



## DECISIONS WHEN LEAVING A PARTICIPATING EMPLOYER

Leaving employment with a Wyoming Retirement System (WRS) participating employer doesn't mean your retirement assets must leave WRS. The decision to withdraw retirement assets when you terminate employment may hurt your future retirement security. Whether you have a pension account, a 457 deferred compensation account or both, you have three options when leaving service:

1. Leave your account on deposit with WRS;
2. Roll your account balance to a different eligible plan, such as an IRA or a new employer plan;
3. Take a refund or distribution of your account.

The decision to withdraw retirement assets when you terminate employment will have a significant impact on your future retirement planning. You should only make the decision to withdraw after careful consideration of all of your options. You are not required to make an immediate decision regarding your retirement assets with WRS.

### Important Questions

As you read this brochure, consider some of the important factors that may impact your decision:

- If you spend retirement assets now, where will your retirement income come from in the future?
- Are you vested in a WRS pension plan? If so, when are you eligible to begin receiving lifetime monthly pension benefits?
- How likely are you to return to work for a WRS participating employer?
- What is the tax impact of your decision?
- Have you reviewed the WRS 457 Rollover Checklist on the last page of this publication?

These questions and others may apply to your particular situation. Some of the information in this brochure does not apply to the Volunteer Firefighter, EMT and Search & Rescue Pension Plan. Consult with a WRS Educator for a comprehensive review of your specific account information.

### Online Resources

The WRS website at [retirement.wyo.gov](http://retirement.wyo.gov) contains information about your retirement benefits, as well as general information and tools for retirement planning.

- **Current Plan Handbooks** - WRS plan handbooks contain important information about your retirement plan(s).
- **Pension Benefit Calculators** - Get an unofficial estimate of your potential pension benefit at retirement.
- **WRS Pension Online Account Access** - Log into your account to update personal information and beneficiaries, view annual statements, apply for retirement, and more.
- **457 Plan Online Account Access** - The 457 Plan online account allows you to view your balance, manage your investments and access a variety of retirement planning resources.
- **Educational Resources** - Retirement topic videos & recorded seminars, as well as a variety of informational brochures and worksheets, are available to help you with your retirement planning.
- **WRS Member News and Newsletters** - Access the bi-annual WRS Member Update Newsletter and the latest WRS news.
- **Follow WRS on Facebook at [facebook.com/WyRetirement](https://www.facebook.com/WyRetirement)**

*This brochure is not intended to be comprehensive and should not be construed as advice. State statute, administrative rules, and the 457 Plan Document will govern in the event of any discrepancies with information in this publication, which should not be construed as specific tax, financial, legal or investment advice.*

# PENSION ACCOUNT CONSIDERATIONS

## **Can I leave my money in my WRS pension account when I terminate employment?**

Yes, unless you are not vested and have an account balance of less than \$1,000. If your balance is less than \$1,000, you must take a taxable refund or make a non-taxable rollover within three years of your separation date or you could forfeit your money. Vested means you have enough service credit to be eligible for a monthly benefit at retirement age; your pension account statement shows your vesting status.

## **What is the benefit of leaving my money in my WRS Pension account?**

If you are vested, you are eligible for a monthly lifetime benefit when you reach your plan's retirement eligibility age. Your benefit is based on years of service, age, and highest average salary. Even if your future monthly benefit is based on a few years of service, the monthly benefit is for your lifetime. It may enhance other sources of retirement income you build over the years.

Your account balance, which consists of employee contributions plus interest, will continue to earn interest each month until you reach retirement age, rollover your account balance to another eligible retirement account or take a refund. Your account balance helps to fund your retirement benefit and, if necessary, a pre-retirement death benefit. Rollovers and refunds do not include the employer contributions paid to your pension plan.

## **What if I am not vested when I terminate employment?**

You can either take a refund of your account balance or leave your account on deposit if your balance is at least \$1,000. However, your account will not accrue interest.

## **What if I return to work for a participating employer?**

If you return to work for a participating employer of the same pension plan as your previous employment, and you left your account on deposit with WRS, you resume earning service credit in that plan. Tier I members of the Public Employee Plan who terminate prior to vesting and then later return to work for a participating employer of that plan will be re-enrolled as Tier II members. Tier II has reduced benefits compared to Tier I. If you took a refund of your account upon terminating from your prior employment, you will be enrolled as a new member upon rehire.

## **What should I consider before rolling my pension account to an eligible plan, whether an IRA or a new employer plan?**

Although consolidation of retirement assets to a qualified retirement plan may be convenient, if you are vested and elect a rollover, you are forfeiting a lifetime monthly pension benefit when you reach retirement age.

Take into consideration any fees, investment quality, and fiduciary responsibility of the potential new plan to which you are considering rolling your money. It may be an advantage to keep retirement assets in an employer plan, as employer plans typically have a lower fee environment than the retail sector, such as IRAs.

You can roll your pension account to your WRS 457 account. However, you must have a balance of at least \$200.00 for a rollover request.

## **What should I consider before taking a refund from my WRS pension account?**

If vested, you are giving up a lifetime monthly pension benefit at retirement age. A refund decision should be made carefully, as it is usually difficult to recover the lost retirement security.

A refund is irreversible. You will lose time and retirement savings when taking a refund. If you return to a WRS participating employer, you will start over. You may be eligible to redeposit previously refunded money, but it will likely cost more than what you withdrew.

Refunds are reported as taxable income in the calendar year the money is paid and will add to your taxable income for the year. The additional income could potentially move all of your taxable income to a higher tax rate. In addition to ordinary income tax, in most cases, a member under the age of 59 1/2 will incur an additional 10 percent tax on the taxable amount withdrawn. WRS is required to withhold 20 percent of a refund for federal tax withholding.

