

**AGENDA AND NOTICE OF MEETING  
STATE OF WISCONSIN  
TEACHERS RETIREMENT BOARD**

**Thursday, September 18, 2008  
1:35 p.m.  
Holiday Inn Hotel and Suites  
1109 Fourier Drive  
Madison, Wisconsin**

**NOTE: The Teachers Retirement Board will meet immediately following the Wisconsin Retirement Board meeting. If that Board finishes before 1:30 p.m., this Board may begin before 1:35 p.m. Please plan accordingly.  
Thank you.**

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Documents for this meeting are available on-line at:  
**[http://etf.wi.gov/boards/board\\_tr.htm](http://etf.wi.gov/boards/board_tr.htm)**  
To request a printed copy of any of the agenda items, please contact  
*Ann McCarthy, at (608) 261-0736.*

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 *Denotes action item*

- 1:35 p.m.  1. **Consideration of Minutes of Previous Meeting**
- 1:40 p.m. 2. **Announcements**
- **Call for Nominations – Teachers Retirement Board Vacancies**
- 1:45 p.m. 3. **Operational Updates**
- **Disability Report**
  - **Teacher Separation Statistics**
  - **Reportable Earnings**
  - **Miscellaneous**
    - **Future Items for Discussion**
- 2:00 p.m. 4. **Adjournment**

*Times shown are estimates only.*

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The meeting location is handicap accessible. If you need other special accommodations due to a disability, please contact Ann McCarthy, Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931. Telephone: (608) 261-0736. Wisconsin Relay Service 7-1-1. E-mail: [ann.mccarthy@etf.state.wi.us](mailto:ann.mccarthy@etf.state.wi.us)

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**MINUTES OF MEETING**  
**STATE OF WISCONSIN**  
**TEACHERS RETIREMENT BOARD**

**Thursday, June 26, 2008**

**Holiday Inn Hotel and Suites**  
**1109 Fourier Drive**  
**Madison, Wisconsin**

**BOARD PRESENT:**

Lon Mishler, Chair  
Dennis Panicucci, Vice-Chair  
Robin Starck, Secretary  
Ted Bratanow  
Tom Pedersen  
Patrick Phair  
Roberta Rasmus  
Steve Scheible  
Robert Shaw

**BOARD NOT PRESENT:**

Mike Langyel  
Wayne McCaffery  
Dan Nerad  
David Wiltgen

**PARTICIPATING ETF STAFF:**

Dave Stella, Secretary  
Bob Conlin, Deputy Secretary  
Sari King, Administrator, Division of Retirement Services  
Diane Poole, Director, Disability Programs Bureau  
Ann McCarthy, Board Liaison

**OTHERS PRESENT:**

Jamie Aulik, WR Board  
Michelle Baxter, Division of Trust Finance and Employer Services  
Jack Brown, ETF Board  
Rhonda Dunn, Executive Assistant  
Jean Gilding, Division of Retirement Services  
Linda Owen, Division of Retirement Services  
Deb Roemer, Division of Insurance Services  
Herb Stinski, WR Board  
Matt Stohr, Director, Legislation, Communications, and Planning  
Mary Von Ruden, WR Board  
Sharon Walk, Division of Management Services  
Marilyn Wigdahl, Chair, ETF Board and WR Board

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Lon Mishler, Chair, called the meeting of the Teachers Retirement Board (Board) to order at 1:03 p.m.

## CONSIDERATION OF MINUTES

***Motion: Mr. Scheible moved approval of the minutes of the March 13, 2008, meeting as submitted by the Board Liaison. Ms. Rasmus seconded the motion, which passed without objection on a voice vote.***

## ANNOUNCEMENTS

**Board Chair** Sari King, Administrator, Division of Retirement Services, thanked former Board chair Wayne McCaffery for his service and welcomed Lon Mishler, the new Board chair.

## OPERATIONAL UPDATES

**2008 Board Roster** Ms. King advised that the 2008 Board roster was included in the meeting materials.

**Disability Statistics Summary - Quarterly Report October 2007-December 2007** Ms. King referred the Board to the provided report.

Bob Conlin, Deputy Secretary, noted that the tax review backlog within Disability Services had been reduced. He thanked Diane Poole and her staff for their efforts to address this issue.

## Miscellaneous

- **Items for Future Discussion** The Board members expressed interest in updates on the Variable fund discussion, teacher separation statistics, how the money purchase option is calculated, and online tools for participants and annuitants.

## ADJOURNMENT

***Motion: Mr. Phair moved adjournment. Mr. Starck seconded the motion, which passed without objection on a voice vote.***

The meeting of the Teachers Retirement Board adjourned at 1:17 p.m.

Date Approved: \_\_\_\_\_

Signed: \_\_\_\_\_

Robin Starck, Secretary  
Teachers Retirement Board



STATE OF WISCONSIN  
Department of Employee Trust Funds  
David A. Stella  
SECRETARY

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## CORRESPONDENCE MEMORANDUM

**DATE:** August 28, 2008

**TO:** Employee Trust Funds Board  
Wisconsin Retirement Board  
Teachers Retirement Board

**FROM:** Sari King, Administrator  
Division of Retirement Services

**SUBJECT:** Teachers Retirement (TR) Board Elections

**This memo is for the Board's information only. No action is required.**

### SEATS UP FOR ELECTION

The Department has issued a call for nomination papers for two TR Board elections. The following terms expire in May 2009:

**Wayne McCaffery and Dennis Panicucci** -- Board member seats elected by active teacher participants. These members must be active teacher participants in the Wisconsin Retirement System (WRS). Teachers employed by the Milwaukee Public School District are not eligible to run for these seats.

### ELECTION DETAILS

The Department plans to conduct elections in late January/early February if a sufficient number of qualified candidates file nomination papers. The winning candidates will serve five-year terms beginning May 1, 2009.

**Completed nomination papers must be received by the Department of Employee Trust Funds by 4:30 p.m., Friday, November 7, 2008.** To request a packet, contact Ann McCarthy, board election coordinator, Department of Employee Trust Funds at P.O. Box 7931, Madison, WI 53707-7931 or e-mail her at [Ann.McCarthy@etf.state.wi.us](mailto:Ann.McCarthy@etf.state.wi.us).

