

CHAPTER 5 – EARNINGS AND REPORTABLE HOURS

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500 Definition of Reportable Earnings

Wis. Stat. §40.02 (22) (a), defines earnings for Wisconsin Retirement System purposes as:

“The gross amount paid to an employee by a participating employer as salary or wages, including amounts provided through deferred compensation or tax shelter agreements, for personal services rendered to or for an employer, or which would have been available for payment to the employee except for the employee’s election that part or all of the amount be used for other purposes and also includes the money value, as determined by the employer, of any board, lodging, fuel, laundry and other allowances provided for the employee in lieu of money. For purposes of this paragraph, the gross amount shall be determined prior to deductions for taxes, insurance premiums, retirement contributions or deposits, charitable contributions or similar amounts and shall be considered received as of the date when the earnings would normally be payable by the employer. For reporting and computation purposes, fractions of a dollar shall be disregarded in determining annual earnings.”

Note: The provisions of Chapter 40 of the Wisconsin Statutes relating to WRS earnings will always take precedence over any conflicting public entity resolution, order, ordinance, bargaining unit agreement, etc., for purposes of administering the WRS. An employer may not redefine payments as WRS earnings if the earnings do not meet the criteria in Chapter 40.

The definition of WRS earnings differs from the definition of wages for IRS purposes. Some major differences include:

- Employee elective contributions to deferred compensation and tax-sheltered plans are included in WRS earnings, but for IRS purposes, most are not subject to income tax at the time of contribution.

- Retroactive wage settlements must be reported to the year in **which they would have been paid** for WRS purposes, but are reported in the year **when paid** for IRS purposes.

Example 1: In June of the current year, you settle contracts for the current and previous years. The portion of the settlement that is retroactive wages must be reported to the previous year for WRS purposes, with contributions invoiced and paid at that year's rate, plus interest. The current year's portion of the retroactive wages must be included as current year earnings on that month's WRS Contribution Remittance Entry on the Online Network for Employers site. Refer to Chapter 11 for reporting prior year earnings.

- Section 125 cafeteria reduction amounts **are** reportable for WRS purposes, but **are not** included in wages for IRS purposes.

501 Earnings Reportable for WRS Purposes

This subchapter discusses what payment types are earnings for WRS purposes. Employers may attach conditions to some payment types made to their employees, which may affect whether or not they are WRS reportable. Please consult the appropriate cross references provided in this chapter when making your determination (e.g. refer to subchapter 502), and if still in doubt, contact the Employer Communication Center toll-free at 1-877-533-5020 or locally at 608-266-3285.

Payments reported as earnings for WRS purposes include, but are not limited to the following:

- A. Cash payments for personal service.
- B. Overtime pay (report associated hours).
- C. Vacation pay, including "personal time" and holiday pay, when used **or** when unused leave balances are paid out (no associated hours are reportable when unused leave is paid out) at least annually as a result of a broadly applicable employer policy, but not at the employee's option/discretion (refer to subchapter 502 and 504).
- D. Sick pay when used (report associated hours) or when unused leave balances are paid out (no associated hours are reportable when unused sick leave is paid out) at least annually as the result of a broadly applicable employer policy, but not at the employee's option/discretion (refer to subchapter 502 and 504).
- E. Compensatory time pay when the time is used, the payment in lieu of the compensatory time if paid out annually as a result of a broadly applicable employer policy or unused and paid out as cash where employer has no annual payout policy (report associated hours when comp time is used, when unused and paid out annually due to employer policy and when unused not due to employer policy back to the year earned, since it then technically reverts back to overtime pay) (refer to subchapters 503 and 504).
- F. Clothing allowances provided to employees to purchase clothing that is required for employment but is also **reasonably** adaptable for street wear and is considered the "property" of the employee (refer to subchapter 508-E for a description of non-reportable uniform allowances).

Example 1: Undercover police officers may be required to wear blue jeans, tennis shoes and tee shirts for use in undercover duties. The value of the allowance to purchase these items is reportable for WRS purposes because the clothing is reasonably adaptable for street wear.

Example 2: Special Education aide at a local school district is provided an annual allowance for the purchase of a swimsuit due to the damaging effects of the pool's chlorine. Any unused portion of the allowance that the employee is permitted to keep, or

the entire allowance, is reportable for WRS purposes if the employee is permitted to make personal use of the swimsuit.

Example 3: Kitchen staff at a local school district are required to wear white shirts, white pants and white shoes while on duty. The district provides them with an annual clothing allowance to purchase these clothing items. No specific clothing or shoe style is mandated, only the color. The annual clothing allowance is reportable earnings for WRS purposes because the clothing is adaptable for street wear.

G. Value of free meals, lodging or allowances provided in lieu of money (money value to be determined by employer), with certain exceptions explained in subchapter 507-G.

Example 1: A city hires a new administrator from another part of the country. Rather than pay the administrator entirely in dollars for personal services rendered, the city agrees to provide free room and board to the new administrator until the administrator can secure permanent living arrangements. The value of this free room and board is considered earnings for WRS purposes.

Example 2: A school district is contractually obligated to provide one free meal per day to its WRS covered support staff. The value of the meals, as determined by the employer, is WRS reportable earnings as it is part of the employment and is provided in lieu of money.

H. Value of using an employer owned vehicle for employee personal use without being required to reimburse the employer. The employer is responsible for maintaining documentation to support the portion of the value reportable as WRS earnings; if no documentation is maintained, none of the allowance is earnings for WRS purposes.

Example 1: A county provides an unmarked police vehicle to a Sheriff for work-related activities. The Sheriff is permitted to use the vehicle for personal use without reimbursing the county. The value of using the county owned vehicle for the Sheriff's personal use is reportable for WRS purposes provided documentation is maintained.

I. Vehicle and/or cell phone allowance for using a personal vehicle and/or cell phone for non-work-related activities when detailed records are kept. The employer must maintain detailed records to support the portion of the car and/or cell phone allowance reportable for WRS purposes; if no documentation is maintained, none of the allowance is earnings for WRS purposes.