The decision to refund your WRS pension account will have significant implications on your future retirement planning and should be made only after careful consideration of your options and alternatives.



# 457 PLAN ACCOUNT CONSIDERATIONS

## What are the benefits of leaving my money in my WRS 457 Deferred Compensation account?

- You continue to direct how your assets are invested even if you terminate employment with a participating employer, and you can roll other eligible assets into the WRS 457 Plan.
- The WRS Board administers the Plan with a commitment to providing low fees and best-in-class investment options.
- You have access to the WRS Capital Preservation Fund, which is a stable value fund in the 457 plan. Stable value funds are designed to provide relatively low risk and a stable rate of return that is usually higher than money market rates and is geared toward capital preservation and the potential for higher returns than money market funds
- Before-tax balances can be converted to after-tax (Roth) balances at any time.
- You can take partial distributions or set up revocable periodic payments of qualified balances at any time, providing you do not return to work with the employer with whom you contributed.
- You can delay taking taxable distributions from before-tax balances until the year in which you reach 72 years of age.



## What should I consider before rolling my WRS 457 balance to an eligible plan, whether an IRA or a new employer plan?

It may be an advantage to keep your retirement assets in your employer plan. Employer plans typically have a lower fee environment than the retail IRA market. The WRS 457 Plan provides low administrative and investment fees because of its size and status as an institutional investor. This can be a great help to employees when saving for retirement.

If you are under age 59 1/2, be aware that 403(b), 401(k) and IRAs may have an additional 10 percent tax on withdrawals before age 59 1/2 unless the withdrawals meet certain IRS guidelines. By rolling your assets to one of these eligible plans, you could be altering the flexibility of accessing your money.

Consider the investments available. See the WRS 457 Roll-over Checklist on the last page of this brochure to develop a specific comparison with another eligible plan.

## What should I consider before taking distributions from my 457 Deferred Compensation account?

- Before-tax balances, whether in full or partial distribution, are taxable and subject to 20% federal tax withholding. The additional income may have an impact on your total taxable income for the calendar year. Partial distributions or periodic payments over years may result in better tax outcomes than a full distribution in one calendar year.
- Distributions of after-tax contributions are tax-free providing you have separated from service, the after-tax balance is at least five years old and you are 59 1/2 years of age. If anyone of the three requirements are not met, any growth on the after-tax (Roth) distribution is reported as taxable income.

## **Beneficiaries**

*If you leave your WRS retirement account(s) on deposit, be sure to keep your beneficiary designations current in both your online pension account and 457 Plan online account. The beneficiary designation for each plan is separate. See your plan handbook for details about beneficiaries.*

# 457 PLAN ROLLOVER COMPARISON CHECKLIST

A direct rollover\* means transferring your money to another eligible retirement plan instead of withdrawing it or leaving it in the WRS 457 Plan. If you are eligible to take distributions from your account, the checklist below is designed to assist you with questions to raise should you be considering a rollover. It is important to compare plan features, investment options, as well as fees and expenses associated with each plan when deciding how best to put your retirement dollars to work for you.

	<b>WRS 457 Plan</b>	<b>Other Plans</b>
<b>How old are you?</b>	As soon as you are no longer employed by a participating employer you are eligible for qualified distributions without penalty, even if you have not yet reached age 59 1/2.	Be aware that 403(b), 401(k) and IRAs may have an additional 10% tax on withdrawals before age 59 1/2 unless the withdrawals meet strict IRS guidelines.
<b>What is the quality of investments available to you?</b>	The WRS Board selects best-in-class investment options and offers a wide array of choices. Performance information is sent to you with your quarterly statement and is also available on the WRS website.	Be sure to ask if best-in-class funds are available. Many plans only offer funds affiliated with their company. Be sure to ask if you will be provided regular performance information on all of the funds the plan offers.
<b>Is a stable value fund a type of investment you want to have?</b>	WRS offers a stable value fund in the 457 plan. Stable value funds are designed to provide relatively low risk and a stable rate of return that is usually higher than money market rates.	Be aware that stable value funds are often not available from other providers. If this is an important investment for you, be sure to ask if there is one available.
<b>What does consolidating your assets mean in terms of diversification?</b>	WRS uses an assortment of companies to provide investments to our members. Consolidating your retirement nest-egg at WRS is not likely to result in company-specific risk.	Be aware that moving your entire retirement nest-egg to one mutual fund company may result in less diversification and expose you to the risks associated with that company. It is unlikely for a single company to have best-in-class funds in every area of the market.
<b>Do you understand what you are paying in fees?</b>	Administrative fees of 0.20% of assets capped at \$300 a year. Fund operating expenses vary, but most are below average (specific fund information is available in your online 457 Plan account). WRS is not paid any commission as a result of your investments. There are no penalties or surrender charges upon distribution.	Be sure to ask the following questions about potential fees: <ul style="list-style-type: none"> <li>• What are the administrative fees?</li> <li>• What are the fund operating expenses?</li> <li>• Are my returns reduced by a commission paid to someone?</li> <li>• Are there front-end or back-end charges?</li> <li>• Are there penalties or surrender charges?</li> </ul>

**\*A note on indirect rollovers:** In contrast to a direct rollover, your money is distributed to you and you are responsible to deposit it into a qualified retirement plan to keep the transaction tax-deferred. The distributing plan must withhold 20% for taxes, but you are required to deposit 100% of the balance into a qualified retirement plan within 60 days to avoid immediate taxation on the amount not redeposited.