HOW PART-TIME EMPLOYMENT AFFECTS YOUR WRS BENEFITS

As an eligible public employee, you have retirement coverage under the Wisconsin Retirement System (WRS) and may have insurance related benefits through your employer. This document clarifies the effect part-time employment, as opposed to full-time, has on your retirement and other benefits. The information will be primarily useful to part-time employees and those who switch from full-time to part-time employment as a gradual move toward retirement.

RETIREMENT BENEFITS

Retirement benefits are calculated using money purchase and formula methods. You are automatically paid the higher of these calculations.

A money purchase calculation is based on:

- the amount of money in your WRS account (labeled "money purchase" balance on your annual Statement of Benefits); and
- your age at retirement.

If you change from full-time to part-time employment, your annual earnings will normally be lower. WRS earnings determine account contributions, and those contributions will decrease if your annual earnings decrease. Lower contributions result in a smaller money purchase balance. A smaller money purchase balance produces a lower retirement benefit.

A formula calculation is based on:

- your final average monthly earnings;
- total years of creditable service;
- a formula determined by your employment category; and
- any applicable age reduction factor based on your age and years of credible service at retirement.

Changing from full-time to part-time employment will decrease the amount of creditable service earned each year. Less creditable service lowers a formula benefit. Some calculation factors may also change with less service and further reduce a formula benefit.

Part-time work may produce lower yearly earnings and, as a result, reduce final average monthly earnings. A reduction in your final average earnings will also lower a formula benefit.

How Part-Time Service Affects Years of WRS Creditable Service

If you work part time, years of creditable service continue to increase, but at a slower pace than full-time employment. Your yearly service increase is based on the fraction of a full year’s service. The fraction of a year is expressed as a decimal equivalent.

The fraction of a year or partial year is calculated by dividing the number of hours actually worked by the number of hours required to earn a full year of creditable service in your employment category. Teachers must work 1,320 hours in a fiscal year (July 1 to June 30) to earn a full year of creditable service while 1,904 hours are required for a non-teacher.

Example #1: 845 hours are reported for a part-time teacher in a fiscal year. The Department of Employee Trust Funds (ETF) credits 0.64 year of service to the teacher’s WRS account.

\[
\frac{845 \text{ hours actually worked}}{1,320 \text{ hours required to earn full year}} = 0.64 \text{ year of creditable service}
\]
Example #2: A part-time non-teacher works 845 hours in a year. ETF credits .044 year of service to the person’s WRS account.

845 hours actually worked ÷ 1,904 hours required to earn full year = 0.44 year of creditable service

How Part-Time Service Affects WRS Final Average Monthly Earnings

Your three highest years’ earnings (regardless of full-time or part-time employment) and the total years of creditable service in those three high years are used to determine your final average monthly earnings. This calculation divides the sum of the earnings for the three highest years by the total creditable service from those same three years. The results from the first division are then divided by 12 to determine your final average monthly earnings.

Some employees’ annual earnings from part-time work are less than the highest annual earnings from previous full-time employment. If this is the case, your formula benefit is “frozen” at the final average monthly earnings from the full-time years.

Example:

<table>
<thead>
<tr>
<th>Year</th>
<th>Earnings</th>
<th>Service Earned</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>$24,000</td>
<td>1.00</td>
</tr>
<tr>
<td>2006</td>
<td>25,000</td>
<td>1.00</td>
</tr>
<tr>
<td>2007</td>
<td>27,000</td>
<td>1.00</td>
</tr>
<tr>
<td>2008</td>
<td>19,000</td>
<td>0.64</td>
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<tr>
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<td>0.71</td>
</tr>
<tr>
<td>2010</td>
<td>21,000</td>
<td>0.58</td>
</tr>
</tbody>
</table>

The three shaded years are your three highest earning years. The service and earnings from those three years determine your final average monthly earnings.

2005 $24,000 1.00
2006 25,000 1.00
2007 27,000 1.00
$76,000 ÷ 3.00 ÷ 12 = $2,111 Final Average Earnings

If you earn more during some of your part-time years than you did during your full-time years, your final average monthly earnings will be higher to reflect this.