Attached to this memo is a copy of an article from the September 2008 *Trust Fund News* newsletter that is received by all active WRS participants.

attachment

Reviewed and approved by Robert J. Conlin, Deputy Secretary.	
Signature _____	Date _____

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STATE OF WISCONSIN  
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**CORRESPONDENCE MEMORANDUM**

**DATE:** September 4, 2008  
**TO:** Wisconsin Retirement Board  
Teachers Retirement Board  
**FROM:** Diane Poole, Director  
Disability Programs Bureau  
**SUBJECT:** April 2008 – June 2008 Quarterly Disability Annuity Statistics

**This memo is for informational purposes only. No Board action is required.**

Attached is the Wisconsin Retirement System (WRS) *Disability Benefit Annuity Statistical Report* for April through June 2008. The report provides quarterly data on: number of annuities started, options selected, gender, determination, age, and disability type.

**TRENDS**

Overall, trends did not change much this quarter, when compared to the same quarter in the past five years:

- The number of new disability annuities is down. The Teachers Retirement Board (TR) had 7, compared to an average of 22; the Wisconsin Retirement Board (WR) had 38, compared to an average of 47.
- The most selected annuity options for TR are “For Annuitants Life only” and “100% Continued to Named Survivor (Joint Survivor).” The most selected annuity option for WR remains “100% Continued to Named Survivor (Joint Survivor) with 180 Payments Guaranteed.”
- Females continue to be the predominant user of the \$40.63 Disability Retirement Annuity benefit for both the TR Board and WR Board.
- The majority of applications are approved; a very small number are denied.
- The predominant age group for both TR and WR is 51-55.
- The prevalent disability types for the TR Board for this quarter in the last five years are: Mental Illness, Cancer, and Neurology. For the WR Board, the prevalent disability types are: Mental Illness, Orthopedic, and Cancer.

**DISABILITY PROGRAMS BUREAU WORKLOAD**

Staffing

The Disability Programs Bureau is staffed by 5.5 Trust Funds Specialists and 2.5 policy analysts. One policy analyst was a new hire in March 2007. One specialist began last September and one began in July 2008. We also received a new Trust Funds Specialist

Reviewed and approved by Tom Korpady, Division of Insurance Services.  
Signature \_\_\_\_\_ Date \_\_\_\_\_

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leadworker position and filled that position in January 2008. The specialists are responsible for the §40.63 and §40.65 programs.

One of the experienced Trust Funds Specialists is part-time. Currently, 55% of our Specialists and 40% of our policy analysts are in training. It takes approximately 1.5 to 2 years to fully train a Specialist in our complex disability programs and approximately 2.5 years for a policy analyst to complete training.

#### Backlog

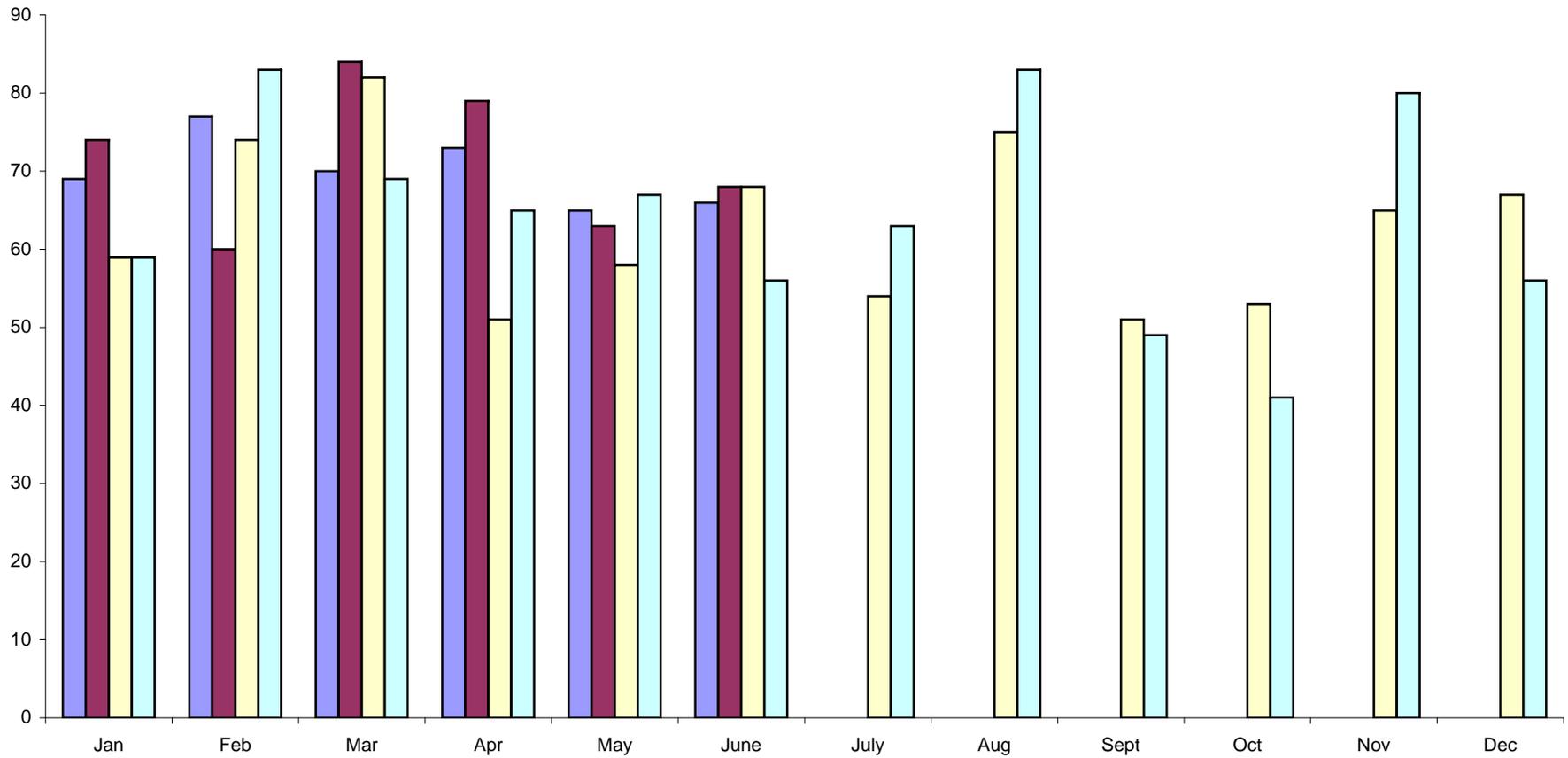
The statutorily required review of tax returns for the §40.65 program had a backlog of about three years. By adding the leadworker position and shifting some staff responsibilities, more experienced staff are dedicating a few hours per week to review tax returns. We continue to make substantial progress in alleviating this backlog.

