

Wisconsin Retirement System (WRS)
**Reportable Earnings and
Creditable Service**



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Objective

Enable employers to
accurately determine
whether earnings are
reportable for WRS
purposes



Topics

- Reportable Earnings
- Creditable Service
- Contributions

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Earnings and Service

- Retirement benefit based on the higher of:
 - “Defined Contribution” – Amount accumulated in the account at time of retirement
 - “Defined Benefit” – Formula includes:
 - Earnings
 - Service
 - Formula Factor

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WRS Reportable Earnings

- [Wis. Stat. § 40.02 (22) (a)] defines earnings for WRS purposes as:
 - The gross amount paid to an employee by a participating employer as salary or wages...for personal services rendered...

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Earnings Reportable For WRS

- Include, but not limited to:
 - Cash payment for salary or wages
 - Overtime pay
 - Retroactive pay (e.g., union contract settlement)
 - Pay during a Leave of Absence
 - Health Savings Accounts (employee salary reduction)

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Earnings Not WRS Reportable

- Include, but not limited to:
 - Employer contributions for Social Security, insurance and retirement
 - Payments in lieu of fringe benefits
 - Health Savings Accounts (employer contribution)
 - Severance pay (lump sum or installment)
 - Contract buyouts

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- Earnings - Reportable or Not?

Utilize the WRS Administration Manual
- Chapter 5 -
- Subchapter 508 -

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Common Questions

- Worker's Compensation (Temporary)
- Accumulated Leave Payments
 - Vacation
 - Sick
 - Compensatory
- Accumulated Leave Payments at Termination

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Worker's Compensation (Temporary)

- "Deemed Earnings"
 - Retirement credit for what employee would have earned if not injured at work
- WRS Administration Manual
 - Chapter 5 – Subchapter 505

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Vacation and Sick Pay (Not at Termination)

- Used as leave time
 - WRS earnings and hours reported when paid
- Unused and paid out as cash (if applicable)
 - WRS earnings reported when paid only if:
 - Employer has broadly applicable policy of converting vacation or sick pay to cash at least annually
 - Employee does not have the option or discretion to convert to cash
 - Hours not reported

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Compensatory Time Pay (Not at Termination)

- Used as leave time
 - WRS earnings and hours reported when paid
- Unused and paid out as cash (if applicable)
 - WRS earnings and hours reported when earned
 - Employer policy not required, but may mitigate interest charges

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Accumulated Leave Payments at Termination

- Used as leave time and termination date extended
 - WRS earnings and hours reported when paid
- Unused and paid out as cash (if applicable) (lump-sum or installments)
 - WRS reportable when paid only if:
 - Employer has broadly applicable policy of converting vacation or sick pay to cash at least annually
 - Employee does not have the option or discretion to convert to cash
 - Vacation/Sick – earnings only
 - Compensatory – hours and earnings

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Creditable Service

- One year of creditable service is:
 - 1904 hours for all non-teachers
 - 1320 hours for all teachers
- Employees only credited with one year of service in any annual period
 - Still need to report **all** hours

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Creditable Service

- Incidentals – On-call, Standby, Extracurricular
 - Divide earnings by base rate of pay
- One full-time day of service = 8 hours [Wis. Admin Code § 10.03]
 - Formula to convert employees to 8 hour workdays:

$$\left(\frac{\text{Hours Worked}}{\text{Full Time Hours}} \right) \times 40 \times \text{\# of weeks in the reporting period}$$

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Overview of WRS Contributions

- Contributions to WRS based on % of reportable earnings
 - Required Contributions
 - Rates reviewed annually by actuary
 - Additional Contributions

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Required Contributions

- 2011 Contribution Rates for General, including Teachers & Educational Support Personnel:
 - 5.0% - Employee Required Contribution
 - 1.5% - BAC
 - 5.1% - Employer Required Contribution
 - Unfunded Actuarial Accrued Liability (UAAL) varies by employer
 - Duty Disability varies by employer

Subject to change due to pending legislation

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Required Contributions

- Employee - May be paid by employer:
 - Employee Required Contribution (EERC)
 - Benefit Adjustment Contribution (BAC)
- Employer - Must be paid by employer:
 - Employer Required Contribution
 - UAAL
 - Duty Disability - applies only to protectives (police officers, firefighters)

Subject to change due to pending legislation

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Additional Contributions

- Employee-Paid Additional Contributions:
 - After-tax contribution
 - Paid through payroll deduction or paid directly to ETF
- Employer-Paid Additional Contributions
 - Taxes deferred until a benefit is received
- Employee-paid and employer-paid additional contributions subject to federal annual contribution limits
 - ET-2566: Maximum Voluntary Additional Contributions Worksheet should be completed

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Reference

- WRS Administration Manual – ET-1127
 - Chapter 5 – Earnings and Creditable Service
 - Chapter 7 – Contribution Rates
- www.etf.wi.gov
 - Employers Tab

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Questions?

Contact the Employer
Communication Center

Local: (608) 264-7900
Toll-Free: (888) 681-3952