<table>
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<tr>
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<th>Service Earned</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>$24,000</td>
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<td>0.67</td>
</tr>
<tr>
<td>2010</td>
<td>26,300</td>
<td>0.74</td>
</tr>
</tbody>
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The three shaded years are your three highest years of earnings. The service and earnings from those
three years determine your final average monthly earnings.

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<th>Years of Service</th>
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\[ \frac{78,800}{2.41} \div 12 = \$2,724 \text{ Final Average Earnings} \]

RETIRING EARLY AND YOUR AGE REDUCTION FACTOR

General, teacher or educational support employees are not subject to a formula benefit age
reduction, if they are age 65 or older. This means they receive an unreduced formula benefit, regardless
of their years of service. An unreduced formula benefit is provided to elected or state executive employees age 62 or older.

Provided an employee has reached age 57 and accrued 30 years or more of creditable service, an
unreduced formula benefit is available for participants in the following employment categories:

- General
- Teachers
- Educational support
- Elected and state executive employment

Creditable service accrues more slowly with part-time employment. As a result, it takes longer to earn
the 30 years needed for an unreduced formula benefit. As you approach age 65 (62 for elected and
dependent categories) and/or accrue more creditable service, you move closer to a full or unreduced
formula benefit.

Regardless of their years of service, protective category employees (firefighters and police officers) can
receive a full formula benefit at age 54. Protective employees who are age 53 and have 25 years or more
of creditable service also receive a full formula benefit. With part-time employment, it will take you longer
to reach 25 years of service. If you are younger than age 54, you move closer to a full formula benefit as
you approach 25 years of creditable service.

To see age reduction factors for all employment categories, please refer to the Calculating Your Retirement Benefits (ET-4107) brochure at etf.wi.gov or request a copy by contacting ETF.

MILITARY SERVICE

In most cases, one year of active military service credit may be granted for each five years of WRS
creditable service. Military credit is only given for active duty personnel in the U.S. armed forces before
1974, and the maximum credit is four years. Since creditable service is accrued more slowly when
working part time, you may receive less military service credit from part-time work.

DISABILITY BENEFITS

WRS Disability Benefits

Unless your disability is work related, eligibility for WRS disability benefits requires employees to have
earned at least one-half year of creditable service in five of the last seven years or have five years of
creditable service in the last seven years. WRS disability benefits are calculated the same as regular
retirement benefits, except for the amount of creditable service.

For disability purposes, the creditable service will also include assumed service for those years between
the dates of your disability and when you reach “normal retirement age.” In most cases, if your creditable
service is based on part-time work, the assumed service will be prorated based on part-time
employment.

If you earn less than one-half year of creditable service each year during the last seven years of
employment, you may not qualify for disability benefits.

Long Term Disability Insurance
Long Term Disability Insurance (LTDI) benefits are not calculated based on years of creditable service. Instead, monthly LTDI benefits are calculated as a percentage of your final average salary. To qualify for LTDI benefits, you must have at least 0.33 year of creditable service in five of the last seven years of employment. If you do not earn 0.33 year of service in at least five of the last seven years, the qualifications for a LTDI benefit will not be met.

LIFE INSURANCE BENEFITS

The amount of your Wisconsin Public Employers Group Life Insurance coverage is based on your highest reported salary.

If your annual earnings decrease due to part-time employment, your coverage amount will not reduce automatically. You may, however, choose reduced coverage based on lower part-time earnings. If a coverage reduction is chosen, your premium payments and the state's premium contribution will be reduced while the state’s contribution per $1,000 of insurance remains constant.

To continue life insurance coverage prior to minimum retirement age, one of the following conditions must be met:

1. The sum of your WRS creditable service before January 1, 1990, plus your years of group life insurance participation, beginning January 1, 1990, equals 20 years or more.

2. The number of years' employment with your last employer was 20 years or more.

If your eligibility to continue coverage depends on the first condition, working part-time will take longer to accrue 20 years of service than it would with full-time employment. Under the second condition, working part time will not affect eligibility to continue coverage because a year of part-time work still counts as a year, regardless of the creditable service earned.

If you become disabled while employed, life insurance eligibility may continue, even if you do not meet the creditable service requirements for a disability benefit. Life insurance coverage will continue without further premiums, if a premium waiver is approved. Eligibility requirements include your employer filing a Request for Disability Premium Waiver (ET-5306) and, if applicable, annual medical reports verifying a total disability.

