

Buying Other Governmental Service

(Section 40.285, Wis. Stat.,
ETF 20.17, Wis. Admin. Code)



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The Department of Employee Trust Funds does not discriminate on the basis of disability in the provision of programs, services or employment. If you are speech, hearing or visually impaired and need assistance, call toll free at 1-877-533-5020 or 608-266-3285 (local Madison). We will try to find another way to get the information to you in a usable form.

ETF has made every effort to ensure that this brochure is current and accurate. However, changes in the law or processes since the last revision to this brochure may mean that some details are not current. The most current version of this form can be found at etf.wi.gov. Please contact ETF if you have any questions about a particular topic in this brochure.

General Information

You may be eligible to increase your Wisconsin Retirement System benefit by purchasing the time you worked for non-WRS public employers at the federal, state or local level. Other Governmental Service (OGS) that you purchase is treated as WRS-creditable service for purposes of calculating your formula retirement benefit or your disability benefit under Wis. Stat. §40.63. It will always be credited as **general category service**.

Please review *Buying Creditable Service* (ET-4121) and *Calculating Your Retirement Benefits* (ET-4107) brochures for additional information. Find them online at etf.wi.gov or contact the Department of Employee Trust Funds to request copies.

Service in another state, or with the federal government or military, must be comparable to Wisconsin service. This means that if the service had been performed for a Wisconsin public employer, the employee would have been covered by the WRS. Additionally, the time you propose to buy as OGS must meet WRS participation standards:

- For time served *before* July 1, 2011, you must have worked at least 600 hours per year in a non-teaching position or 440 hours per year as a teacher or educational support staff.
- For time served *on or after* July 1, 2011, you must have worked at least 1,200 hours per year in a non-teaching position or 880 hours per year as a teacher or educational support staff.

What Does it Cost to Purchase OGS?

Most benefits paid by the WRS are funded by contributions from employers and employees, plus investment income. Since there is no employer contribution toward the benefit provided from purchased OGS, the employee must contribute enough to fully fund the projected future benefit increase that the service will provide.

Your OGS cost is determined by using a special calculation program created by the WRS actuary. Using your age, salary and accrued service, the program calculates the increase to your retirement benefit likely to result from the purchase. Your cost is the value of this probable increase, discounted by 7.2% per year for the years remaining until your actuarially assumed retirement date. The calculation is based on group averages for employees in your employment category and may not reflect your future experience.

The higher formula multiplier (.01765) for general category service authorized by 1999 Wisconsin Act 11 applies to any purchased OGS that was actually performed before January 1, 2000.

The lower formula multiplier (.016) applies to any purchased OGS performed after that date. If you buy some OGS that was performed before January 1, 2000 and some that was performed after that date, different formula multipliers will apply to each portion.

Since the cost of buying OGS is calculated to be the full actuarial value of the benefit increase that the service will provide, the cost will be higher for years of service performed before 2000. One year of OGS can vary in cost from a minimum of 5% to more than 30% of your current annual earnings. The cost might be disproportionate to the amount of service purchased. For example, one year of OGS could cost more or less than one-half the price of purchasing two years of OGS, depending on the other characteristics of your account.

OGS Purchase Example

(Please note: OGS calculations are complex and variable based on several factors, including your age, years of WRS service and earnings. Even minor differences in any of these factors may have a significant impact on an individual's cost to purchase OGS.)

A general employee retires at age 55 with 28 years of service. Twenty years were performed pre-2000, and eight were performed post-1999. The final average earnings are \$2,500 per month and the actuarial reduction factor is .878. The For Annuitant's Life Only monthly formula amount is:

Pre-2000 Service: $\$2,500 \times .01765 \times 20 \times .878 = \774.84

Post-1999 Service: $\$2,500 \times .016 \times 8 \times .878 = \280.96

Total: $\$774.84 + \$280.96 = \$1,055.80$

If the employee purchases two years of OGS performed before 2000, the actuarial reduction factor becomes .904 and the monthly formula amount is:

Pre-2000 Service: $\$2,500 \times .01765 \times 22 \times .904 = \877.56

Post-1999 Service: $\$2,500 \times .016 \times 8 \times .904 = \289.28

Total: $\$877.56 + \$289.28 = \$1,166.84$

The OGS purchase results in a monthly increase of \$111.04 (For Annuitant's Life Only option - less for other options).

This employee's cost at age 55 is \$13,864 (23.1% of annual salary for each year purchased).

When and How Much Service Can I Buy?

You can purchase all or any portion of your OGS, and you can make more than one purchase. You are limited to buying an amount equal to the creditable service you have earned under the WRS at the time of the purchase. You must have three **complete**, continuous annual earnings periods of service under the WRS without a termination in employment of more than 90 days. These three years must be immediately preceding the application to purchase OGS. This is three complete *fiscal* years for teachers, educational support personnel and judges, and *calendar* years for all other categories. The years of employment do not have to be full time.

You can only receive a maximum of one year of creditable service in an annual earnings period. Therefore, if you already have some WRS service credited for a calendar or fiscal year, you can only purchase enough OGS to bring your total service for that year to one full year of service. As a result, if you had service in the National Guard or Reserves while you were employed full-time under the WRS, you may not be able to buy that service.

