



## 2019-20

### *ESEA-MTI*

*(Educational Assistants, Clerical/Technical Employees,  
School Security Assistants)*

## *Retirement Information*

MTI has prepared the following material to assist members contemplating retirement. The information is designed to provide general information regarding:

- **Wisconsin Retirement System (WRS) Benefits**
- **Social Security Benefits**
- **Insurance Options at Retirement**

*This retirement packet is also available on-line at [www.madisonteachers.org](http://www.madisonteachers.org)*

## *Timeline*

One of the main concerns of retirees is compliance with the appropriate deadlines. Educational Assistants and School Security Assistants are required to give at least two (2) weeks' notice of resignation and/or retirement. Clerical/Technical employees are required to give at least four (4) weeks' notice. However, there are some benefits to retiring at the end of the fiscal year (June 30). Therefore, employees should contact MTI prior to selecting a retirement date.

The following is a **suggested timeline** to follow in order to ensure that the necessary information is obtained in time to make an informed decision:

### **For Those Planning to Retire During the Current School Year:**

#### **July-November**

1. Contact MTI Staff to obtain retirement forms and schedule an appointment to preview the retirement process, 257-0491. Bring your most recent WRS Annual Benefits Statement, Social Security Estimate and last pay stub to appointment.
2. Request benefit estimate/application from **WRS** ([www.etf.wi.gov](http://www.etf.wi.gov)), 266-3285. WRS counselors are also available to meet with you to explain benefits. *The WRS will not provide benefit estimates more than 12 months prior to the retirement date.*
3. Obtain estimate from Social Security ([www.ssa.gov](http://www.ssa.gov)), 1-800-772-1213.

#### **December-April**

4. Meet with MTI to review retirement information (*optional*). Schedule a meeting with the MMSD Benefits Manager, Rachele Hady, 663-1795, to apply for retirement insurance benefits (*required*).

#### **January- March**

5. *If 62 or older*, decide whether to file a claim with **Social Security** ([www.ssa.gov](http://www.ssa.gov)), 1-800-772-1213, or meet with a Social Security Counselor to discuss options.

#### **March- April**

6. Submit **completed WRS** benefit application. WRS does not accept completed applications more than 90 days prior to the effective retirement date (last day worked).

### **For Those Planning for the Future:**

#### **Summer Months**

1. Schedule a meeting with MTI Staff, 257-0491, to review retirement process and prepare estimates. Bring your most recent pay stub, WRS Annual Benefit Statement and Social Security Estimate to your appointment.

#### **Anytime**

2. Individuals can calculate their own retirement estimates utilizing their Annual Benefit Statement and the WRS website benefit calculator at: [www.etf.wi.gov](http://www.etf.wi.gov).

## Wisconsin Retirement System (WRS) Benefits

### **Background:**

In 1921, the State of Wisconsin implemented the first mandatory, joint contributory State-wide teacher retirement system. In 1975, the Wisconsin Retirement System (WRS) was created by merging the existing, separate retirement funds that covered all publicly employed teachers and other state and local employees. With the inclusion of local police and fire pension funds, the WRS as it exists today was implemented in 1982. The WRS is one of the best managed public retirement systems in the nation and is fully funded.

The WRS is a “joint contributory” system with the employer and employee each required to make contributions. The total 2019 contribution is 13.1% of gross annual earnings for all eligible employees, with the employee contribution being 6.55%. This contribution will increase in 2020 to 13.5% total, 6.75% employee share.

### **Benefit:**

The amount of your monthly retirement benefit is calculated by either a: 1) formula benefit which includes your age, creditable service, final average monthly earnings (based on your 3 highest years of earnings), and a “formula factor” depending on employment category; or 2) a money purchase benefit which is dependent on the amount of money credited to your account. At retirement, the WRS will run both calculations and give you the higher of the two calculations. Employees may also have money in either a “core” account or a “variable” account.

Generally, the older one is at the time of retirement; the more years of creditable service one has; and the higher the earnings one receives at the time of retirement, the higher the WRS retirement benefit.

WRS retirement benefits are adjusted annually depending on the investment experience of the Department of Employee Trust Funds. During the past twelve years, the annual annuity adjustments paid out to retirees have been as follows:

<u>Year</u>	<u>Core Annuity</u>	<u>Variable Annuity</u>
2018	0.0%	-10.0%
2017	2.4%	17.0%
2016	2.0%	8.0%
2015	0.5%	- 5.0%
2014	2.9%	2.0%
2013	4.7 %	25 %
2012	- 9.6 % *	9.0 %
2011	- 7.0 % *	- 7.0 %
2010	- 1.2 % *	11 %
2009	- 1.3 % *	22 %
2008	- 2.1 % *	- 42 %
2007	6.6 %	0 %
2006	3.0 %	10 %
2005	0.8 %	3 %

\* The core annuity experienced five consecutive years of negative adjustments due to the 2008 market crash and five-year “smoothing” feature of the WRS core investments.