WRS group life insurance may also continue at the time of your retirement. In order to qualify, you must apply for an “immediate” annuity and meet creditable service requirements, as well. For details and specific requirements, see the Group Life Insurance After You Terminate Employment (ET-4104) brochure.

HEALTH BENEFITS (State Employees Only)

Regardless of full-time or part-time employment, health insurance premium costs remain the same and participants pay a portion of the premium. If you are a part-time employee, work less than 50% of full-time hours, and are covered under the WRS, your employer contributes 50% of the premium paid for a full-time employee. If your part-time employment is 50% or more, there is no reduction in the state’s contribution.

Accumulated sick leave takes longer to accrue with part-time employment, leaving fewer hours available for illness or sick leave credit conversion. Converted sick leave hours are credited toward payment of post-retirement health insurance premiums and, as a result, are important after retirement. At retirement, your sick leave balance is calculated using your accumulated sick leave and hourly pay rate.

Because it takes a part-time worker longer to accrue creditable service, it is also less likely that you will have 20 years of creditable service at retirement. If you do not have 20 years of service, and want to continue health insurance coverage and use accumulated sick leave credits, you must take an “immediate” annuity. This is an annuity that begins no more than 30 days after termination of WRS employment.

WRS group health insurance may continue without applying for immediate annuity. If you have 20 years of creditable service and do not close your WRS account, eligibility for continuing group health insurance is an option whether you have reached minimum retirement age or not.
HEALTH BENEFITS (Local Government Employees)

If you participate in the Wisconsin Public Employers Group Health Insurance program, the premium amounts paid by your employer may change with part-time employment. If you work half-time or more, the program requires employers pay between 50% and 105% of the premium for the lowest-cost plan in your employer’s service area. If you work less than half-time, your employer must pay at least 25% of the lowest-cost premium. Within these parameters, employers are free to contribute any amount they choose for part-time employees.

INCOME CONTINUATION INSURANCE (State Employees Only)

Part-time employment results in lower income continuation payments, if you become disabled. Benefits payments are based on monthly earnings before your disability and will normally be less with part-time employment. When there is a percentage change in your permanent employment position, estimated earnings are revised and used in determining benefits.

With part-time work, sick leave accumulation takes longer than it would working full time. As a result, it will take longer to reach the sick leave plateaus that set up lower premium categories. Once an employee accumulates enough sick leave for a specific plateau, permanent premium categories are established. These categories determine future premiums, even though later sick leave use may cause the total sick leave to fall below an established plateau.

Please refer to the *Income Continuation Insurance* (ET-2129) booklet for more information and detailed requirements.

INCOME CONTINUATION INSURANCE (Local Government Employees)

Premiums and benefits are based on average monthly earnings. Consequently, part-time employment will result in lower cost to the employee along with lower benefit payments as well. Average monthly earnings will be revised with a percentage change (from 50% to 75% of full-time employment, for example) in your employment position.
Contact the Department of Employee Trust Funds

Internet Site

[http://etf.wi.gov](http://etf.wi.gov)

Find Wisconsin Retirement System and related benefit program information as well as several ways to contact ETF by e-mail.

**Self-Service Lines**
1-877-383-1888 (toll free)
(608) 266-2323 (local Madison)

Request forms or brochures through the ETF self-service lines, available 24 hours a day, seven days a week. Annuitants may also call to change address or tax withholding elections.

**Main Telephone Lines**
1-877-533-5020 (toll free)
(608) 266-3285 (local Madison)

Employees and employers can speak with an ETF benefit specialist during office hours from 7:45 a.m. to 4:30 p.m. Monday through Friday (except holidays).

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

**Telephone Message Center**
1-800-991-5540 (toll free)
(608) 264-6633 (local Madison)

Hear detailed messages covering a variety of WRS topics. Please note that these are all recorded messages. You can speak with an ETF benefit specialist by calling the local or toll-free main telephone line.

**Mailing Address**
Department of Employee Trust Funds
P. O. Box 7931
Madison, WI 53707-7931

**Appointments**
Schedule an appointment by calling:
1-877-533-5020 ext. 65717 (toll free)
(608) 266-5717 (local Madison)