

HOW PART-TIME EMPLOYMENT AFFECTS YOUR WRS BENEFITS



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Introduction

As an eligible public employee, you have retirement benefits available under the Wisconsin Retirement System and may have insurance-related benefits available through your participating employer.

This brochure explains the effect that part-time WRS employment has on your WRS retirement and other benefits. This information is intended to assist part-time employees and those members who switch from full-time to part-time employment as a gradual move toward retirement.

Retirement Benefit Calculation Methods

WRS benefits are calculated using two separate methods:

- the money purchase method.
- the formula method.

ETF calculates your benefit using both methods and automatically pays the higher amount. Under both methods, any gain or loss from Variable Trust Fund participation and any additional contributions you have are reflected in the benefit calculation.

A **money purchase** calculation is based on:

- the amount of money in your WRS account (total employee- and employer-required contributions, plus accrued interest).
- an actuarial factor based on your age on the retirement benefit effective date.

The money purchase calculation is as follows:

Total Contributions

x Actuarial Factor

= For *Annuitant's Life Only* monthly amount

If you change from full-time to part-time employment, your annual earnings will typically be reduced. Since your WRS earnings determine the amount of your employee and employer-required contributions, those contributions will decrease if your annual earnings decrease. Lower contribution amounts will result in a smaller money purchase balance, which in turn will result in a lower retirement benefit.

Retirement Benefit Calculation Methods, continued

A **formula** calculation is based on:

- your final average monthly earnings.
- your total years of creditable service (including military service credits, if applicable).
- the formula multiplier(s) based on your service and employment categories.
- any age reduction factor(s) based on your age at retirement (see page 9).

The formula calculation is as follows:

$$\begin{array}{l} \text{Final Average Monthly Earnings} \\ \times \text{Creditable Service} \\ \times \text{Formula Multiplier} \\ \times \text{Age Reduction Factor (if any)} \\ \hline \end{array}$$

= For *Annuitant's Life Only* monthly amount

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

Compared to full-time employment, part-time work may also reduce your annual earnings and, as a result, may reduce your final average monthly earnings. A reduction in your final average earnings will lower a formula benefit calculation.

WRS-Creditable Service

If you choose to work part time, your creditable service will continue to increase but at a slower rate than if you worked full time. Your annual increase will be based on a fraction of a full year's service. The fraction of a year is expressed as a decimal equivalent.

The fraction of a 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.

For example, 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 employee.

Example 1: Part-time Teacher

If a part-time teacher worked 845 hours in a fiscal year, ETF would credit 0.64 year of service to the teacher's WRS account.

845 hours actually worked ÷ 1,320 hours required to earn a full year = 0.64 year of creditable service.

Example 2: Part-time Non-teacher

If a part-time non-teacher worked 845 hours in a year, ETF would credit 0.44 year of service to the person's WRS account.

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

Final Average Monthly Earnings

Your three highest years of earnings (regardless of full-time or part-time employment) and the total amount of creditable service earned in those three high years are used to determine your final average monthly earnings.

The average is calculated by adding the highest earnings for three calendar years (fiscal years for teachers, judges and educational support personnel) and dividing this total by the creditable service earned during these years, then dividing by 12.

The three years used are those in which reported earnings were the highest. They do not need to be consecutive or the last years reported.

Final Average Monthly Earnings, continued

Example 1:

Year	Earnings	Service Earned
2012	\$ 24,000	1.00
2013	\$ 25,000	1.00
2014	\$ 27,000	1.00
2015	\$ 19,000	0.64
2016	\$ 22,000	0.71
2017	\$ 21,000	0.58

Some employees' annual earnings from part-time employment may be *less* than the highest annual earnings from previous full-time employment. If this is the case, the formula benefit will be calculated using the three highest annual earnings from the previous full-time employment years.

In this example, the shaded years are the highest earning years. The service and earnings from these years will be used to determine the employee's final average monthly earnings.

$$\begin{array}{r} 2012 \quad \$ 24,000 \quad 1.00 \\ 2013 \quad \$ 25,000 \quad 1.00 \\ 2014 \quad \underline{\$ 27,000} \quad 1.00 \\ \hline \quad \quad \$ 76,000 \quad \div \quad 3.00 \quad \div \quad 12 \quad = \end{array}$$

\$ 2,111 Final Average Monthly Earnings

If you earned 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 difference in pay.