Example 1: A city provides its fire chief with a monthly car and cell phone allowance, as it is often necessary for the chief to use his personal vehicle and cell phone for work-related activities. During some months, the car and cell phone allowance exceeds the actual expense the chief incurs for using his personal vehicle and cell phone for work-related activities. That portion of the vehicle and cell phone allowance not used for work-related activities is reportable as WRS earnings, provide documentation is maintained.

J. Value of a general expense allowance when used for non-work-related expenses and for which reimbursement is not made by the employee. The employer must maintain documentation to support the portion of the general expense that is reportable as WRS earnings. If no documentation is maintained, none of the allowance is WRS reportable earnings.

Example 1: A city provides the mayor with a general expense allowance to cover work-related expenses incurred in the performance of the job. The mayor receives this allowance as an advance and is permitted to claim the allowance even if work-related expenses are not incurred. The portion of the general expense allowance

not used for work-related expenses is earnings for WRS purposes, provided proper documentation is maintained. If no documentation is maintained, none of the allowance is earnings for WRS purposes.

- K. Retroactive pay for service performed. These earnings must be allocated to the year(s) in which the earnings would normally have been paid (refer to Chapter 11).
- L. Length of service bonuses, signing bonuses, residency bonuses, performance bonuses or merit payments (unless these payments are contingent on the employee terminating eligible employment) are WRS reportable to the year when paid.
- M. Section 125 Cafeteria Plan reduction amounts (reimbursement accounts for medical expenses, daycare expenses, etc.).
- N. Payment received from the **employer** while the employee serves jury duty (no service hours are associated with this payment).
- O. Credit for earnings that would have been paid during the period an employee receives temporary disability benefits from worker's compensation (refer to subchapter 505).
- P. Back pay that represents salary paid as a result of a compromise settlement. The compromise settlement must be submitted to ETF for review and meet the conditions of Administrative Code ETF 20.12, to determine whether or not the payments are earnings for WRS purposes (refer to Chapter 13 for reporting details).
- Q. Compensation paid during a leave of absence (refer to subchapter 506).
- R. Compensation for part-time police officer training time that is paid by the city and reimbursed by the state.
- S. Compensation provided to EMTs and firefighters for attending mandated training and/or drill sessions.
- T. Compensation that would have been payable to a state elected official prohibited by law from receiving an increase in compensation during the official's term in office.
- U. Earnings for on-call, standby, extra-curricular or other service **which is incidental to the primary employment**. In situations where compensation is paid on a flat-fee basis (regardless of hours worked), the following formula should be used to determine hours of service to report: divide the amount paid annually by the participating employee's current basic pay rate and report the resulting quotient for hours of service.
Note: One year is the maximum amount of service granted annually [Wis. Admin. Code ETF 10.03 (7) (c)].
- V. Credit, upon return to employment, for earnings that would have been paid during the period an employee left employment to perform in the uniformed services (refer to Chapter 22).

502 Vacation Pay and Sick Pay (Accumulated Leave)

Vacation pay (which includes personal time and paid holidays) and sick leave payments (not due to termination) are reportable earnings for WRS purposes when:

- **Used as leave time.** Payment and associated hours will be WRS reportable to the annual earnings period **when used** even if the leave time is earned in a previous annual earnings period.

- **Unused and paid out as cash.** Only WRS reportable if the employer has a broadly applicable policy of routinely converting unused accumulated vacation or sick leave to cash. Routinely, for this purpose, is defined as at least annually. These earnings will be WRS reportable to the annual period **when paid**. When paid out annually as cash, only the earnings are WRS reportable, not hours.

Note: If the employee is given the **option or discretion** to convert vacation or sick leave to cash, the payment is not WRS reportable earnings [Wis. Stat. §40.02 (22) (b) 11].

Example 1: An employer makes lump sum payouts of accumulated, unused vacation and/or sick leave, to **all** eligible employees at the end of each year. The payments are earnings for WRS purposes. Also, when an employee terminates prior to this **routine payment** date and receives the lump sum payment at the time of termination, the payment is reportable for WRS purposes. No hours are associated with these payments.

Example 2: A city limits its administrative staff to 500 hours of accumulated sick leave. Any sick leave accumulation exceeding 500 hours is paid out at the employee's basic hourly rate at year end. The value of the lump sum sick leave payments exceeding 500 hours is WRS reportable earnings because it is being paid routinely to **all** administrative staff employees who have reached the 500-hour maximum sick leave accumulation. No hours are associated with these payments.

Lump sum payouts for vacation and sick leave must be made routinely (at least once a year) and must be provided to **all** employees on a regular basis, regardless of whether the employee terminates, for the earnings to be reportable for WRS purposes. In these situations, "all employees" refers to **all** employees within a bargaining unit, a specific employment category or classification, all management employees, all employees who have met specific criteria, etc.

Please refer to subchapter 504 regarding accumulated leave payments upon termination from employment.

503 Compensatory Pay (Accumulated Leave in Lieu of Overtime Pay)

Compensatory time payments are considered WRS reportable earnings:

- **Used as leave time.** Payments and hours for used compensatory time will be WRS reportable to the annual earnings period **when used** even if the compensatory leave time is earned in a previous annual earnings period.
- **Unused, paid-out as cash and reported to the year earned.** When compensatory time is not used, and paid out as cash, the payment and associated hours must be reported to the annual earnings period during which the compensatory time was **earned**.

Example 1: A city employee earns 40 hours of compensatory time during 2018. The city does not have any broadly applicable policy regarding compensatory time and the employee carries it over into the following year.

In 2019, the employee requests to have the 40 hours of compensatory time paid out as cash. At this point, the compensatory time reverts back to overtime; the earnings and hours are WRS reportable to 2018, the year in which the compensatory time was earned. The employer must report these hours and earnings to ETF by submitting a prior year adjustment transaction. ETF will invoice the employer for the

required contributions plus interest at the effective rate.

Compensatory time **does not** need to be used or paid out within the same annual earnings period to be considered WRS reportable. In cases where the employee decides to bank compensatory time, but later elects to take cash in lieu of the compensatory time, late reported interest may be assessed to the employer per Wis. Stat. §40.06 (5), since the payment (and hours) must be reported to the year when the hours were worked and the payment would normally have been made if not for the previous election to accept compensatory time.

