

**Wisconsin Retirement System 2011 Contribution Rates for UW System Employees**  
**Frequently Asked Questions**  
*Revised December 1, 2010*

Most UW System employees covered by the Wisconsin Retirement System (WRS) will be required to pay a small portion of their earnings to the WRS for 2011.

The Department of Employee Trust Funds (ETF) created an FAQ regarding WRS contribution rates. The ETF FAQ addresses the following topics:

- How is the WRS funded?
- How are WRS contribution rates determined?
- What are the contribution rates for each category?
- What is the Benefit Adjustment Contribution (BAC)?
- Why isn't there a BAC for the elected official and state executive category?
- Who determines whether employees have to pay their rate of the contribution?
- How much of the employee contribution rate does the State of Wisconsin pay for its employees?
- Some "general" category State of Wisconsin employees have asked why they will have a 0.2% deduction from their paychecks beginning in January 2011 and why this deduction does not apply to "executive and elected official" state employees.

The ETF FAQ is available online at: [http://www.etf.wi.gov/news/2011\\_Contribution\\_Rate\\_FAQ.pdf](http://www.etf.wi.gov/news/2011_Contribution_Rate_FAQ.pdf).

The questions and answers below will expand on the ETF FAQ and describe who is affected, the amount of the contribution and why employees are required to contribute to the WRS.

**1. How do I know if I will be required to contribute a portion of my earnings to the WRS in 2011?**

Almost all UW System employees who are covered by the WRS will contribute a small portion of their earnings to the WRS in 2011. In order to determine if you are affected, you need to determine to what WRS employment category you are assigned. Your employment category is listed in both sections 1 and 2 of your most recent ETF Statement of Benefits (received in the spring of 2010). If the category listed is general, teacher or protective, you will be required to contribute to the WRS in 2011.

If you do not have your ETF statement available, you may follow these general guidelines:

If you are a classified permanent, project or limited term employee (LTE) who does not work in a protective occupation (ex. police officer), you are typically considered a general employee under the WRS. If you are an unclassified faculty, academic staff or limited employee, you are typically covered by the teacher WRS category. Those who have protective occupations are usually in the protective category. Chancellors and other very high level employees are typically covered by the executive pay plan category.

You may also contact your benefits office if you cannot determine your employment category or contribution level.

## 2. How do I determine how much I will be contributing to the WRS?

The following employees will contribute **0.2% of WRS-covered earnings**:

- Unclassified faculty, academic staff and limited employees (WRS teacher category)
- Classified permanent employees not represented by a union, project employees and classified permanent employees represented by a union (general WRS category), except those covered by Building Trades

The following employees will contribute **0.8% of WRS-covered earnings**:

- Employees in protective WRS category (up from 0.5% in 2010)

The following employees will contribute **1% of WRS-covered earnings**:

- Employees represented by Building Trades (no change from 2010)

The following employees will contribute **2.5% of WRS-covered earnings**:

- Classified LTE in general WRS category (up from 2.2% in 2010)

The following employees will have **no WRS contribution**:

- Employees covered by the WRS State Executive Pay Plan (Elected/Executive)

## 3. How much does UW System contribute to the WRS?

UW System (UWS) contributes the vast majority of the total required WRS contribution. In 2011, UW System will contribute 11.4% of WRS-covered earnings for all employees who are required to pay 0.2% of their earnings to the WRS. UWS will also contribute 9.1% of WRS-covered earnings for LTEs, 20.5% of WRS-covered earnings for protective occupation employees and 10.6% of WRS-covered earnings for employees covered by the Building Trades bargaining agreement.

## 4. My WRS contribution is based on my WRS-covered earnings. What are my WRS-covered earnings? How is this affected by the furlough?

Your earnings covered by the WRS are defined in [Wis. Stat. § 40.02\(22\)\(a\)](#). In general, your WRS-covered earnings include your total salary or wages, as well as any pay allowances that are received in lieu of money. Your WRS-covered earnings are calculated prior to any deductions taken for taxes, insurance premiums, retirement contributions or any other salary deductions.

For a detailed listing of earnings covered by the WRS, see Chapter 5 of the WRS Employer Administrative Manual: <http://etf.wi.gov/employers/wrschap5.pdf>.

[Executive Order #285](#) required state and UW System employees to take 8 days of unpaid furlough per fiscal year of the 2009-11 biennium. For state and UW System employees, your employer is required to report your salary, retirement contributions, and creditable service as if the furlough did not occur ([§40.02\(22\)\(ef\)](#) Wis. Stats.). This also means that your WRS contribution amount will be based on your earnings as if the furlough did not occur.

**Sample calculation:**

**Hourly Rate:** \$20.00/hour x 80 hours worked in pay period = \$1600 (WRS-covered earnings)

**WRS Contribution:** .002 x \$1600 = \$3.20 contribution for the pay period

If you have a furlough reduction during the pay period, your contribution rate will still be \$3.20 because the calculation will be based on what you would have earned in absence of the furlough.