Final Average Monthly Earnings, continued

An employee's annual earnings from part-time employment may be *more* than the highest annual earnings from previous full-time employment. If this is the case, the formula benefits will be calculated using the three highest annual earnings, regardless of whether those earnings are associated with part-time or full-time employment.

Example 2:

Year	Earnings	Service Earned
2012	\$ 24,000	1.00
2013	\$ 25,000	1.00
2014	\$ 27,000	1.00
2015	\$ 19,000	0.58
2016	\$ 27,000	0.67
2017	\$ 29,000	0.74

In this example, the shaded years above are the three highest years of earnings. The service and earnings from those three years determine your final average monthly earnings.

2014 \$27,000 1.00

2016 \$27,000 .67

2017 \$29,000 .74

\$83,000 ÷ 2.41 ÷ 12 =

\$ 2,870 Final Average Monthly Earnings

Age Reduction Factor

An annuity that begins prior to “normal retirement age” is reduced because it is expected to be paid longer. If a member reaches the normal retirement age for the employment category(ies) before applying for a benefit, the age reduction factor no longer applies.

Employees in the following categories can retire as early as age 55:

- General employees
- Teachers
- Educational support personnel
- Elected and state executives

However, if an employee has reached age 57 *and* has accrued 30 years or more of creditable service, an unreduced formula benefit is available.

Creditable service will accrue more slowly with part-time employment. As a result, it will take longer to earn the 30 years of service needed for an unreduced formula benefit. As you approach age 65 (age 62 for elected and executive employees hired *prior* to January 1, 2017) and/or accrue more creditable service, you move closer to a full (unreduced) formula benefit.

Protective category employees (firefighters and law enforcement officers) can retire as early as age 50 and receive an unreduced benefit at age 54. However, protective employees who are age 53 and have 25 years or more of creditable service can also receive a full formula benefit. With part-time employment, it will take longer to reach 25 years of service. If you retire earlier 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 contact ETF.

Military Service

If members have at least five years of WRS-creditable service, they may also be eligible for a service credit for their years of active military service that occurred *before* 1974.

One year of military service credit may be granted for each five years of actual WRS-creditable service, up to a maximum service credit of four years. To be eligible, the following conditions must be met:

1. Previous credit has not been granted.
2. The military service was performed prior to 1974.
3. With certain exceptions, the military service time is not being used for federal retirement benefit purposes.
4. Your discharge was under conditions other than dishonorable.

Since creditable service accrues more slowly when working part time, eligible members may receive a reduced military service credit due to part-time employment.

Disability Benefits

Disability Retirement Benefits

Eligibility for disability retirement benefits requires employees to have earned:

- at least one-half year of creditable service in five of the last seven years *or*
- have a total of five years of creditable service in the last seven calendar years (requirements may be waived if the disability is work-related).

So if you work part-time and you earn *less* than one-half year of creditable service in more than two of the last seven years of employment, you may not qualify for disability retirement benefits.

Disability retirement annuity benefits are calculated using the formula calculation method (the same method used for regular retirement benefits) except for the amount of creditable service. For disability purposes, your creditable service will also include “assumed service,” which is service you would have earned had you worked until your normal retirement age. In most cases, if your creditable service is based on part-time work, your assumed service will be prorated too.

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 because of 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. However, 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 of 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

Life Insurance Benefits, continued

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. For details and specific requirements, see the *Group Life Insurance After You Terminate Employment (ET-4104)* brochure.

Health Benefits (State Employees)

Regardless of full- 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 but 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 you terminate WRS employment.

WRS group health insurance may continue without applying for an 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. Contact your employer to determine how this impacts your specific situation.

Income Continuation Insurance (State Employees)

Income Continuation Insurance (ICI) Program premiums are based, in part, on your sick leave balance. With part-time work, sick leave takes longer to accrue 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 certain plateaus, 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.

If enrolled in the ICI Program, you may be eligible for a benefit if you become disabled. Benefit 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.

Income Continuation Insurance (Local Government Employees)

If enrolled in the Income Continuation Insurance Program, you may be eligible for a benefit if you become disabled. Premiums and benefits are based on average monthly earnings. Consequently, part-time employment will result in lower cost to you along with lower benefit payments. Average monthly earnings will be revised with a percentage change (from 50% to 75% of full-time employment, for example) in your employment position.

Refer to the *Local Income Continuation Insurance (ET-2129)* brochure for more information and detailed requirements.

Contact ETF

etf.wi.gov



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1-877-533-5020



608-266-3285 (local Madison)

7:00 a.m. to 5:00 p.m. (CST), Monday-Friday
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