#### **PRIORITIES**

The top priority for the Disability Programs Bureau is to approve disability benefits as quickly as possible so individuals are not without income. Approving a disability benefit requires extensive follow-up with the applicant, employer, and health care providers. An application can take up to a year to process because of this inherent dependency on outside sources to provide documentation. Another priority is to maintain existing disability accounts. This requires obtaining updated medical and income information, which again requires extensive follow-up with outside sources.

attachments

### 2008 v. 2007 Disability Estimates Requested and Completed



2008 Disability Est. Requested

2008 Disability Est. Completed

2007 Disability Est. Requested

2007 Disability Est. Completed



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**CORRESPONDENCE MEMORANDUM**

**DATE:** September 4, 2008

**TO:** Employee Trust Funds Board  
Teachers Retirement Board  
Wisconsin Retirement Board

**FROM:** Jean Gilding, Deputy Administrator  
Lynn Jarzombek, Policy Advisor  
Division of Retirement Services

**SUBJECT:** Wisconsin Retirement System (WRS) Separation Benefits Paid in 2007

**This memo is for informational purposes only. No Board action is required.**

Please find attached the *WRS Separation Benefits Paid in 2007* report. This document contains information reflecting the separation benefit activities of the Department of Employee Trust Funds. The data covers separation benefits paid with breakdowns by age, gender, years of service, employment category, and amount paid.

Staff will be available at the meeting to answer questions.

attachment

Reviewed and approved by Sari King, Administrator, Division of Retirement Services.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

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**STATE OF WISCONSIN**  
**Department of Employee Trust Funds**

**Wisconsin Retirement System (WRS)**

**Separation Benefits Paid in 2007**

## **WRS SEPARATION BENEFITS**

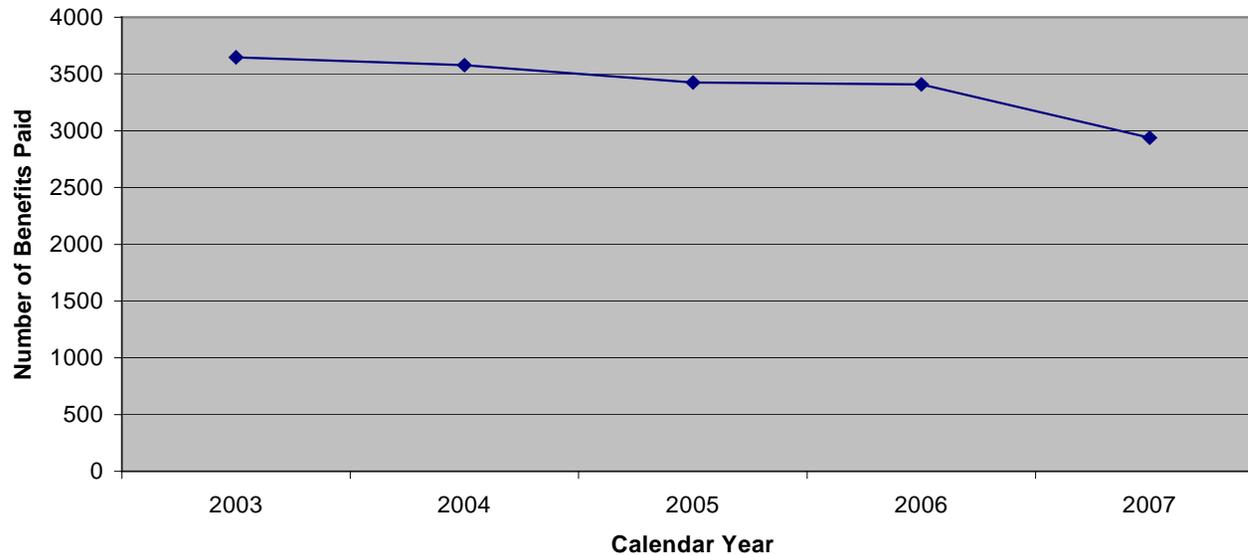
### **Separation Benefit information**

- To be eligible for a separation benefit a participant must:
  - ◆ Terminate all WRS covered employment,
  - ◆ Be under minimum retirement age (50 for protective and 55 for other employment categories), and
  - ◆ Remain separated from all WRS employment throughout a period beginning with the WRS termination date and ending on the latest of the following dates:
    - The 31<sup>st</sup> day after termination of all WRS employment
    - The 31<sup>st</sup> day after the date the Department receives the benefit application.
- Certain participants are only eligible for a separation benefit:
  - ◆ Participants who began WRS covered employment after December 31, 1989 AND terminated their WRS covered employment prior to April 24, 1998 must meet a vesting requirement. They must have some WRS service in at least five calendar years to be eligible for a retirement benefit once reaching minimum retirement age. If not, they are only eligible for a separation benefit.
  - ◆ Participants with teacher accounts under the old State Teacher Retirement System (STRS) who have no state deposits credited to their accounts are only eligible for a separation benefit consisting of their employee contributions.
- The separation benefit consists of:
  1. Employee-required contributions, whether deducted from the employee's earnings or paid by the employer,
  2. Any voluntary additional contributions, and
  3. Accumulated interest on employee-required and any additional contributions.
- A participant forfeits employer-required contributions and associated accumulated interest upon taking a separation benefit.
- A participant's account is closed and the individual has no further right, interest or claim to any further benefit from the WRS upon payment of a separation benefit.