When unused compensatory time, accrued in a previous year, is converted to pay and the employer reports the payment to that previous year, the earnings should be reported at the rate the employee held at the time the compensatory time was paid out, but not less than one and one-half the rate of pay held at the time the service was performed, since the conversion of compensatory time to a cash payout technically makes the payment overtime pay.

It is not required that employers institute a broadly applicable policy mandating that employees use any accrued compensatory time or it will be paid out routinely, such as at year's end, for compensatory pay to be WRS reportable. However, a policy of this nature will eliminate the potential for employers to be subject to late interest assessments that will be due if they must report the payment to a prior year, i.e., when the service was performed and the payment was earned.

Please refer to subchapter 504 regarding accumulated leave payments upon termination from employment.

504 Accumulated Leave Payments at Termination and WRS Disability

Accumulated leave payments (vacation and sick leave) paid at termination are reportable earnings for WRS purposes when:

- **Used as leave time and termination date is extended** by the corresponding amount of leave time. Payments and hours for used accumulated leave will be WRS reportable to the annual earnings period **when used**.

Example 1: An employee terminates employment with two weeks of unused vacation time. The last day of work is June 6. For the vacation earnings to be WRS reportable, the termination date must be extended to June 20 (the amount of the unused vacation time).

- **Unused and paid-out as cash**, regardless of whether in a lump sum or as installments, if the employer has a broadly applicable policy of routinely converting unused accumulated leave time to cash. Routine is defined as at least **annually**. When unused vacation or sick leave is paid out as cash at termination, only the earnings are WRS reportable, not the hours.

Accumulated leave payments (compensatory pay) paid at termination are reportable earnings and hours for WRS purposes when:

- **Used as leave time and termination date is extended** by the corresponding amount of leave time. Payments and hours for used accumulated leave will be WRS reportable to the annual earnings period when used.
- **Unused and paid-out as cash**, the payments and associated hours must be reported to the annual earnings period **when earned**.

If the employee is given the **option or discretion** to convert vacation or sick leave to cash at termination, it is not WRS reportable earnings [Wis. Stat. §40.02 (22) (b) 11]. When compensatory time is converted to cash at termination, both the earnings and hours are WRS reportable to the year the service was performed, and the payment earned.

Note: For employers who have a policy of annually paying out unused leave over and above the employer policy's stated maximum accumulation, the payments are WRS reportable earnings. Upon termination, only the payment for the unused leave over and above the maximum accumulation is WRS reportable, regardless of how much unused leave is paid out. These payments are WRS earnings reportable to the annual period when paid.

Example 2: An employee terminates employment with 40 hours of unused vacation time and 40 hours of unused compensatory time. The last day of work is June 6. The employer has a policy mandating that at year end, all employees are paid out in cash for unused vacation and compensatory time from the current year. The employee's termination date will not be extended, and the cash payments will be WRS reportable. Both the hours and earnings for the unused compensatory time will be WRS reportable, since the service hours were actually worked; only the earnings for the unused vacation will be WRS reportable.

The last day worked is normally the termination date, unless the employee was on an unpaid leave prior to termination. There should be a signed agreement between the employee and employer stating that the leave is either being used or paid off to eliminate questions concerning the handling of payments for accumulated leave.

WRS Disability

When an employee files a WRS disability annuity application, state statute requires that the employer certify that all earnings have been paid to the employee, including pay for accumulated vacation and sick leave before the benefit can be approved. Termination date and last day worked should be extended accordingly and corresponding service hours reported.

Example 3: An employee applying for a disability annuity last works on June 6. At that time, they still have two weeks of accumulated vacation leave and one week of accumulated sick leave. Because the employee is applying for a disability benefit, the accumulated leave is WRS reportable earnings and the employer is required to report the additional hours and earnings associated with the two weeks of accumulated vacation leave and one week of accumulated sick leave, extending the termination date and the last day worked accordingly. In this example, the employer reports a termination date and last day worked of June 27, fifteen working days after the last day worked.

Participating employees whose compensation plan or contract provides for converting unused sick leave to pay group health insurance premiums, and who qualify for a disability benefit, can either use sick leave until exhausted or convert it for credits to pay health insurance premiums. To convert unused sick leave to pay health insurance the employee must terminate WRS covered employment (i.e., sever the employee/employer relationship) for the sick leave to no longer be considered earnings for WRS purposes. (Refer to Chapter 14 for more information on "Disability Termination Requirements".) Then the disability benefit will begin earlier.

In Example 3 above, if the employee chose to convert their unused sick leave to pay for health insurance premiums, the employer would report a last day worked of June 20, 10 days after the last day worked. The one week of accumulated sick leave would not be WRS reportable

and would not extend the last day worked. The disability benefit may then begin earlier.

505 Retirement Credit for Worker's Compensation

Employers must report hours and earnings, as if the employee is still working, for any WRS participating employee during any period for which that employee receives **temporary** disability compensation through Workers Compensation. A temporary disability may be temporary-partial or temporary-total. In the case of a **permanent** total disability determination, or if the employee terminates employment, the employer should discontinue reporting the hours and earnings to the WRS.

The law governing temporary disability and WRS service and contributions, Wis. Stat. §40.29, provides that:

- Earnings must be reported at the rate that would have received if the disability not occurred, including adjustments to the pay rate during that period.
- Service hours must be reported on the same basis as were reported immediately prior to the temporary disability.
- While the employee is receiving temporary disability compensation, the employer must pay all employee and employer-required WRS contributions on the earnings reported for the employee. Once the employee has returned to work the employer may recover from the employee's earnings, paid after the employee's return to work, the employee-required contributions paid by the employer on the employee's behalf.
- If the employer chooses to recover from the employee the employee-required WRS contributions paid by the employer while the employee was receiving temporary disability compensation, the amount recoverable may not be deducted from the employee's paycheck at a rate greater than 5% of each payment of earnings. Refer to subchapter 500 for the definition of earnings for WRS purposes.

Wis. Stat. §102.43 provides detailed information regarding the employee's weekly compensation schedule, offsets to temporary disability compensation, and exceptions to paying temporary disability compensation.

506 Pay During a Leave of Absence or Sabbatical

Earnings paid to a WRS participating employee during a leave of absence or sabbatical are reportable for WRS purposes.