**Annuity Options:** The WRS benefit estimate/application one receives will contain a number of annuity options. The first option (*Annuitant's life only*) provides a lifetime monthly annuity for retirees only (*i.e., no death benefit for survivors*). The remaining options allow for the monthly annuity to be paid to selected beneficiaries and/or survivors for various lengths of time, after the retiree's death. There is no "correct" option. The annuity option which is best for the individual depends on one's specific situation.

**Example:**

- Are you married? If so, is your spouse dependent upon your income?
- Do you have any children? If so, are they dependent on your income?
- Do you have any additional sources of retirement income other than WRS or Social Security?

An explanation of the annuity options is provided on the back of the estimate/ application, as well as in the **WRS "Choosing an Annuity Option"** brochure (ET-4117). Further clarification can be provided by WRS or MTI.

**Accelerated Payment:**

For those retiring before age 62, the WRS estimate/application will contain an additional selection, the "accelerated payment" option. Rather than provide a constant dollar amount for life, the accelerated payment option allows one to receive a greater benefit before age 62 and a lesser benefit after age 62. The rationale being that one will become eligible for Social Security at age 62 and could, therefore, receive approximately the same amount of money before 62 from one source that they would after 62 from two sources if one elects to begin receiving Social Security benefits at age 62.

**How to Apply:** Request benefits estimate/application from **WRS** at 266-3285 or at [www.etf.wi.gov](http://www.etf.wi.gov), no earlier than 12 months before retirement date. Complete and return within 90 days of retirement date.

If you would like to discuss your annuity options, schedule an appointment by calling MTI at 257-0491 or WRS at ([www.etf.wi.gov](http://www.etf.wi.gov)) 266-5717.

*Calculating Your Own Retirement On-line*

Individuals can calculate their own retirement estimates utilizing their annual benefit statement and the WRS website benefit calculator at:

[www.etf.wi.gov](http://www.etf.wi.gov)

## *Social Security Retirement Benefits*

**Background:** The Social Security Act was signed into law by President Roosevelt on August 14, 1935 in response to massive poverty during the great depression.

*“Security was attained in the earlier days through the interdependence of members of families upon each other and of families within a small community upon each other. The complexities of great communities and of organized industry make less real these simple means of security. Therefore, we are compelled to employ the active interest of the Nation as a whole through government in order to encourage a greater security for each individual who compose it ... Thus seeking for a greater measure of welfare and happiness does not indicate a change in values. It is rather a return to values lost in the course of our economic development and expansion.”*

**President Franklin Roosevelt, Message to Congress, June 1934**

Over time, Social Security evolved to cover not only pensions for the elderly and disabled, but through the establishment of Medicare and Medicaid, health insurance for the poor, elderly and disabled. Then, as now, Social Security was strongly opposed by conservative forces. In recent years, much discussion has occurred over the solvency of the Social Security system and whether those benefits will be available for future generations. Such will be determined not by the inevitabilities of economics and demographics but by decisions made by political leaders in the coming years.

Social Security is a contributory system in which employers and employees each contribute 6.2% of their first \$132,900 in earnings (2019) to Social Security with an additional 1.45% for Medicare.

**Eligibility:** Individuals become eligible for reduced Social Security retirement benefits at age 62. Those who begin receiving Social Security benefits before *full retirement age (FRA)* will have their monthly benefit actuarially reduced to account for the greater number of payments. Waiting to begin benefits after your FRA will increase your monthly benefit. The full retirement age (FRA) is as follows:

<u>Year of Birth</u>	<u>Full Retirement Age (FRA)</u>	<u>Year of Birth</u>	<u>Full Retirement Age (FRA)</u>
1937 and earlier	65 years	1943-1954	66 years
1938	65 years, 2 months	1955	66 years, 2 months
1939	65 years, 4 months	1956	66 years, 4 months
1940	65 years, 6 months	1957	66 years, 6 months
1941	65 years, 8 months	1958	66 years, 8 months
1942	65 years, 10 months	1959	66 years, 10 months
		1960 and later	67 years

**Benefit Amount:**

The amount of one's monthly benefit depends on one's Social Security earnings record, when he/she becomes eligible for benefits, the age at which one's benefits begin, and one's family situation. You can receive an estimate of your Social Security benefits at [www.ssa.gov](http://www.ssa.gov).

**Where to Apply:**

You should talk to a Social Security Counselor the year in which you plan to retire by calling the Social Security Office at 1-800-772-1213.

## *Insurance Options at Retirement*

### **Background:**

MTI's previous Collective Bargaining Agreement with the Madison Metropolitan School District allowed Clerical/Technical employees who are at least 55 years old to continue their current health insurance policy *until age 65* and their dental insurance policy indefinitely at their expense. Educational Assistants are additionally required to have worked in the District for at least ten (10) years in order to continue their insurance benefits. *After age 65*, individuals would be eligible for Medicare and a Medicare supplementary policy.