## WRS SEPARATION BENEFITS Number of Separation Benefits Paid

- 2,937 separation benefits paid to WRS participants during calendar year 2007
- Of these, 153 inactive participants over minimum retirement age (age 55 or older) were restricted to a separation benefit; 138 because they did not meet vesting requirements; and 15 with old teacher accounts with no state deposits
- 13.8% decrease in separation benefits as compared to 2006 (3,406 in 2006 vs. 2,937 in 2007) continuing a downward trend from 3,647 in 2003

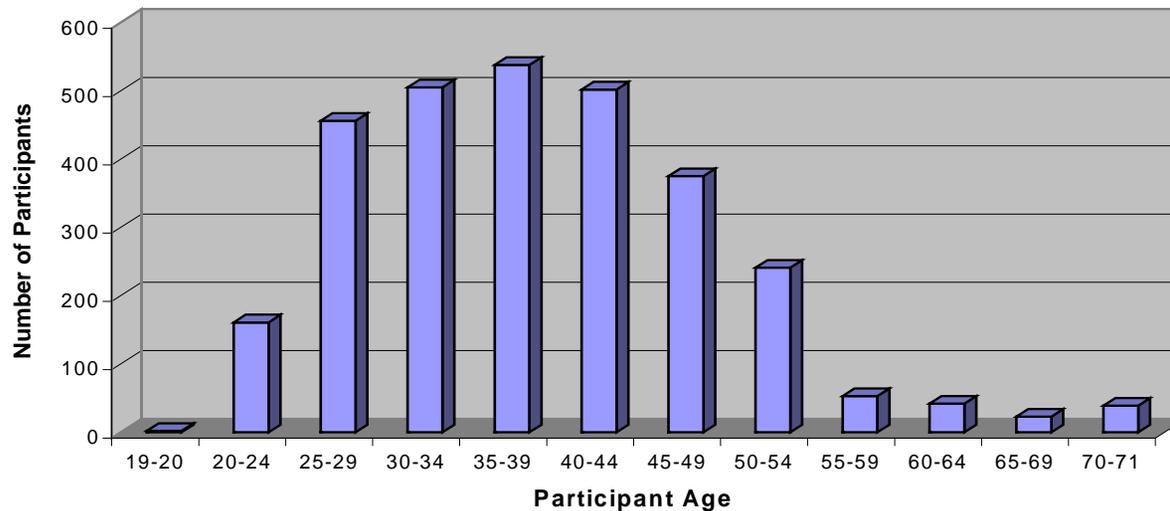
Separation Benefits Paid by Year



## WRS SEPARATION BENEFITS Participant Age & Gender

- 19 to 71 age range of participants taking separation benefits in 2007; same age range as 2006
- 38.5 average age of participant taking a separation benefit; 38.1 in 2006
- Little variation in average age due to gender:
  - 38.8 average age - male
  - 38.4 average age - female

**Age of Participants Taking a Separation Benefit in 2007**



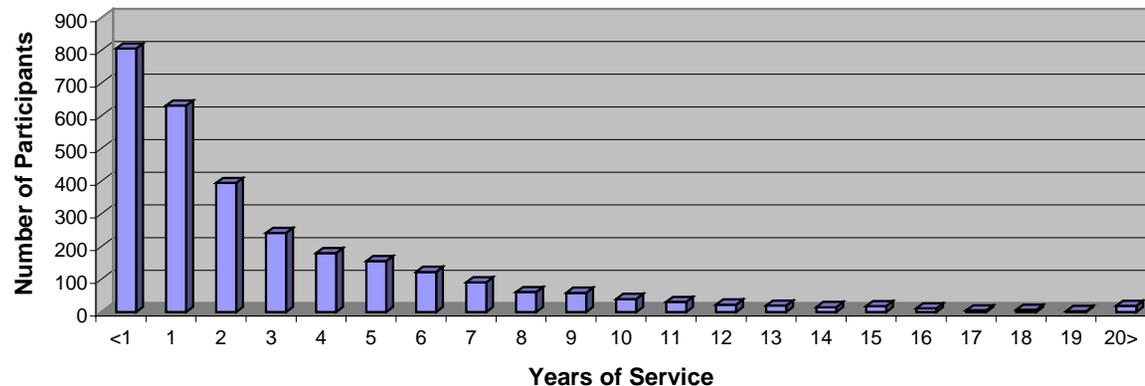
## WRS SEPARATION BENEFITS Participant Age & Gender

- Gender of participants taking separation benefits in 2007:
  - 30.9% male (908)
  - 69.1% female (2,029)
  - Ratio of 1:2.2 (1 male for every 2.2 females)
- As a comparison, gender mix for annuities finalized in 2007:
  - 41.6% male (4,093)
  - 58.4% female (5,753)
  - Ratio of 1:1.4 (1 male for every 1.4 females)
- 245 participants, age 50 – 54, took a separation benefit in 2007, including 4 participants, 2 male and 2 female, who applied at age 54 and received their separation benefit at age 55 (applied for a separation benefit just prior to their 55<sup>th</sup> birthday):
  - 28.2% male (69)
  - 71.8% female (176)
  - Ratio of 1:2.6 (1 male for every 2.6 females)

## WRS SEPARATION BENEFITS Participant Years of Service

- Zero to 34.48 years of service obtained by participants taking separation benefits in 2007  
(Example of “zero” service: no service credited on certain old teacher accounts when partial years worked)
  - 3.39 average years of service
  - 2.00 median years of service
- Of the participants taking a separation benefit in 2007:
  - 76.8% or 2,255 participants had less than 5 years of service
  - 16.7% or 490 participants had 5 to 9.99 years of service
  - 6.5% or 192 participants had 10 or more years of service
- 19 participants taking a separation benefit in 2007 had 20 or more years of service