Hours are determined and reported by the employer as follows:

- If the compensation paid to the employee during the leave is less than the earnings paid in the immediately preceding period of the same length as the leave:
 - * Hours credited are to be prorated based on the ratio of pay during the leave to the earnings that were received in the preceding period.
 - * Hours are computed by dividing the compensation paid during the leave by the earnings paid in the **preceding** period and multiplying the result by the hours reported for that preceding period (Wis. Admin. Code ETF 10.07 (2)(a)).

Example 1: In 2017 an employee received \$32,000 earnings. In 2018 the employee would

have received \$35,000 if not for the leave of absence. During the paid leave of absence, the employee receives 60% of his salary or \$21,000. The corresponding hours are calculated by:

$\$21,000 \text{ divided by } \$32,000 \text{ (pay in preceding year)} = 66\%$
 $1,904 \text{ hours} \times 66\% = 1,257 \text{ hours}$

- If the compensation paid to the employee during the leave is equal to or greater than the earnings paid for the hours immediately preceding (in a period of the same length as the leave), the hours reported shall be the same as the preceding period.

507 Earnings Not WRS Reportable

- A. Employer contributions for Social Security, insurance, health savings accounts and retirement are not WRS reportable.
- B. Lump sum cash payments made specifically at termination **or due to death of an employee** are not WRS reportable, including payments for:

- Accumulated vacation or sick leave when employer **does not** have a broadly applicable policy of routinely converting unused accumulated leave time to cash. Routinely is defined as at least annually.

Note: Payments made at termination for unused compensatory time earned in a **preceding year** must be reported as an earnings adjustment to the year in which the compensatory time was earned, since it now reverts back to overtime pay.

- A contractual or other agreement where the payment is contingent on the employee having terminated employment or having died, including a bonus or any form of severance pay which is made solely because the employee terminates or dies. (Refer to subchapter 504 for a further description of payments at termination.)

Example 1: An employer wants to improve an employee's WRS benefit at their retirement by providing a retroactive salary increase. As a result, the employee's average three high salary years will increase creating a higher monthly WRS annuity. The salary increase **is not WRS reportable** earnings because it is made during the employee's last five years of employment, is not the result of a significant change in the employee's duties, and is not broadly applicable to the employees of the employer.

- C. Payments received in lieu of sick leave (e.g., Income Continuation Insurance payments to employees).
- D. Payment in lieu of fringe benefits normally paid for or provided by the employer, **but which can be paid to the employee at the employee's option**. This includes IRAs or Tax Deferrals purchased with monies originally intended to purchase another fringe benefit (e.g., health insurance). This also includes banked vacation or sick leave time for which a cash payment is made at employer's option/discretion. (Refer to subchapters 502 and 504.)

Example 1: A local municipality offers an incentive payment of \$200 per month for any employee who chooses **not** to be covered under the municipality's group health insurance plan. This monthly payment **is not WRS reportable** earnings, as it is a payment in lieu of a fringe benefit that is paid at the employee's option.

Example 2: A school district offers a \$2.00 per hour increase in the hourly rate of pay for any employee who chooses **not** to be covered under the school district's group health

insurance plan. The increase in the employee's hourly rate of pay **is not WRS reportable** earnings, as it is a payment in lieu of a fringe benefit that is paid at the employee's option.

- E. Uniforms purchased directly by the employer or uniform allowances (either advances or reimbursements to employees) for the purchase of uniforms required to be worn in the performance of service for the employer that are not of a type normally adaptable to general or continued wear such that they could take the place of ordinary clothing.

Example 1: A city provides an annual allowance to police officers so that they can purchase blue or brown uniforms, hats and bulletproof vests. This clothing is not adaptable for everyday use, but instead is worn to perform a job for the employer. This uniform allowance **is not WRS reportable** earnings.

Example 2: A local fire department supplies its firefighters with blue pants and blue T-shirts with the department's logo emblazoned on the front for required wear while on duty at the firehouse. Though some firefighters may wear this clothing while on personal time, the clothing is provided for use as firehouse attire and is not reasonably adaptable for everyday personal use. The value of the clothing **is not WRS reportable** earnings.

- F. Amounts paid as advances or reimbursements for ordinary and necessary expenses (meals, lodging, travel, personal cell phone use, etc.) incurred while the employee is conducting the business of the employer. The employer must identify these advances or reimbursements either by making a separate payment or by specifically indicating separate amounts where wage and expense allowances are combined in a single payment.

Example 1: The employer directs an employee to attend an out-of-town training session. The employer reimburses the employee for a lunch expense. The reimbursement **is not WRS reportable** earnings.

Example 2: As part of their job, a city employee is required to travel extensively throughout the state. The employee incurs expenses for meals and lodging for which the employer reimburses the employee. For extended travel trips, the employee receives a partial advance of money to be used exclusively for meal and lodging expenses. The payment **is not WRS reportable** earnings.

Example 3: A village employee is asked to use their personal vehicle and personal cell phone to deliver village reports to a state agency. The employee is reimbursed for use of their personal car and cell phone. The employee received this reimbursement for a business-related expense incurred for the convenience of the employer. The reimbursement **is not WRS reportable** earnings.

- G. The value of meals provided on the employer's premise for the convenience of the employer and the employee does not have the option of taking cash.

Example 1: A county elected official is asked by the employer to participate in a luncheon seminar with state officials on the county's premise. The value of the lunch **is not WRS reportable** earnings.

- H. The value of the use of an employer owned vehicle when used for commuting purposes or in conducting employer business for the convenience of the employer.

Example 1: A city provides its police chief with a city owned vehicle to ensure that the chief has access to transportation 24 hours a day. The chief also uses the vehicle for personal use, but is required to reimburse the city for the personal use of the vehicle. The cost of the chief's vehicle expense for city business **is not WRS reportable** earnings.

- I. Payments for damages, attorney fees, interest or penalties.
- J. Amounts paid to students younger than age 20 who began employment on or after April 23, 1992, and who are regularly enrolled or expected to be enrolled as full-time students (grades 1-12) in a public, private or parochial elementary or high school.
- K. Payments on a fee-for-service basis to an independent contractor (refer to subchapter 314).
- L. Payments made in the last five years of employment that are the result of a change in the method of computing the base compensation, unless the change is permanent and applicable to all employees or is the result of significant changes in the employee's duties.
- M. Earnings attributable to the non WRS participating employers of a joint instrumentality.