How Would an OGS Purchase Benefit Me?

If you receive a formula retirement benefit from the WRS, each year of OGS you purchase may increase your monthly formula benefit. It may also increase your benefit by lowering your actuarial reduction for early retirement. If you receive a WRS disability benefit, the OGS purchase may increase your disability benefit amount and any death benefit payable to your beneficiary(ies). OGS is not counted toward the service requirements for WRS vesting, military service crediting, disability benefits, insurance eligibility after termination of employment or how many years of forfeited WRS service you may be eligible to buy.

The potential increase in your retirement benefit can vary greatly based several factors, including your age, employment category and years of WRS service. Using your annual Statement of Benefits and the WRS Retirement Benefits Calculator, you can determine your potential benefit increase.

If you no longer have your most recent Statement of Benefits, please contact ETF for a duplicate copy. Visit the calculator page on the ETF website at etf.wi.gov/calculator.htm and:

- Create an initial retirement estimate by entering your birth date, anticipated retirement date, corresponding years of service (allocated as “years before 2000” or “years after 1999,” as appropriate) and your earnings. Click “calculate” to produce an estimate based on the information that you entered.
- Create a second retirement estimate. This time, increase your total years of service by the amount of OGS that you would like to purchase. Be sure to enter your OGS time as general service in either the “years before 2000” or “years after 1999” column as appropriate. Click “calculate” to produce a second estimate.

The difference between these estimates is your potential retirement benefit increase.

- As a final comparison, consider creating a third retirement estimate. This time, remove the additional years of OGS service that you entered for the second estimate (while retaining your actual years of service) and then enter the estimated cost to purchase your OGS in the “employee additional contributions” box. Click “calculate” to produce an estimate.

This estimate shows how investing the cost to purchase your OGS as an additional contribution to your WRS account, instead of making the OGS purchase, may impact your retirement benefit. For more information about this alternative, see the *Additional Contributions* (ET-2123) brochure, available online at etf.wi.gov or by request from ETF.

What About Return on my Investment?

You should carefully evaluate other investment alternatives before choosing to purchase OGS. The money you spend to purchase OGS will normally be paid out to you or your beneficiaries in some form. The return on your investment will, however, vary according to future events. Some examples are:

- If you close your account by taking a separation benefit, your refund will include the OGS payment, plus accrued interest.
- If you die **before** taking a benefit from your WRS account, the OGS payment, plus accrued interest, will be included in the death benefit paid.
- If you die **after** taking a benefit from your WRS account, the annuity option you selected and the duration of your payments will affect the return on your investment.
- If your money purchase benefit is higher than your formula benefit at retirement, the account balance on which your money purchase retirement benefit is based will be increased by the amount of your OGS payment, plus accrued interest.
- If your formula benefit is higher at retirement but you already have enough years of service so that your formula benefit exceeds the maximum benefit, purchasing more years of OGS will not increase your formula retirement benefit.

Voluntary additional contributions to your WRS account are credited with interest at the WRS effective rate. Making additional contributions may be a better long-term investment than buying OGS. For more information about additional contributions, see the *Additional Contributions* (ET-2123) brochure, available online at etf.wi.gov or by request from ETF.

What Service is Eligible for Purchase?

Eligible service includes work for federal, state or local governmental entities in the United States outside the state of Wisconsin. Some examples are:

- Teaching in public schools, colleges or universities outside of Wisconsin.
- Service with the federal government or paid stipend from federal funds (i.e. Peace Corps, Vista).
- Employment with a U.S. state, county or city outside Wisconsin. A U.S. *state* includes the District of Columbia, the commonwealth of Puerto Rico and the several territories organized by Congress.
- Military service, including service in the National Guard or Reserves.

Can I Purchase Public Employment in Wisconsin?

Employment with a Wisconsin governmental employer can be purchased as OGS if the employer was **not** a *WRS-participating* employer with regard to employees in your employment category. A participating employer is one that reported employees in your employment category to the WRS or a predecessor system (e.g. State Teachers Retirement System, Milwaukee Teachers Retirement Fund or the Wisconsin Retirement Fund) at the time you rendered the service. Some examples are:

- Employment with Milwaukee County.
- Service as a non-teacher with the city of Milwaukee or with a Wisconsin school district that does not cover its educational support employees under the WRS (or did not report non-teaching employees at the time the service was performed).
- Service as a non-protective employee with a Wisconsin city that does not report its non-protective employees.

Your service **cannot** be purchased as OGS if your employer reported employees in your employment category to the WRS or a predecessor system at the time you performed the service that you wish to buy. ETF can tell you whether your employer participated in the WRS at the time you were employed. Some examples of service that are not eligible for purchase are:

- Employment for a WRS-participating employer that was not expected to, and did not, last for at least one year.
- Part-time employment that fell below the WRS-eligibility requirement.
- Employment while you were younger than age 20 and regularly enrolled as a full-time high school student.
- Employment by a university as a student assistant or employee-in-training, and any employment that was part of your training at an educational institution where you attended classes. This includes individuals employed as graduate assistants.
- Employment by a private or non-profit agency under contract with a government agency.
- Volunteer activities for which you did not receive compensation.
- Business or professional services which you provided to governmental clients as a private contractor.