**Years of Service of Participants Taking a Separation Benefit in 2007**



**WRS SEPARATION BENEFITS  
Participant Employment Category**

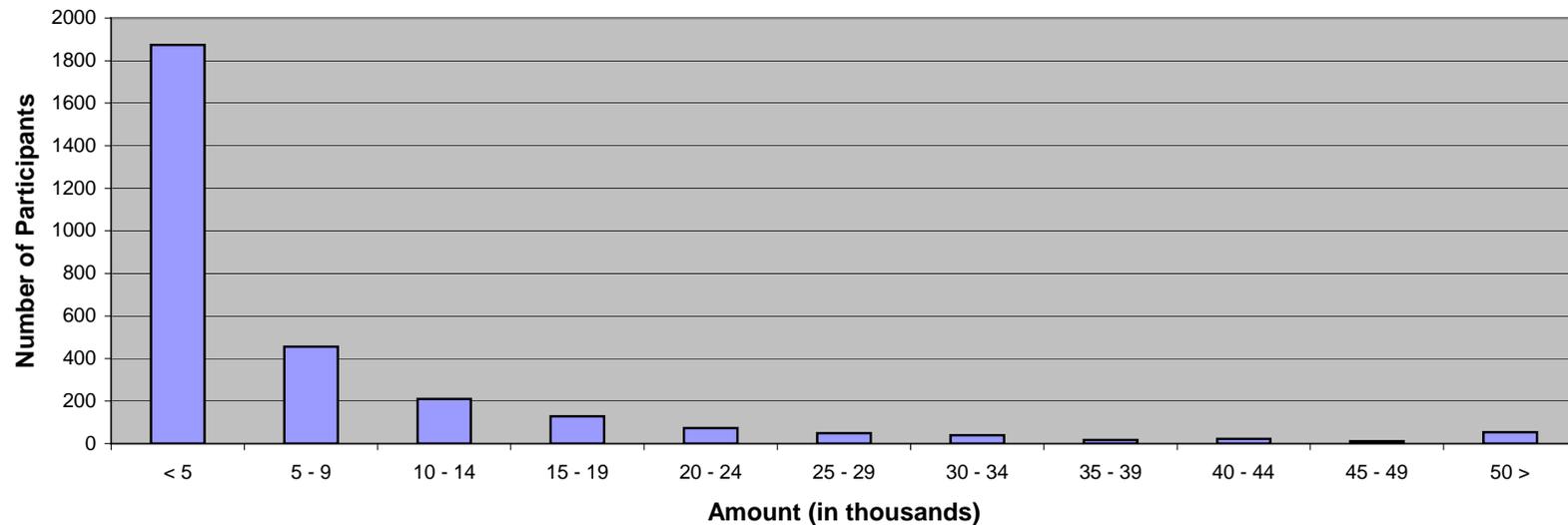
**Participants Taking a Separation Benefit in 2007**

WRS Employment Category	Number of Participants	Percent of Participants	Percentage Change from 2006
Teacher	608	20.7%	1.70%
Educational Support Personnel	424	14.4%	0.50%
State & Local Government Employees	1,718	58.5%	-2.30%
Total General	2,750	93.6%	-0.10%
Executive/Elected Officials	8	.3%	0.10%
Protective with Social Security	176	6.0%	0.20%
Protective without Social Security	3	.1%	-0.20%
<b>Total</b>	<b>2,937</b>	<b>100.0%</b>	<b>0.00%</b>

## WRS SEPARATION BENEFITS Gross Amount of Separation Benefits Paid

- \$5 to \$261,260 gross amount range for separation benefits paid in 2007  
(Gross amount is the total benefit amount prior to deductions, such as income tax withholding)
  - \$7,665 average benefit paid
  - \$2,995 median benefit paid
- \$22,511,496 total gross amount for separation benefits paid in 2007, compared to \$23,156,124 in 2006

Separation Benefits Paid in 2007 by Gross Amount



**WRS SEPARATION BENEFITS**  
**Gross Amount of Separation Benefits Paid**

- 1,874 or 63.8% of the separation benefits paid were less than \$5,000 with 678 or 36.2% of these less than \$1,000
- 2,330 or 79.3% of the separation benefits paid were less than \$10,000, compared to 81.7% in 2006
- Number of separation benefits paid in 2007 with gross amounts of \$10,000 or more:

<b>Gross Amount</b>	<b>Number of Benefits</b>
\$10,000 - 24,999	413
\$25,000 - 49,999	140
\$50,000 - 74,999	33
\$75,000 - 99,999	9
\$100,000 - 124,999	3
\$125,000 - 149,999	5
\$150,000 - 174,999	1
\$175,000 - 199,999	1
\$200,000 - 224,999	0
\$225,000 - 249,999	1
\$250,000 - 274,999	1
<b>Total Benefits \$10,000 or More</b>	<b>607</b>

**WRS SEPARATION BENEFITS**  
**Gross Amount of Separation Benefits Paid**

- 12 separation benefits paid in 2007 with gross amounts exceeding \$100,000 or more:
  - Gender: 1 male and 11 female
  - Age: 47 to 54 years old
  - Service: 14.08 to 34.48 years of service
  - 6 were inactive and 6 were participants who recently terminated employment
  - 5 benefits were directly rolled over, 2 benefits were split with a portion directly rolled over and a portion paid directly to the participants, and 5 benefits were paid directly to the participants
  - 5 participants took a separation benefit as a result of hardship and 2 participants had medical problems; 1 of these individuals died shortly after receiving the benefit

Note: The Department does not require participants to provide a reason for taking a separation benefit, but participants occasionally offer this information.

## **WRS SEPARATION BENEFITS**

### **Separation Benefit Information Provided Participants**

- The Department contacts participants who are within one year of minimum retirement age and have requested separation benefit applications to ensure they have the information necessary to make an informed decision regarding the potential retirement benefits they are forfeiting.
- The Department explains the negative consequences of taking a separation benefit, such as: forfeiture of the employer-required contributions and associated interest, federal tax consequences, and the loss of rights to previous law provisions should the individual return to WRS-covered employment.
- The Department gives participants a written explanation of federal requirements, such as rollover rules and mandatory 20% withholding rules, and in compliance with federal law on eligible rollover distributions, the Department gives the participant a minimum 30 day window to review this material. Also, the Department cannot issue the separation benefit payment until the employer reports the termination date and final earnings for the employee. Thus, participants have 30 days or more to consider the consequences of taking a separation benefit and rescind their application.
- The Department provides written and verbal information about the effects of taking a separation benefit:
  - ◆ In large group field presentations and small group retirement sessions
  - ◆ To callers and walk-in customers by Member Services staff
  - ◆ Via automated telephone messages
  - ◆ In the *Separation Benefit Booklet* (ET-3101), and other Department resource material
  - ◆ In an online video on Separation Benefits (planned for September 2008)



STATE OF WISCONSIN  
Department of Employee Trust Funds  
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**CORRESPONDENCE MEMORANDUM**

**DATE:** September 4, 2008  
**TO:** Wisconsin Retirement Board  
Teachers Retirement Board  
**FROM:** Michelle Baxter, Director  
Employer Communication and Reporting Bureau  
**SUBJECT:** Reportable Wisconsin Retirement System (WRS) Earnings

**This memo is for the Board's information only. No action is required.**

Interest was expressed at the June 26, 2008, board meeting in learning more about reportable earnings for WRS purposes. Due to the variety of compensation-type payments that are reportable for WRS purposes, the attached document is being provided. The document is an excerpt from the *Wisconsin Retirement System Administration Manual*. The manual is also available on the ETF Internet site at <http://etf.wi.gov/employers.htm>

Staff will be available at the Board meeting to address any questions you have regarding this information.