508 Reportable and Non-Reportable Earnings Guide

Reportable AND Non-Reportable Earnings Guide				
Compensation Type	Payment Type	Example	WRS Reportable	Comments
Advance	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. Refer to subchapter 507-F.
Allowances (See clothing, expense, lodging and vehicle)				Refer to subchapter 501.
Attorney Fees	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. Refer to subchapter 507-I.
Back Pay Awards	Cash payment	Payment resulting from a compromise settlement, court order, etc., which represents back wages.	1. Yes	1. Back pay awards are reportable for WRS purposes, if the settlement agreement meets the requirements in Wis. Admin. Code ETF 20.12.
			2. No	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 Settlements.
Cafeteria Plan (IRC Section 125) Reductions	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. Refer to subchapters 500 & 501-M.
Cash	Cash payments of salary, wages, bonuses, etc.	Payment for personal services rendered to an employer.	Yes	Amounts paid to an employee for personal services rendered are reportable for WRS purposes. Refer to subchapter 501-A.
Cell Phone	Cash/Stipend	Payment for use of employee's personal cellphones for work-related	No	Amounts paid as advances or reimbursements for ordinary and necessary expenses incurred while

		purposes.		the employee is conducting the business of the employer and for the convenience of the employer is not WRS reportable. Refer to subchapter 507-F.
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Compensation Type	Payment Type	Example	WRS Reportable	Comments
Clothing Allowance	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. Refer to subchapter 501-F
	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. Refer to subchapter 507-E.
Compensatory Time	1. Cash payment resulting from the use of compensatory time as leave time.	1. An employee works extra hours and receives compensatory time that is used as leave time.	1. Yes	1. Payment for compensatory time is earnings for WRS purposes when used as leave time. Earnings and hours are WRS reportable to the year when used. Compensatory time does not need to be used in the same annual earnings period it was earned to be WRS reportable. Used compensatory time at termination is WRS reportable if the termination date is extended by the amount of used leave time.
	2. Cash payment for unused accumulated compensatory time.	2. An employee receives a lump sum payment for unused, accumulated compensatory time.	2. Yes	2. Payment for unused compensatory time is earnings for WRS purposes. Earnings and hours are WRS reportable to the year when earned. Unused compensatory time is not required to be paid out in the same annual earnings period when earned to be WRS reportable. Refer to subchapters 503 and 504.
Contributions Paid by Employer	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. Refer to subchapter 507-A.
Contract Buy Outs	Cash payment		No	Wis. Stat. §40.02 (22) (b) 8. Refer to subchapter 507-B.
Damages Payment	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.

Deferred Compensation	Amounts deferred from gross wages	Employee voluntarily defers wages to 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. Refer to subchapter 507-D.
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Compensation Type	Payment Type	Example	WRS Reportable	Comments
Employee Reimbursement Accounts	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. Refer to subchapter 501-M.
Expense Allowance	Cash payment	A city mayor receives a monthly expense allowance for use in attending work-related functions and activities. A police officer receives a monthly stipend for the city using their dog as K-9 unit.	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. Refer to subchapter 507-F.
Extra-Curricular Activity Pay	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. Refer to subchapters 501-U & 514.
Fringe Benefit	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 health, life or 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 at the employee's option are not reportable for WRS purposes. Refer to subchapter 507-D.
Health Savings Account (HSA)	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
	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	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. Refer to subchapter 507.
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Compensation Type	Payment Type	Example	WRS Reportable	Comments
Independent Contractor Payments Note: Must meet federal Independent Contractor rules. See IRS publication 1779.	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, therefore, the earnings are not reportable for WRS purposes. Refer to subchapters 507-K & 314.
Insurance Benefit Payments	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. Refer to subchapter 507-A.
Interest Payments	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. Refer to subchapter 1305-A.
IRA Payment Given to Employee by Employer in Lieu of a Fringe Benefit	Employer provides an amount to an employee in lieu of a fringe benefit, which the employee chooses to place into an IRA	An employer provides money to an employee to be placed in to the employee's IRA 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 at the employee's option are not reportable for WRS purposes. Refer to subchapter 507-D.
Joint Instrumentality Earnings	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. Refer to subchapters 308 & 507-M.
Jury Duty Compensation	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. Refer to subchapter 501-N.

Length of Service Payment	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. Any bonus not contingent on termination is WRS earnings. Refer to subchapter 501-L.
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Compensation Type	Payment Type	Example	WRS Reportable	Comments
Lodging Advancement or Reimbursement	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. Refer to subchapter 501-G.
	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 is not reportable for WRS purposes. Refer to subchapter 507-F.
Leave of Absence Compensation	Cash payment	A teacher or police officer, for example, receives payment during an administrative leave of absence.	Yes	These earnings and their associated hours are reportable for WRS purposes. Refer to subchapters 501-Q & 506.
Meals Advancement or Reimbursement	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 is not reportable for WRS purposes. Refer to subchapter 507-F.
	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. Refer to subchapter 501-G.
	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. Refer to subchapter 507-G.

Merit Pay	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. Any bonus not contingent on termination is WRS earnings. Refer to 501-L.
Moving Expenses	Cash payment	An employee receives payment to cover moving expenses.	No	Payments made to relocate a new employee are not WRS reportable.

Compensation Type	Payment Type	Example	WRS Reportable	Comments
On-call Pay	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. Refer to subchapters 501-U & 514.
Overtime Pay	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. Refer to subchapter 501-B.
Penalty Payments	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. Refer to subchapter 1305-A.
Reimbursement (see clothing, lodging and vehicle)				
Sabbatical (see Leave of Absence Compensation)			Yes	Refer to subchapter 506.
Severance Pay	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. Refer to subchapter 507-B.