**5. What are the total contribution rates for 2011 relative to 2010?**

The following chart outlines total contribution rates for UW System employees:

<b>General and Teacher Category (most UWS employees)</b>				
Year	Employee-Required Contribution (paid by UWS)*	BAC (paid by UWS up to 1.3%)*	Employer-Required Contribution (paid by UWS)	Total WRS Contribution
2010	5.0%	1.2%	4.8%	11.0%
2011	5.0%	1.5%	5.1%	11.6%

\*LTEs and Building Trades employees are subject to different employer contribution levels.

<b>Protective Occupation Employees</b>					
Year	Employee-Required Contribution (paid by UWS up to 5%)	BAC (paid by UWS up to 1.3%)	Employer-Required Contribution (paid by UWS)	Duty Disability (paid by UWS)	Total WRS Contribution
2010	5.5%	0%	8.6%	6.6%	20.7%
2011	5.8%	0%	8.9%	6.6%	21.3%

<b>Elected/Executive</b>				
Year	Employee-Required Contribution (paid by UWS up to 5%)	BAC (paid by UWS up to 1.3%)	Employer-Required Contribution (paid by UWS)	Total WRS Contribution
2010	3.2%	0%	8.7%	11.9%
2011	3.9%	0%	9.4%	13.3%

**Note:** There are no UW System employees covered by the Protectives without Social Security category.

**6. Why did the WRS contribution rates increase for 2011?**

The WRS contribution rate increases for 2011 are mainly due to the large investment losses that occurred during the downturn of the stock market in 2008. Investment gains and losses are smoothed over a five year period to reduce volatility in contribution rates and as a result, the effects of these losses will be felt for several years. The increase is necessary to maintain solid funding of the WRS and to manage current and future liabilities.

**7. What determines how much I much contribute to the WRS myself?**

There are several factors that determine an employee's WRS contribution rate – the WRS employment category to which the employee is assigned, whether or not the employee is represented by a union or

covered by the compensation plan and what law applies to the employee. The laws surrounding employee and employer contributions to the WRS are outlined in [§40.05\(1\), \(2\) and \(2m\) Wis. Stats.](#) Per §40.05(1)(b) Wis. Stats, the employer may pay a portion of any employee-required WRS contributions.

The [2009 – 2011 compensation plan](#) (see Section A, Part 5.02) for classified non-represented employees (the UW compensation plan that covers faculty, academic staff and limited employees mirrors the classified non-rep compensation plan relative to employer-paid WRS contributions) and most of the [collective bargaining agreements](#) for union-represented employees limit the employer’s payment of the employee-required contribution to 5% and BAC to 1.3%. Since the BAC will be 1.5% for the general and teacher WRS categories in 2011, many people who previously did not pay any retirement contributions will be required to contribute 0.2% of WRS-covered earnings towards the BAC.

Those covered by the Building Trades bargaining agreement are required to pay a flat 1% of WRS-covered earnings to the WRS per their bargaining agreement.

**8. Can you give me any example of how much I will actually be paying towards the WRS per paycheck?**

Example of Pay Period Contribution Cost for an Employee Who Earns \$40,000 per Year

Employee Types	Pay Frequency	Gross Income Per Pay Period	WRS Contribution Rate Paid by You	Per Pay Period WRS Contribution Paid by You	WRS Contribution Rate paid by UW	Per Pay Period WRS Contribution Paid by UW
Classified Permanent* or Project	Bi-weekly	\$1538.46	0.2%	\$3.08	11.4%	\$175.38
Classified LTE	Bi-weekly	\$1538.46	2.5%	\$38.46	9.1%	\$140.00
Classified Represented by Trades*	Bi-weekly	\$1538.46	1.0%	\$15.38	10.6%	\$163.08
Unclassified Faculty*, Academic Staff, Limited	Monthly – 12 months per year	\$3,333.33	0.2%	\$6.67	11.4%	\$380.00
Unclassified Faculty*, Academic Staff, Limited	Monthly – 9 months per year	\$4,444.44	0.2%	\$8.89	11.4%	\$506.67
Protective Occupation* Employees	Bi-weekly	\$1538.46	0.8%	\$12.31	20.5%	\$315.38

*\*Future employee contribution rates may vary by bargaining agreement for union-represented employees.*

**9. I am an LTE. Why is my contribution rate higher than most employees?**

An LTE will pay 2.5% of WRS-covered earnings to the WRS in 2011. Per [Section D, Part 5.02](#) of the non-rep compensation plan, an LTE receives the employer payment of the employee-required WRS contribution per [§40.05\(1\)\(b\) Wis. Stats.](#) Per statute, the employer may pay the employee-required contribution rate,

up to 4%, on behalf of the employee. The non-rep compensation plan does not increase the amount provided for in statute so an LTE must pay any employee-required contribution rate greater than 4%. There are also no provisions in the non-rep compensation plan to pay any required BAC contributions on behalf of an LTE so an LTE is required to pay the total BAC contribution ([§40.05\(2m\) Wis. Stats](#)). Given that the employee-required contribution rate in 2011 is 5% and the BAC is 1.5%, an LTE must pay 1% towards the employee-required rate and the total BAC of 1.5%.