Attachments

Reviewed and approved by John Vincent, Administrator, Division of Trust  
Finance & Employer Services.

Signature \_\_\_\_\_

Date \_\_\_\_\_

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## **Reportable and Non-Reportable Earnings Guide**

<b>Reportable AND Non-Reportable Earnings Guide</b>				
<b>Compensation Type</b>	<b>Payment Type</b>	<b>Example</b>	<b>WRS Reportable</b>	<b>Comments</b>
<b>Advance</b>	Cash payment	Advance for ordinary and necessary expenses incurred in the business of the employer (e.g., meals, lodging, etc.)	No	The advance must be identified separately by the employer when the payment is made.
<b>Allowances (See Clothing, Expense, Lodging And Vehicle)</b>				
<b>Attorney Fees</b>	Cash payment	Employee is awarded a payment representing attorney fees resulting from a grievance, compromise settlement, court order, etc.	No	Cash settlements for attorney fees are considered damages and are not reportable for WRS purposes.
<b>Back Pay Awards</b>	Cash payment	Payment resulting from a compromise settlement, court order, etc. which represents back wages.	1. Yes  2. No	1. Back pay awards are reportable for WRS purposes if the settlement agreement meets the requirements in Wis. Admin. Code ETF 20.12.  2. If all requirements in Wis. Admin. Code ETF 20.12 are not met in the settlement agreement, a back pay award is not reportable for WRS purposes.  Refer to Chapter 13 – Compromise Agreements
<b>Cafeteria Plan (IRC Section 125) Reductions</b>	Reductions from IRS gross wages	Medical expense, dependent care expense, and insurance premiums expense reductions.	Yes	WRS earnings include amounts deducted from gross wages for Section 125 plans.
<b>Cash</b>	Cash payments of salary, wages, etc.	Payment for personal services rendered to an employer.	Yes	Amounts paid to an employee for personal services rendered are reportable for WRS purposes.

<b>Reportable AND Non-Reportable Earnings Guide</b>				
<b>Compensation Type</b>	<b>Payment Type</b>	<b>Example</b>	<b>WRS Reportable</b>	<b>Comments</b>
<b>Clothing Allowance</b>	1. Cash advancement or reimbursement for clothing that is adaptable for street wear	1. Blue jeans, tennis shoes, tee shirts, etc. issued to undercover police officers	1. Yes	1. Clothing allowances used for the purchase of normal street wear benefit the employee as well as the employer and are, therefore, reportable for WRS purposes.
	2. Cash advancement or reimbursement for standard uniforms (non-adaptable to regular street wear)	2. Official uniforms (e.g. police, fire, bus driver, etc.) including hats, bulletproof vests, etc.	2. No	2. Standard uniforms are for the benefit of the employer only and are not reportable for WRS purposes.
<b>Compensatory Time</b>	1. Cash payments resulting from use of compensatory time and payouts for unused, accumulated compensatory time made routinely (at least once a year).	1. An employee works extra hours and receives compensatory time that is used later during the year or, if not used, is paid out to the employee at regular intervals (e.g., once a year, twice a year, etc.).	1. Yes	1. Payment for compensatory time is earnings for WRS purposes when used or when paid regularly to an employee during the employment relationship (regardless of whether or not the employee terminates).
	2. Cash payment for unused compensatory time specifically due to termination.	2. An employee receives a lump sum payment at time of termination for unused, accumulated compensatory time and the employer does not otherwise make payments for compensatory time.	2. No	2. Payment for unused compensatory time paid specifically due to termination is not reportable for WRS purposes.  Refer to subchapters 502 and 503.
	3. Cash payment at termination when the employer has a regular payout.	3. An employee terminates on July 1, their regular payout of unused comp. time occurs every year on August 1.	3. Yes	3. Refer to subchapters 502 & 503
	4. Cash payment at termination when the employer does not have a regular payout.	4. An employee terminates on July 1 and cashes in their comp. time earned over the duration of their employment.	4. No	4. Pay-off of accumulated leave at termination, whether in a lump sum or periodic installments, is not WRS reportable. Refer to subchapter 503.
<b>Contributions Paid by Employer</b>	Employer's share of contributions	Employer's share of: insurance premiums, retirement contributions, Social Security taxes, etc.	No	Employer share of contributions and premium are not reportable for WRS purposes.
<b>Contract Buy Outs</b>	Cash payment		No	Wis. Stat. § 40.02 (22) (b) 8.

Reportable AND Non-Reportable Earnings Guide				
Compensation Type	Payment Type	Example	WRS Reportable	Comments
<b>Damages Payment</b>	Cash settlement	Employer agrees to pay employee an arbitrary amount to compensate for some wrongdoing on the part of the employer.	No	A cash settlement may not be considered earnings for WRS purposes unless it meets the requirements of Wis. Admin. Code ETF 20.12.  Refer to subchapter 1302.
<b>Deferred Compensation</b>	Amounts deferred from gross wages	Employee participates in a tax-sheltered program under section 403(b) of the IRC or a deferred compensation program under section 457 of the IRC, etc.	Yes	Amounts paid for personal services rendered, but deferred for tax purposes are reportable for WRS purposes in the year when earned.
<b>Employee Reimbursement Accounts</b>	Deduction from gross wages for tax purposes	See examples under Cafeteria Plans.	Yes	Amounts paid for personal services rendered, but deducted from gross wages for tax purposes are reportable for WRS purposes.
<b>Expense Allowance</b>	Cash payment	A city mayor receives a monthly expense allowance for use in attending work-related functions and activities.	No	Expense allowance payments used for the ordinary and necessary expenses incurred in the business of the employer are not reportable for WRS purposes. The employer must make separate payments or indicate separate amounts where both wages and expense allowances are combined in a single payment.
<b>Extra Curricular Activity Pay</b>	Cash payment	A teacher also performs as the football team's coach.	Yes	The additional earnings are reportable for WRS purposes. Hours are calculated by dividing the amount paid annually by the employee's current basic pay rate.
<b>Fringe Benefit</b>	Cash payment	An employee requests and receives a direct payment or a payment to an account (e.g. IRA or tax-deferred annuity) on their behalf, or an increase in wages, instead of using the money for life and disability insurance premiums.	No	Payments in lieu of fringe benefits normally paid for or provided by the employer, but which can be paid to the employee <b>at the employee's option</b> are not reportable for WRS purposes.