Compensation Type	Payment Type	Example	WRS Reportable	Comments
Sick Leave Pay	Cash Payment	1. All employees of an employer receive an annual payout for unused sick leave.	1. Yes	1. The sick leave payout 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.
		2. An employee's last day worked is January 29, 2018. The employee receives payment for using 20 days of remaining sick leave and the employer extends the termination date to February 26, 2018.	2. Yes	2. The sick leave payout is reportable for WRS purposes at termination when the payment results in extending the employee's termination date to account for the payout. The earnings and hours are WRS reportable.
		3. An employee's last day worked is January 30, 2018. The employee receives payment for 28 days of unused sick leave, but the employer does not extend the employee's termination.	3. No	3. The sick leave payout is not reportable for WRS purposes at termination if the termination date is not extended to account for the accumulated leave and the employer does not have a broadly applicable policy that routinely pays out sick leave. Routinely is defined as at least annually.
		4. An employee's last day worked is January 30, 2018. 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. The employer does have a policy of routinely converting unused sick leave to cash.	4. Yes	4. The sick leave payout is reportable for WRS purposes at termination if the employer does have a broadly applicable policy that routinely pays out sick leave. Routinely is defined as at least annually. Report only the earnings to the WRS, not the hours.
		5. An employee is allowed, at their option , to convert sick time to cash. The employee would like to convert 40 hours of vacation to cash.	5. No	5. Payments in lieu of fringe benefits normally paid for or provided by the employer, but which can be paid to the employee at the employee's option are not WRS reportable [Wis. Stat. §40.02 (22) (11)] Refer to subchapters 502 and 504.

Standby (See On-Call)			Yes	Refer to subchapter 514.
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Compensation Type	Payment Type	Example	WRS Reportable	Comments
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. Refer to subchapter 501-T.
Tax Deferral (See Deferred Compensation)			No	Refer to subchapter 507-D.
Tax Shelter (See Deferred Compensation)			No	Refer to subchapter 507-D.
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. Refer to subchapter 501-R.

Compensation Type	Payment Type	Example	WRS Reportable	Comments
Vacation Pay	Cash payment	1. All employees of an employer receive an annual payout for unused vacation.	1. Yes	1. The vacation payout is reportable for WRS purposes when paid routinely to all employees on a regular basis. Report only the earnings to the WRS, not the hours. Routinely is defined as at least annually.
		2. An employee's last day worked is January 29, 2018. The employee receives payment for using 10 days of remaining vacation and the employer extends the date of termination to February 12, 2018.	2. Yes	2. The vacation leave payout is reportable for WRS purposes at termination when the leave is used resulting in the extension of the employee's termination date. Report the earning and hours to the WRS.
		3. An employer routinely pays employees for unused vacation on an annual basis. If an employee terminates prior to the annual payout, the payout is made at termination.	3. Yes	3. The vacation payout 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 payout. Report only the earnings to the WRS; not the hours.
		4. An employee's last day of work is January 29, 2018. 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, 2018.	4. No	4. The vacation payout 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.

		5. Employees are allowed, at their option or discretion , to convert vacation time to cash. An employee would like to convert 40 hours of vacation to cash.	5. No	5. Payments in lieu of fringe benefits normally paid for or provided by the employer, but which can be paid to the employee at the employee's option, are not WRS reportable [Wis. Stat. §40.02 (22) (11)] Refer to subchapters 502 and 504.
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Compensation Type	Payment Type	Example	WRS Reportable	Comments
Vehicle Advancement, Allowance and Reimbursement	1. Cash payment.	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 is not reportable for WRS purposes. Unused amounts available to the employee for personal use are WRS reportable. Refer to subchapters 501-H & 506-F.
		2. An employee receives an allowance, advancement, or reimbursement for use of any personal item for work. This could include a dog, fireman, vehicle, or other items.	2. No	1. Advancement or reimbursement for ordinary and necessary expenses incurred in the business of the employer is not reportable for WRS purposes. Unused amounts available to the employee for personal use are WRS reportable. Refer to subchapters 501-H & 506-F.
	2. Value of personal use of employer-owned vehicle.	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. Refer to subchapter 501-G.
	3. Value of work-related use of an employer-owned vehicle.	3. A city fire chief is provided with a city-owned vehicle to commute to work related destinations at any time 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. Refer to subchapter 506-H.

Voluntary Employee Benefits Association (VEBA)	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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Compensation Type	Payment Type	Example	WRS Reportable	Comments
Voluntary Employee Benefits Association (VEBA)	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.
Wellness Incentive	Cash Payment	An employee receives a payment from the employer for engaging in healthy behaviors.	No	Wellness incentive is a payment to encourage the employee to do something for their own benefit, not payment for personal services rendered to or for an employer.

Workers' Compensation Credit	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. Refer to subchapter 505. Note: The amount paid to the employee from Worker's Compensation is not reportable.
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509 Definition of WRS Creditable Service

Wis. Stat. §40.02 (14), defines WRS "creditable current service" as the creditable service granted for service performed for a participating employer and for which a participating employee receives earnings after the effective date of WRS participation for that employer.

Note: Employers track and report hours to ETF and the reported hours are subsequently converted to creditable service. Hours must be reported accurately since the resulting service credited to the participant account is a key factor in determining formula benefits.

510 Annual Earnings Period is Basis for Reporting Hours

The annual earnings period for all participants (except teachers, educational support personnel and judges) is the calendar year beginning on January 1 and ending December 31. A "fiscal year" is the annual earnings period for teachers, educational support personnel and judges, and is the period beginning July 1 and ending June 30.

Hours and earnings (such as payroll lag or balance-of-contract payments) of a nine- or 10-month contract fiscal year employee paid after July 1 for services rendered in the preceding fiscal year are deemed to be received on June 30 and must be reported to the preceding fiscal year (refer to Chapters 9 and 10). Hours and earnings for a 12-month contract fiscal year employee must be reported when paid.

511 Computing and Reporting Hours

Wis. Admin. Code ETF 10.03, requires that each WRS participating employer determine and report hours worked for each WRS participating employee. The following provisions apply in crediting WRS service for your employees:

- The full time equivalent of one year of creditable service for a **teacher is 1,320 hours**. A teacher will be granted a full year of service if at least 1,320 hours are reported. A full year of service for **all other employment categories is 1,904 hours**.

Note: 2009 Wisconsin Act 28 **does not** change the actual service crediting for educational support personnel (or for any other non-teaching participants). Non-teachers (including educational support personnel) creditable service will continue to be calculated by dividing the hours worked in a year by 1,904.

