  - The WRS provides disability benefits (service requirements apply).

### Sick Leave Credit Conversion Program

- If eligible, employee's accumulated sick leave balance at the 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.
- Employees with 15 or more years of continuous Universities of Wisconsin 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.

### UW 403(b) Supplemental Retirement Program (SRP) & Wisconsin Deferred Compensation (WDC) 457 Program

- Pre-tax and post-tax (Roth) deferrals available
  - Both programs allow investment of a portion of the employee's income on a pre-tax or post-tax (Roth) basis to save for retirement.
- No employer contribution or match
- Annual contribution maximums
  - Can contribute up to the annual IRS maximum to both plans.
  - 2024 IRS annual contribution maximum is \$23,000 (\$30,500 if 50 or over).
  - Can contribute up to \$46,000 between the two plans (\$61,000 if 50 or over).
  - May be eligible for additional catch-up provisions (certain requirements must be met).
- Fees
  - Based on account balance.
- 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.
  - 403(b) Program allows in-service distributions at age 59 ½.
- Roll-ins from other retirement plans
  - Pre-tax deferrals: Roll-ins of tax-deferred money accepted from 401(a), 401(k), 403(a), 403(b), 457 governmental deferred compensation plans and traditional IRAs.
  - Post-tax (Roth) deferrals: Roll-ins of Roth 403(b) or Roth 457 account balances from previous employers.
    - Roth IRAs can only be rolled into other Roth IRAs.
  - Always check with past and current recordkeepers regarding restrictions or potential tax penalties.
- 403(b) Program Recordkeepers
  - TIAA
  - Fidelity
- WDC Recordkeeper
  - Empower
- 403(b) Program Investment options
  - Variety of investment options available.

- Access to many institutional share class funds
- Wisconsin Deferred Compensation offers four tiers of investment options:
  - Lifecycle Funds, Passive Index Funds, Actively Managed Funds and Self-Directed Brokerage Account

### Glossary of Terms

#### Defined Benefit/Retirement Plan

A qualified retirement 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/Retirement Plan

A qualified retirement plan that does not guarantee any particular benefit amount upon retirement. The employer and/or employee contributes 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.

#### UW 403(b) Supplemental Retirement Program (SRP)

A voluntary supplemental retirement savings program authorized by section 403(b) of the Internal Revenue Code. Employees can invest a portion of income for retirement on a pre-tax or post-tax (Roth) basis.

#### Wisconsin Deferred Compensation (WDC) Program

A voluntary supplemental retirement savings program authorized by section 457 of the Internal Revenue Code. Employees can invest a portion of income for retirement on a pre-tax or post-tax (Roth) basis.

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