Eligible retiring employees may access their accumulated sick leave to pay for insurance continuation, *including Medicare supplements available through the carriers doing business with the Madison Metropolitan School District.*

## **Retirement Sick Leave**

### **Educational Assistants**

EAs and SSAs earn one hour of sick leave for every 20 hours worked. Upon retirement, the number of sick leave hours is multiplied by the EAs current hourly wage rate. The employee then receives 100% of said amount for the first 1,550 hours and 50% of said amount for any additional hours for the payment of post retirement insurance benefits.

#### ***Example:***

A retiring EA/SSA receives \$17.02 per hour and has 1,000 hours in their sick leave account. The calculation is as follows:

$$\$17.02 \times 1,000 \text{ hours} = \underline{\$17,020} \text{ available to pay for post retirement insurances}$$

### **Clerical/Technical Employees**

Clerical/technical employees earn one-half day of sick leave bi-weekly. Upon retirement, the number of sick days is multiplied by the employee's current daily wage. The employee then receives 100% of said amount for the first 200 days and 50% of the value of the days beyond 200 for the payment of post-retirement insurance benefits.

#### ***Example:***

A retiring clerical/technical employee receives \$1,860 bi-weekly and has 210 days in their sick leave account. The calculation is as follows:

$$\$1,860 / 10 \text{ days} = \$186 \text{ (daily wage)}$$

$$\$186 \times 200 \text{ days} = \$37,200$$

$$\$186 \times 10 \times 50\% = \$930$$

$$\$37,200 + \$930 = \underline{\$38,130} \text{ available to pay for post retirement insurances}$$

## Calculating the Value of Your Retirement Sick Leave Payment

<b>(a) Hourly/Daily Wage</b>	
<b>(b) Number of Sick Days/Hours</b>	
<b>(c) Number of Days/Hours x Wage</b> (up to 200 days (SEE); or 1,550 hours (EA))	
<b>(d) Number of Days/Hours x Wage x 50%</b> (beyond 200 days (SEE); or 1,550 hours (EA))	
<b>Total from (c) above + total from (d) above</b> (available money to pay post retirement insurances)	

### How Long Will Your Insurance Be Paid?

To make the escrow account stretch, MTI recommends, where couples are involved and there are no dependent children that the employee opt to take two single plans for health insurance and for dental insurance, one for the employee and one for the spouse/partner.

<u>Current Insurance Costs</u>	<u>Single*</u>	<u>Family*</u>
GHC (HMO)	\$ 555.27	\$1482.58
GHC (POS)	\$ 804.97	\$2149.26
DEAN (HMO)	\$ 685.68	\$1803.34
DEAN (POS)	\$ 764.79	\$2011.40
Monthly Dental Insurance	\$ 42.75*	\$ 110.68*
	\$ 43.39	\$ 112.33

\*if paid directly by MMSD

UNUM Long Term Care \_\_\_\_\_

Monthly Basic Life Insurance \_\_\_\_\_

**TOTAL MONTHLY COST:** \_\_\_\_\_

*\*all health insurance estimates use rates effective July 1, 2019.*

Obviously, the length of paid coverage depends not only on which insurance benefits are continued (e.g. Dean or GHC, one or two single policies, etc.), but also how much money is available in the retirement sick leave (escrow) account.

## *Additional Post-Retirement Insurance Options*

### **When Both Spouses Work for the MMSD:**

MTI has negotiated various additional options when a married couple works for the District. Under the circumstances referenced, if one retires and the other continues to work for the District, health and dental insurances can be switched to a family plan under the name of the individual continuing to work. This would enable the RIA of the retired spouse to be banked for future use. At the time the working spouse retires/resigns, both individuals may access their RIA. They can switch to two single plans to make their respective accounts stretch as far as possible.

### **When Spouse Works For Another Employer:**

MTI has negotiated that, upon retirement, a teacher may switch his/her health and dental insurance coverage to that of a working spouse and return to District coverage at such time as a qualifying event occurs (*provided the employee returns to coverage by age sixty-five*). The retirees under this section must submit application for insurance, with evidence of the qualifying event, within thirty (30) days of the loss of family coverage as a result of the following qualifying events: (1) their spouse's death; (2) their spouse's retirement; (3) divorce; (4) the reduction of one's spouse's hours of work which results in the loss of eligibility of health insurance for the spouse via his/her employer; or (5) when the spouse of the employee who has carried the family health insurance experiences a significant reduction in benefits.

### **Benefits for Spouse of Deceased Employee:**

If a retired employee dies and is receiving benefits through his/her RIA, his/her spouse will continue to receive benefits which are in force at the time of the death of the retired employee until the first of the following occurs:

- 1.Said funds are exhausted;
- 2.The spouse elects to discontinue coverage in the District benefits programs;
- 3.The spouse dies; or
- 4.The spouse remarries.

### **Unique Circumstances:**

Individuals who have questions or unique problems, should feel free to contact Doug Keillor or Jeff Knight at MTI Headquarters (608-257-0491) for assistance.

Doug Keillor [keillord@madisonteachers.org](mailto:keillord@madisonteachers.org)

Jeff Knight [knightj@madisonteachers.org](mailto:knightj@madisonteachers.org)