



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

801 W Badger Road  
 PO Box 7931  
 Madison WI 53707-7931  
 1-877-533-5020 (toll free)  
 Fax (608) 267-4549  
<http://etf.wi.gov>

**CORRESPONDENCE MEMORANDUM**

**DATE:** June 10, 2008  
**TO:** Wisconsin Retirement Board  
**FROM:** Michelle Baxter, Director  
 Employer Communication and Reporting Bureau  
**SUBJECT:** Overtime As Reportable WRS Earnings

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

Interest was expressed at the March 14, 2008, board meeting in learning more about overtime as reportable earnings for Wisconsin Retirement System (WRS) purposes. This memorandum provides information on overtime as reportable earnings, overtime earnings limit, and the process the Department follows to identify and evaluate abnormal changes in earnings.

State statutes define earnings for WRS 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..." In most instances, overtime hours and earnings are reportable for WRS purposes, as long as the hours and earnings are included in the calendar year in which the overtime was worked. Overtime and earnings are reported as part of the total hours and earnings reported for an employee for each particular year.

In general, there are no specific state limits placed on the amount of overtime that can be reported, but there are federal limits, incorporated in State statute, on overall compensation that can be reported for WRS purposes. Section 401 (a)(17) of the Internal Revenue Code (IRC) limits the amount of annual compensation for pension purposes within a tax-qualified pension plan such as the WRS. Once all earnings for the previous year have been reported and based on the IRC limits, the department conducts a test of all earnings reported each year by participant prior to the closing of the previous year's records. For example, the compensation limit for the 2008 calendar year is \$230,000 (up from \$225,000 in 2007).

Abnormalities in salary progression can be caused by several different items, some of which are legitimate, e.g., overtime pay or a change in a position. To ensure proper reporting of salary for WRS purposes, provisions in Wis. Stat. §40.02 allow ETF to disallow types of payment determined to be a distortion of the normal pay progression patterns on which an individual's benefits would be based. When an account is identified through our employee benefit system as having an abnormal progression of salary, the Division of Retirement Services sends a benefit inquiry to the Division of Trust Finance and Employer Services for review of the account.

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

\_\_\_\_\_  
 Signature Date

| Board | Mtg Date | Item # |
|-------|----------|--------|
| WR    | 06/26/08 | 5      |

Wisconsin Retirement Board

June 10, 2008

Page 2

This review involves contacting the employer to identify the cause of the increase and to determine if it is reportable for WRS purposes.

In summary, in most instances overtime earnings are reportable for WRS purposes and abnormalities in salary are reviewed to ensure proper reporting and payment of benefits.

Staff will be available at the meeting for discussion and questions.