



## *2019-20 Teachers' 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**
- **MTI's Negotiated Teacher Emeritus Retirement Program (TERP)**
- **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. 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. Attend one of the retirement planning sessions presented jointly by the School District and MTI in the fall each year. Specific dates, times and locations will be posted at schools and in MTI's weekly "Solidarity!" newsletter.
3. 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.*
4. Obtain estimate from Social Security ([www.ssa.gov](http://www.ssa.gov)), 1-800-772-1213.

#### August-January

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

#### February 15

6. **Deadline for retirement notification** to be submitted to MMSD Department of Human Resources. TERP application needs to be signed and a letter of retirement should accompany the completed TERP application (if eligible).

#### January-March

7. *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

8. 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 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.

**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.

## *Teacher Emeritus Retirement Program (TERP)*

### **Background:**

The Teacher Emeritus Retirement Program (TERP) was a negotiated agreement between MTI and the District which has now been included as a benefit in the MMSD Employee Handbook. The first TERP Agreement was agreed to in 1977, in part as a means to assist in reducing staff through attrition in response to a high number of layoffs.

While initially intended as a vehicle to minimize layoffs, TERP has the additional benefit of producing “turnover savings” for the MMSD. TERP benefits make it possible for teachers to retire earlier than they could otherwise afford. The resultant retirement of a teacher at the top of the salary schedule, and subsequent replacement by a lesser paid new hire, generates significant turnover savings which the Union estimates at approximately \$1 million per year. Therefore, benefits paid via TERP are more than made up for in salary savings. ***TERP has been continued in the MMSD Employee Handbook for the 2019-20 school year and, thereafter, is subject to revision.***

### **Eligibility:**

In order to be eligible for TERP, one must be a full-time teacher, at least 55 years old, with a combined age (as of 8/30 in one’s retirement year) and years of service in the District totaling at least **75**. *For example, a teacher who is 57 and has eighteen (18) years of service to the MMSD would be eligible: 57+18=75.*

Teachers less than 55 are eligible if they have worked for the MMSD at least 30 years. Up to ten (10) part-time teachers are allowed to participate in TERP each year provided they have worked full-time within the last ten (10) years and meet the other eligibility criteria referenced above.

### **Benefits:**

The District shall pay all eligible retirees **19%** of the eligible retiree’s highest annual salary each year for three years, in thirty-six (36) monthly installments. The TERP benefit is paid monthly beginning September 1 of the enrollment year.

Those retiring under TERP can choose to apply all or a portion of their monthly TERP benefit towards the payment of contractual insurances on a pre-tax basis. The portion of TERP one elects as a cash benefit will still be subject to state and federal taxes. Therefore, using those funds for insurance provides a substantial tax savings. All TERP payments, whether taken as a cash benefit or applied to insurances, will be subject to Social Security withholding.

### **Calculating Your Monthly TERP Benefits**

To calculate your monthly TERP benefits, multiply your highest contractual salary by 19% and divide by twelve.

### **How to Apply:**

Call **MMSD Benefits** at 663-1795 and request a meeting to review the TERP enrollment form.

### **Deadline:**

The *deadline* for one to submit the enrollment for TERP participation in the then current year is **February 15**. A retirement letter should accompany the TERP form.

Note: *The February 15 deadline also applies to those retiring without TERP.*

## *Insurance Options at Retirement*

**Background:** MTI's previous Collective Bargaining Agreement with the Madison Metropolitan School District allowed retiring teachers to continue their current health insurance policy until age 65 and their dental insurance policy indefinitely at their expense. However, retiring teachers were able to access their accumulated Retirement Insurance Account (RIA) to pay for insurance contributions. These benefits have been continued in the MMSD Employee Handbook.

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.*

**RIA:** The Retirement Insurance Account (RIA) was first negotiated as part of the MTI Teacher Collective Bargaining Agreement in 1986. Each year, a teacher earns one sick day per month (*a minimum of ten per year*). Prior to 2016, teachers had a portion of their accrued sick leave deposited into their RIA at the end of each school year. All sick leave accrued since 2016 remains in the individuals sick leave account. Upon retirement, all of an individual's accumulated sick leave days are added to any days in their RIA for the payment of post-retirement insurance benefits.

Calculation: The total number of days in the PSLA are transferred into the teachers RIA and are then multiplied by the teacher's daily rate of pay (annual contract divided by 192). The teacher then receives the full value of the first 200 days, and 50% of the value of the remaining days above 200 to use to pay monthly insurance premiums.

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

*For a retiring teacher earning \$60,000, with 140 days in their RIA, and 75 days in the PSLA, the calculation is as follows:*

1. All sick days are transferred into the RIA:  $(140 + 75 = 215)$
2. The first 200 days in the RIA are then multiplied by the teacher's daily rate of pay:  $(\$60,000/192 = \$312.50 \times 200 = \$62,500)$
3. The next 15 days in the RIA are then multiplied by the teacher's daily rate of pay and then again by 50%:  $(\$60,000/192 = \$312.50 \times 15 = \$4687.50 \times 50\% = \$2,343.75)$
4. Adding these amounts, the teacher in the example has \$64,843.75 to pay for insurance after retirement.  $(\$62,500 + \$2,343.75 = \$64,843.75)$

With the example above, the teacher would have \$64,843.75 to pay insurance after retirement from the RIA. Additionally, TERP eligible teachers can apply some or all of their monthly TERP payments toward insurance premiums. To make these funds stretch, MTI recommends, where couples are involved and there are no dependent children that they opt to take two single plans for health insurance and for dental insurance.

## Calculating the Value of Your RIA and TERP

RIA		TERP	
Highest Contractual Salary		Highest Contractual Salary	
Daily Rate (salary/192)		Annual Benefit (x 19%)	
Number of Personal Illness (PI) Days		Total TERP Benefit (x 3 years)	
Number of RIA Days			
Total Number of Days (PI & RIA)		Monthly TERP Benefit (/36)	
Number of Days (max 200) x Daily Rate			
Number of Days over 200 x Daily Rate x 50%			
Total Value of RIA			

**Current Insurance Costs**

	<b><u>Single*</u></b>	<b><u>Family*</u></b>
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 Life Insurance \_\_\_\_\_

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

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

To estimate length of paid insurance, divide monthly insurance costs by total value of RIA = \_\_\_\_\_ months of paid coverage. (Note: This calculation does not consider annual inflationary premium increases.)

Note: TERP and RIA benefits are benefits available to teachers due to MTI's previous negotiations with the MMSD. The continuation of these benefits is subject to change. MTI's continued involvement in the collaborative Employee Handbook review process allows MTI to continue to advocate for these benefits.

# *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.

## **HRA:**

Effective with the 2009-11 Collective Bargaining Agreement, the parties agreed to the implementation of a Health Reimbursement Agreement (HRA), in which retiring employees can elect to have their RIA funds placed in an HRA for the payment of non-District group health insurance or Medicare supplement under certain situations. See MMSD information packet on HRA options for additional information.

## **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.

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