Reportable AND Non-Reportable Earnings Guide				
Compensation Type	Payment Type	Example	WRS Reportable	Comments
<b>Health Savings Account (HSA)</b>	1. Employee salary reduction	1. Employee instructs employer to take a pre-tax deduction from salary for deposit into a HSA.	1. Yes	Employee salary reductions for deposit to an HSA are earnings for WRS purposes since WRS reportable earnings are gross earnings prior to deductions for insurance premiums, required WRS contributions, etc.  Employer contributions to an employee's HSA in return for the employee's election of a specific health plan, in lieu of other benefits, or to defray higher out-of-pocket expenses is considered a fringe benefit and not WRS earnings.
	2. Employer Contribution	2. Employer makes a monthly contribution to an employee's HSA in return for employee's election of a higher deductible health insurance option.	2. No	
		3. Employer makes a monthly contribution to their employees' HSA accounts	3. No	
<b>Independent Contractor Payments</b>  <b>Note: Must meet federal Independent Contractor rules. See IRS publication 1779.</b>	Fee-for-service cash payment	Employer hires a system analyst/programmer working for a consulting firm to complete a special project.	No	An independent contractor is not an employee of the employer and therefore, the earnings are not reportable for WRS purposes.
<b>Insurance Benefit Payments</b>	Cash payment	Income continuation or life insurance payments made to an employee by an insurance carrier.	No	Insurance payments are not payment for services rendered and are not reportable for WRS purposes.
<b>Interest Payments</b>	Cash payment	An employee receives a settlement award from an employer that includes interest on lost back wages.	No	Amounts paid as interest in settlement agreements are considered damages and are not reportable for WRS purposes.
<b>IRA Payment</b>	Payment to an IRA on behalf of an employee	An employer puts money into an IRA for an employee instead of using the money to pay health insurance premiums.	No	Payments in lieu of fringe benefits normally paid for by the employer, but which can be paid to the employee <b>at the employee's option</b> are not reportable for WRS purposes.
<b>Joint Instrumentality Earnings</b>	Salary	An employee works for a joint library district created by six towns and villages, only one of which is a WRS participating employer. All six entities pay a portion of the salary.	Yes/No	Although all hours worked are used in determining the employee's WRS eligibility, only the hours and earnings attributable to the WRS participating employer are reportable.
<b>Jury Duty Compensation</b>	Cash payment	An employee receives regular wages from the employer while serving jury duty.	Yes	The regular salary amount is reportable for WRS purposes.  NOTE: Any amount of money paid to the employee by the court is not reportable for WRS purposes.

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Compensation Type	Payment Type	Example	WRS Reportable	Comments
<b>Length of Service Payment</b>	Cash payment	An employer pays an annual bonus to all employees based on a specified number of years of service.	Yes	This payment is reportable for WRS purposes as long as it is not contingent on termination of employment.
<b>Lodging Advancement or Reimbursement</b>	1. Lodging provided in lieu of salary	1. An employer provides a new employee with lodging in lieu of salary.	1. Yes	1. The value of the lodging is reportable for WRS purposes if it is not provided for the convenience of the employer or as a condition of employment.
	2. Cash advance or reimbursement	2. An employee receives cash reimbursement for lodging expenses incurred while attending a work-related conference or training seminar.	2. No	2. Advancement or reimbursement for ordinary and necessary expenses incurred in the business of the employer are not reportable for WRS purposes.
<b>Leave of Absence Compensation</b>	Cash payment	A teacher or police officer, for example, receives payment during an administrative leave of absence.	Yes	These earnings are reportable for WRS purposes.  Refer to subchapter 505 for calculating service hours.
<b>Meals Advancement or Reimbursement</b>	1. Cash payment	1. An employee receives cash reimbursement for meal expenses incurred while attending a work-related conference or training seminar.	1. No	1. Advancement or reimbursement for ordinary and necessary expenses incurred in the business of the employer are not reportable for WRS purposes.
	2. Free meal in lieu of salary	2. Free meals provided by the employer in lieu of salary.	2. Yes	2. The value of the meal is reportable for WRS purposes if the employee has the option of taking cash in lieu of the free meal, if the meal is not a condition of employment and if the meal is not provided for the convenience of the employer.
	3. Free meal for the employer's convenience	3. As a condition of employment, a police dispatcher is provided with a meal on the premises of the employer strictly for convenience of the employer. The employee has no option to request cash payment in lieu of this free meal.	3. No	3. The value of a free meal which is provided to an employee for the convenience of the employer (as a condition of employment) and for which the employee may not take cash payment is not reportable for WRS purposes.

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Compensation Type	Payment Type	Example	WRS Reportable	Comments
<b>Merit Pay</b>	Cash payment	An employee receives a one-time or base building merit pay award for exceptional job performance.	Yes	The merit pay is reportable as earnings for WRS purposes as long as the merit award is not contingent on termination of employment.
<b>Moving Expenses</b>	Cash payment	An employee receives payment to cover moving expenses.	No	Payments made to relocate a new employee are not WRS reportable.
<b>On-call Pay</b>	Cash payment	A village EMT employee is paid a minimal amount per hour for being on-call.	Yes	The on-call earnings are reportable for WRS purposes.  Hours are calculated by dividing the amount paid for on-call services in the annual earnings period by the employee's current base pay rate.
<b>Overtime Pay</b>	Cash payment	An employee receives overtime pay for hours worked in excess of 40 per week.	Yes	Overtime pay is reportable for WRS earnings when paid regularly to an employee during an employment relationship.
<b>Penalty Payments</b>	Cash payment	An employee receives a settlement award from an employer that includes a penalty payment to the employee for wrong doing on the part of the employer.	No	Amounts paid as penalties in settlement agreements are considered damages and are not reportable for WRS purposes.
<b>Reimbursement (see Clothing, Lodging and Vehicle)</b>				
<b>Sabbatical (see Leave of Absence Compensation)</b>				
<b>Severance Pay</b>	Lump sum or installments	Employee receives a severance payment resulting from, or to secure, a resignation.	No	Amounts paid which are not compensation paid for services rendered to or for an employer are not WRS reportable.