- WRS can grant no more than one year of creditable service for any annual earnings period,

even if an employee exceeds the number of hours needed during an annual earnings period for a full year of credit. It is essential, however, that all hours worked are reported because they are used to determine whether a normal 'hours-to-earnings' progression exists during the employee's employment history.

- Employees receiving earnings from one or more WRS participating employers, in more than one employment category, will be granted no more than one year of creditable service for any annual earnings period. Should the total hours from all sources exceed the number required to receive one year of creditable service, that service shall be allocated and credited in the sequence specified in Wis. Admin. Code ETF 10.03 (5), until one year of service is granted.
- Service is based on the number of hours for which earnings are paid. A salaried employee who works additional hours, but is not paid additional earnings, should not have additional hours reported.
- Hours for on-call, standby, extracurricular or other service incidental to the primary employment must be reported as the quotient derived from dividing the compensation paid for such service by the employee's current basic pay rate. (Wis. Admin. Code ETF 10.03 (7))
- Fractions of an hour of service should be rounded to the nearest full hour with fractions of one half hour or more rounded up to the next whole number. (Wis. Admin. Code ETF 10.03 (5) (a))
- Overtime hours must be reported based on hours worked, not based on hourly pay rate. If overtime hours are paid at 1.5 times the basic hourly rate, report actual hours worked and not hours worked times 1.5.

512 Reporting for Eight-Hour Workday

Wis. Admin. Code ETF 10.03, defines the full-time equivalent of one day of service as eight hours. Employers with an established full-time workday of eight hours must report the actual hours for which earnings are paid for both their full-time and part-time employees.

Teachers

For teachers and school district educational support personnel, a school day is any day in which school is actually taught. This includes legal holidays, if they fall within the scheduled school term. Also, included as days of service are:

- State teacher's conventions
- Days when school is closed by order of the health officer

A teacher who substitutes for another teacher during a free period in the regular workday and is paid additional earnings must have additional hours reported. Service performed is in addition to the number of hours worked by a regular full-time employee in a normal workday.

513 Computing and Reporting Hours for Other Than an Eight-Hour Workday

The full-time equivalent of one day of service is eight hours. However, if an employer has an established, reasonable written policy for an employee or group of employees of a full-time workday other than eight hours (for example, a 7 or 7.5-hour day), the hours must be calculated and reported using the formula in Wis. Admin. Code ETF 10.03 (2). The established, reasonable written policy can be contractual or as determined by personnel policy.

Note: The above-referenced Administrative Code provision was intended to apply to specific groups of employees who may work non-standard hours. For example, as recognized below, firefighters and police officers may work in shifts longer than eight hours, or they may work six days in a row, with three days off. Another group to whom this provision was meant to apply is teachers, whose standard work day is considered to be 7.5 hours. ***This provision was not intended to apply to employees who would typically work standard eight-hour work days or to create a situation where a typically part-time hourly standard is converted to full-time with the intent of obtaining additional WRS service credit.***

The formula for calculating an other-than eight-hour workday is as follows:

1. Divide the number of hours for which earnings are paid in the reporting period by the number of hours that would have been worked in that period by a regular full-time employee in the same kind of employment.
2. Multiply the result by 40.
3. Multiply this result by the number of weeks (and fractions of a week) in the reporting period being determined.

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

A. The following examples illustrate how the formula is used to report accurate hours for full-time employees:

Example 1: A 7½-hour workday is considered full-time for teachers, and a full-time teacher works 75 hours in a two-week pay period.

$$\frac{75 \text{ hrs worked}}{75} = 1 \times 40 \times 2 = 80 \text{ hrs to be reported}$$

Example 2: The same teacher was paid for ten hours of overtime.

$$\frac{85 \text{ hrs worked}}{75} = 1.13 \times 40 \times 2 = 90.4 = 90 \text{ hrs to be reported}$$

Example 3: The established work week for a full-time firefighter is 56 hours, or 112 hours for a two-week pay period.

$$\frac{112 \text{ hrs worked}}{112} = 1 \times 40 \times 2 = 80 \text{ hrs to be reported}$$

Example 4: The work schedule for a local police department is six days on followed by 3 days off, eight hours per shift. The schedule results in 88 hours for one two-week pay period and 64 hours for the next two-week pay period, for an average of 76 hours per pay period for a full-time officer.

$$\frac{76 \text{ hrs worked}}{76} = 1 \times 40 \times 2 = 80 \text{ hrs to be reported}$$

Example 5: A 7½-hour workday is full-time for a teacher (75 hours in a two-week period). A teacher who substitutes for another teacher during a free period in the regular workday and is paid additional earnings must have additional hours reported. During a pay period one teacher was paid for substituting for another for an additional two hours.

$$\frac{77 \text{ hrs worked}}{75} = 1.03 \times 40 \times 2 = 82.13 = 82 \text{ hrs to be reported}$$

B. The following examples illustrate how the formula is used to report accurate hours for **part-time employees**:

Example 1: A seven-hour workday has been established as full-time employment for a group of employees. Full-time employment for a two-week pay period is 70 hours. A part-time employee works 3.5 hours per day.

$$\frac{35 \text{ hrs worked}}{70} = .50 \times 40 \times 2 = 40 \text{ hrs to be reported}$$

Example 2: A 7½-hour workday is full-time employment for teachers (75 hours in a two-week period). A teacher works 37.5 hours in a two-week period.

$$\frac{37.5 \text{ hrs worked}}{75} = .5 \times 40 \times 2 = 40 \text{ hrs to be reported}$$

Example 3: A 7½-hour workday is full-time employment for teachers (75 hours in a two-week period). A teacher ordinarily works 37 hours in a two-week period, but during one period works four hours extra and is paid for the extra service. (37.5 + 4 = 41.5)

$$\frac{41.5 \text{ hrs worked}}{75} = .55 \times 40 \times 2 = 44 \text{ hrs to be reported}$$

Example 4: A 7½-hour workday is full-time employment for a teacher (75 hours in a two-week period). A half-time teacher who substitutes for another teacher during a free period in the regular workday and is paid additional earnings must have additional hours reported. During one pay period, the half-time teacher was paid for substituting for an additional two hours.

$$\frac{39.5 \text{ hrs worked}}{75} = .53 \times 40 \times 2 = 42 \text{ hrs to be reported}$$

514 Earnings and Hours for On-call, Standby, Extracurricular and Other Non-Standard Hours

Participating employee earnings for on-call, standby, extracurricular or other service, which is incidental to the primary employment, **must be reported** and contributions paid on those earnings on the **same basis as for any other earnings**. [Wis. Admin. Code ETF 10.03 (7) (a)].