**10. I am covered by the Protectives with Social Security WRS category. Why do I have to pay 0.8% of earnings towards the WRS in 2011?**

Employees such as police officers or others that qualify for coverage under the protective WRS retirement category (see [Chapter 4](#) of WRS Manual to see who qualifies as a protective employee), whether covered by a union or the non-rep compensation plan, are eligible to have the employer pay the employee-required contribution up to 5%. These employees currently have a 0% BAC contribution rate but the employee-required contribution rate for 2011 is 5.8% so they will be required to pay any employee-required contribution greater than 5% (0.8% of earnings).

**11. When will I begin seeing a deduction for WRS contributions on my paycheck?**

Unclassified employees (those paid monthly) will have the first deduction on the January 3, 2011 paycheck and classified employees (those paid bi-weekly) will have the first deduction on the January 13, 2011 paycheck. You will also see the amount of the deduction on your earnings statement next to "BAC."

**12. How does the WRS contribution rate impact my eventual WRS benefits?**

Contributions fund all of the benefits provided by the WRS such as retirement, disability, separation and death benefits. The contribution rate ensures that current and future WRS benefits are properly funded. See ETF's *Your Benefit Handbook* ([www.etf.wi.gov/publications/et2119.pdf](http://www.etf.wi.gov/publications/et2119.pdf)) for details about all the benefits provided by ETF and the WRS. You can also review the ETF Brochure, *Calculating Your Retirement Benefits*, ([www.etf.wi.gov/publications/et4107.pdf](http://www.etf.wi.gov/publications/et4107.pdf)) for more information about your retirement benefits.

**13. Have employees ever had to pay a portion of their WRS contribution before?**

Yes. Most employees paid the full BAC amount in 1986 and 1987. In 1991 and 1997, most employees paid 0.1% of salary toward the total BAC contribution (including those in the WRS executive pay plan category from 1991 - 1995). From 1992 – 1996, most employees paid 0.2% of salary toward the total BAC contribution. During this time, the BAC was greater than 1% and employees had to pay any BAC greater than 1%. Effective January 1, 1996 (per the non-rep compensation plan and most bargaining agreements), the employer paid for a BAC contribution up to 1.3% on behalf of the employee. The BAC was 1.5% in 1996 and 1.4% in 1997 so employees had to pay a small portion of the BAC during those years. The BAC dropped below 1.3% in 1998 and has not increased to an amount greater than 1.3% until 2011.

**For Additional Information**

[WRS Contribution Rate History](#)

[ETF Memo Regarding WRS Rate Increase](#) (November 17, 2010)

**Summary Chart of 2011 WRS Contribution Rates**

<b>Employee Group</b>	<b>Employee Paid WRS Contribution for 2011</b>	<b>Basis of Employee Contribution Level</b>	<b>Why there is an employee contribution</b>
Unclassified faculty, academic staff and limited employees (WRS teacher category)	0.2%	2009-11 UW compensation plan	Per comp plan, employer will pay a BAC contribution of up to 1.3% on behalf of employee. BAC is 1.5% in 2011 so employees must pay the difference of 0.2%.
Classified permanent employees <u>not represented</u> by a union and project employees (general WRS category)	0.2%	2009-11 non-rep classified compensation plan	Per comp plan, employer will pay a BAC contribution of up to 1.3% on behalf of employee. BAC is 1.5% in 2011 so employees must pay the difference of 0.2%.
Classified permanent employees <u>represented</u> by a union (general WRS category), except those covered by Building Trades	0.2%	2007-09 bargaining agreement; 2009-11 bargaining agreement will apply once settled	Per bargaining agreements, employer will pay a BAC contribution of up to 1.3% on behalf of employee. BAC is 1.5% in 2011 so employees must pay the difference of 0.2%.
Employees in a Protective (with Social Security) WRS category	0.8%	2007-09 bargaining agreement (if 09-11 contract not settled) or 2009-11 non-rep compensation plan.	Per bargaining agreements and comp plan, employer will pay an employee-required contribution of up to 5% on behalf of employee. The employee-required contribution for protectives in 2011 is 5.8% so employees must pay the difference of 0.8%
Employees represented by Building Trades	1%	2007-09 Building Trades bargaining agreement	The contract states that employees will pay a flat 1% of earnings to WRS.
Classified LTE (general WRS category)	2.5%	2009-11 non-rep classified compensation plan	Per comp plan, employer will pay an employee-required contribution of up to 4% on behalf of the employee and nothing towards the BAC. Since the employee-required contribution in the general WRS category is 5% and the BAC is 1.5% in 2011, the employee must pay the difference between 4% and the total employee-required rate of 5% and the BAC of 1.5%.
Employees Covered by the State Executive Pay Plan (Elected/Executive)	0%	2009-11 UW compensation plan	Per comp plan, employer will pay a BAC contribution of up to 1.3% and the employee-required contribution of up to 5% on behalf of the employee. In 2011, the employee-required contribution is 3.9% and there is a 0% BAC contribution for these employees. Since both the employee-required and BAC contributions are lower than the limit that will be paid by the employer, employees in this category will not have to pay any WRS contribution themselves.