Additionally, you may not purchase service that you are using to establish entitlement to any retirement benefit paid by a federal, state or local government entity (other than Social Security, disability benefits, or benefits paid for service in the National Guard or Reserves). Retirement benefits are benefits regulated by Section 401 or Section 403 of the Internal Revenue Code.

How Will OGS be Credited to my WRS Account?

By law, *OGS is credited as general category service*, regardless of the type of duties you performed during the years of OGS that you are purchasing or your current employment category. One year of service is equivalent to 1,904 hours of work, or about 48 weeks of full-time employment. A full year of half-time employment (1,040 hours), therefore, equals .55 year of service, and nine months of full-time teaching represents approximately .75 year of service. You cannot be credited with more than one year of service in one annual earnings period, regardless of the number of hours you actually worked.

Your OGS purchase payment is credited to your WRS account as employee-required contributions and earns interest at the same rate as your regular employee-required contributions. It is not eligible for matching employer contributions. This means that your money purchase balance on your annual statement will not be your employee-required balance doubled.

Supporting Evidence

You must provide evidence of the service that you wish to purchase as OGS.

For Non-Military OGS, you must submit a completed:

- *Summary of Other Governmental Service* (ET-2210)
- *Employer Certification of Other Governmental Service* (ET-2206). These forms are available from ETF.

For Active Duty Military OGS:

- Verified with a DD214 that documents your entry date, separation date and type of discharge from active service. The DD214 must indicate an honorable or general service discharge.
- If a DD214 is not available, complete the *Summary of Other Governmental Service* (ET-2210) form and provide ETF with documentation of your honorable or general service discharge.

For Reserves or National Guard OGS:

- Complete the *Summary of Other Governmental Service* (ET-2210) form and provide ETF with documentation of your honorable or general discharge.
- Time served in the Reserves or National Guard must satisfy the WRS-participation standards to be eligible for purchase.
- For WRS purposes, a day of military service is equal to eight hours. Those serving one weekend per month and two weeks per year in the Reserves or National Guard earn approximately 300 hours of comparable WRS-creditable service. This level of service does not meet the WRS-participation standards.
- You cannot earn more than one year of creditable service during a year. Therefore, time served in the Reserves or National Guard is not eligible for purchase if you simultaneously worked full-time in a WRS-covered position.

Method of Payment

You may pay for your OGS in the following ways:

- Pay the full amount with your OGS application.
- Use your voluntary employee additional contributions.
- Pay up to 90% of the cost through a direct plan-to-plan transfer of funds from certain other retirement plans. The outside plans from which ETF can accept funds to buy WRS service are those authorized under Internal Revenue Code sections:
 - 401(a)
 - 403(b)
 - 401(k)
 - 457(b)

The Wisconsin Deferred Compensation Program (WDC) is a Section 457(b) account.

You may not pay for OGS by transferring funds from individual retirement accounts or other plans not listed above.

If you pay for your OGS by using a plan-to-plan transfer, you must pay a minimum of 10% of the total cost with your application. This 10% payment can be made by personal check or money order, or by using your additional contributions or a combination of the two methods. ETF must receive the transfer from the other qualified plan(s) within 90 days after the date on which ETF receives your OGS purchase application.

When Should I Make This Purchase?

The cost of OGS as a percent of annual salary generally increases as you grow older and earn more WRS-creditable service. For general employees and teachers, the cost is usually highest for employees in their late 50s and early 60s, when an OGS purchase is most likely to reduce the actuarial discount for early retirement. By age 62, the cost for most participants begins to decline as a percent of salary.

Purchase Deadline

You should begin planning for your OGS purchase as early as possible. Under state law, ETF must receive your application for purchase, supporting evidence of your service and payment no later than the day you terminate WRS employment.

If a plan-to-plan transfer is used, your payment of at least 10% of the total cost must be received by your termination date and the transferred funds within 90 days of your payment and application.

For your convenience, you may make two OGS purchases each calendar year. ETF will recalculate the cost each time and provide you with a new estimate.

Contact ETF

Visit us online at etf.wi.gov

Find Wisconsin Retirement System benefits information, forms and publications, benefit calculators, educational offerings, email and other online resources.

Call us toll free at 1-877-533-5020 or 608-266-3285 (local Madison)

Benefit specialists are available 7:00 a.m. to 5:00 p.m. (CST) Monday-Friday

Self-Service: Order forms and brochures, change your address information or tax withholding 24 hours a day, 7 days a week.

Wisconsin Relay Service for hearing and speech impaired: 7-1-1
1-800-947-3529 (English), 1-800-833-7813 (Spanish)

Write or Return Forms

P.O. Box 7931
Madison, WI 53707-7931

Visit by Appointment

801 West Badger Road
Madison, WI 53713
7:45 a.m. to 4:30 p.m.