The number of hours to report for the “incidental” service is determined by dividing the compensation received for the service by the employee’s current basic pay rate. The “current basic pay rate” as defined in Wis. Admin. Code ETF 10.01 (1m) (a), is the hourly rate or its equivalent, excluding any overtime or supplementary compensation, at which the employee is paid, unless otherwise provided in Chapter 230 of the Wisconsin Statutes on State Employment Relations or Chapter 111, Subsection V of the Wisconsin Statutes on State Employment Labor

Relations. Please see Wis. Admin. Code ETF 10.01 (1m) (b) to determine the current basic pay rate if the participating employee was formerly a WRS annuitant.

Example 1: A teacher is paid \$1,000 extra to serve as advisor for the school yearbook. The teacher's current basic pay rate is equivalent to \$25 per hour. Report 40 additional hours with the teacher's earnings ($1000/25 = 40$).

Example 2: An employee is asked to be on-call for two days on a holiday weekend. The employee is paid \$80 extra to be on call. His current basic pay rate is \$20 an hour. Divide the \$80 compensation received for the on-call duty by the pay rate of \$20 an hour. The resulting 4 hours must be included in the total hours reported with the employee's earnings.

Example 3: A teacher with a basic pay rate of \$30.00 an hour also coaches girls softball for an additional \$1,500 per season. The district has properly applied the rule for determining and reporting hours for extracurricular work. In this example, the district reported an additional 50 hours of service along with the \$1,500 in coach's salary.

The teacher terminated employment with the district following the school year, took no WRS benefit, and returned the following season to coach. Since the teacher returned within 12 months without having taken a WRS benefit, the coaching is WRS eligible and the earnings and hours must be reported to WRS. Unless a new hourly rate of pay is contracted for the coaching, the earnings and hours must be reported on the same basis as before the termination.

Example 4: A full-time public works employee also referees games for the city recreation department. As a referee, the employee is paid by the number of games refereed rather the number of hours worked. For this type of employment situation, the employer calculates referee hours by dividing total referee compensation by the employee's current basic pay rate as a public works employee. The number of games refereed is irrelevant for the purpose of reporting hours to ETF.

515 Reportable Hours for Part-Time Local Elected Officials

Wis. Admin. Code ETF 10.03 (6), provides guidance in determining the number of hours to report for part-time local elected officials eligible for participation in the WRS. The rule is NOT intended for use in determining WRS eligibility. The rule's use is intended for determining hours to report to WRS and should be applied based upon the **type of elected position** held, as follows:

- **Ministerial Positions** (officials other than members of the governing body such as clerk of courts, register in probate, county clerk, etc.).

Regular Work Schedule – Report the number of hours actually worked.

No Regular Work Schedule – Report no more than the hours obtained by dividing the official's yearly salary by twice the non-farm federal minimum wage for the appropriate year.

The non-farm federal minimum wage is currently \$7.25 an hour. The following example shows how to apply the above rule:

$$\frac{\text{Yearly Salary}}{\text{Twice Minimum Wage}} = \text{Hours of creditable service}$$

$$\frac{\$5,500}{\$14.50} = 379.31 \text{ rounded to } 379 \text{ hours of creditable service}$$

The non-farm federal minimum wage from 1976 to the present is as follows:

1976 - 1977.....	2.30
1978.....	2.65
1979.....	2.90
1980.....	3.10
1981 - March 1990.....	3.35
April 1990 - April 1991.....	3.80
May 1991 - Sept. 1996.....	4.25
Oct. 1996 - Aug. 1997.....	4.75
Sept. 1997 - July 2007.....	5.15
July 2007 - July 2008.....	5.85
July 2008 - July 2009.....	6.55
July 2009 - Present.....	7.25

- Members of a Governing Body or other Policy-Making Group (such as city council members, county board members, town or village board members, mayors, etc.).

Report the number of hours in actual attendance at board and committee meetings and a reasonable number of hours for time spent in preparation for the meetings. In no case, can the number of hours determined to have been spent in preparation time exceed twice the number of hours actually spent at the meeting.

It is the responsibility of the employer to maintain the necessary documentation to justify the reasonableness of the basis used in reporting hours for local-elected officials.

516 Reportable Hours for County Agents

Most Wisconsin counties, excluding Menomonee and Milwaukee, have established and maintain an educational program in cooperation with the University of Wisconsin (UW). Employees of this program are considered employees of both the county and the UW. It was determined that the employees are performing teaching service and should be covered for WRS.

Hours reported for county agents must be based on the percentage of total earnings that the county or the UW pays. Neither the county nor the UW should report more hours than those related to their percentage of the total earnings. The number of hours reported **by either party must not exceed** 1,320 hours.

Example of reporting county agent:

Agent has 2,080 hours of service with \$50,000 annual income.		
University reports 60%:	1,248 hrs.	\$30,000 earnings
County reports 40%:	<u>832 hrs.</u>	<u>20,000 earnings</u>
	2,080 hrs.	\$50,000 earnings

517 Earnings That Exceed Internal Revenue Code Limits

The Internal Revenue Code (IRC) provides a limit to the amount of compensation that may be considered when calculating certain defined benefits for employees who first became WRS participants after January 1, 1996. 26 U.S.C. §401 (a) (17). That compensation limit may change annually. For calendar year 2017, that limit is \$270,000, and increases to \$275,000 in 2018. For updates to that limit, please visit the Internal Revenue Service website at www.irs.gov.

Please be aware that employers should continue to report **the total amount** of an employee's earnings for WRS purposes, even if that amount may exceed the IRC limit. ETF will calculate any necessary reduction to those earnings in order to comply with the IRS compensation limit as it relates to WRS contributions.