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Compensation Type	Payment Type	Example	WRS Reportable	Comments
Sick Leave Pay	Cash payment	1. All employees of an employer receive an annual pay out for unused sick leave.	1. Yes	1. The sick leave pay out is reportable for WRS purposes when paid regularly to an employee during an employment relationship, when made routinely to all employees on a regular basis, and when not paid in a lump sum solely because of termination.
		2. An employee's last day worked is January 29, 2007. The employee receives payment for 20 days of unused sick leave and the employer extends the termination date to February 26, 2007.	2. Yes	2. The sick leave pay out is reportable for WRS purposes at termination when the payment results in extending the employee's termination date to account for the pay out.
		3. An employee's last day worked is January 30, 2007. The employee receives payment for 28 days of unused sick leave, but the employer does not extend the employee's termination date beyond January 30.	3. No	3. The sick leave pay out is not reportable for WRS purposes at termination if the termination date is not extended to account for the accumulated leave unless the employer routinely pays out sick leave.
Standby (See On Call)				
State Elected Official Salary Increase	Delayed effect	A State senator votes to increase the pay of senators and the law is passed. The senator is prohibited from receiving the pay increase until the next term.	Yes	The value of the increase in compensation the State elected official would have received had it not been prohibited by law is reportable for WRS purposes.
Tax Deferral (See Deferred Compensation)				
Tax Shelter (See Deferred Compensation)				
Training Pay	Cash payment	A part-time police officer is sent to training that is paid by the city and may be reimbursed by the state.	Yes	If the employee is otherwise eligible for WRS, the training pay is reportable by the city for WRS purposes.

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Compensation Type	Payment Type	Example	WRS Reportable	Comments
Vacation Pay	Cash payment	1. All employees of an employer receive an annual pay out for unused vacation.	1. Yes	1. Vacation pay out is reportable for WRS purposes: when paid regularly to an employee during an employment relationship; when made routinely to all employees on a regular basis; and when not paid in a lump sum solely because of termination.
		2. An employee's last day worked is January 29, 2007. The employee receives payment for ten days of unused vacation and the employer extends the date of termination to February 12, 2007.	2. Yes	2. The vacation leave pay out is reportable for WRS purposes at termination when the leave is used resulting in the extension of the employee's termination date.
		3. An employer routinely pays employees for unused vacation on an annual basis. If an employee terminates prior to the annual pay out, the pay out is made at termination.	3. Yes	3. The vacation pay out is reportable for WRS purposes as the employer regularly pays out unused vacation annually or upon termination if the employee terminates prior to the annual pay out.
		4. An employee's last day of work is January 29, 2007. The employee receives payment for 15 days of unused vacation. The employer does not regularly pay unused vacation and the employer will not allow the employee to extend their termination date to use vacation. The employer reports a termination date of January 29, 2007.	4. No	4. The vacation pay out is not reportable for WRS purposes at termination if the termination date is not extended and the employer does not regularly pay out unused vacation.

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Compensation Type	Payment Type	Example	WRS Reportable	Comments
<b>Vehicle Advancement, Allowance and Reimbursement</b>	1. Cash payment – refer to subchapters 506F.	1. An employee receives an allowance, advancement or reimbursement for use of a personal vehicle for work-related meetings and events.	1. No	1. Advancement or reimbursement for ordinary and necessary expenses incurred in the business of the employer are not reportable for WRS purposes. <b>Unused amounts available to the employee for personal use are WRS reportable. Refer to 501H.</b>
	2. Value of personal use of employer-owned vehicle – refer to subchapter 501G.	2. An employee receives use of an employer-owned vehicle for work and personal use and the employee is not required to reimburse the employer for personal use of this vehicle.	2. Yes	2. Only the value of the personal use of the employer-owned vehicle is reportable for WRS earnings. The employer must maintain detailed reporting of personal versus work-related use.
	3. Value of work-related use of an employer-owned vehicle – refer to subchapter 506H.	3. A city fire chief is provided with a city-owned vehicle to commute to work related destinations at anytime of the day or night for the convenience of the employer. The fire chief maintains records of personal versus work mileage and reimburses the city for personal usage.	3. No	3. The value of the use of the employer owned vehicle when used for commuting purposes for the convenience of the employer is not reportable for WRS purposes.
<b>Voluntary Employee Benefits Association (VEBA)</b>	Employee Contributions	Employee is required to make the contribution to fund post-employment medical expenses from their earnings and the contributions are made from pre-tax income.	Yes	VEBA is authorized under Section 501(c)(9) of the Internal Revenue Code. It allows for the tax-free pre-funding of post-employment medical expenses. Funds can only be used for post-employment medical expenses. Premium payments, both incoming funds and earnings, and post-employment expenditures are exempt for State, Federal and FICA taxation. Typically a third party administrator is responsible for account activity.

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<b>Compensation Type</b>	<b>Payment Type</b>	<b>Example</b>	<b>WRS Reportable</b>	<b>Comments</b>
<b>Voluntary Employee Benefits Association (VEBA)</b>	Employer Contributions	Employer contributes money to fund post- employment medical expenses for the employee.	No	VEBA is authorized under Section 501(c)(9) of the Internal Revenue Code. It allows for the tax-free pre-funding of post-employment medical expenses. Funds can only be used for post-employment medical expenses. Premium payments, both incoming funds and earnings, and post employment expenditures are exempt for State, Federal and FICA taxation. Typically a third party administrator is responsible for account activity.
<b>Worker's Compensation Credit</b>	No payment	An employee is injured and receives temporary disability benefits through Worker's Compensation.	Yes	The earnings (and associated hours of service) that would have been paid to the employee during the period the employee was receiving temporary disability benefits from Worker's Compensation are reportable for WRS purposes.  NOTE: The amount paid to the employee from Worker's Compensation is not reportable.