

Questions & Answers About

# Your Employees' Retirement System

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Hybrid Plan

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**Employees' Retirement System**  
of the State of Hawaii

## 1. What is the Employees' Retirement System?

The Employees' Retirement System of Hawaii (ERS) was established in 1925 to provide retirement allowances and other benefits to Hawaii State and County government employees. The ERS is directed by a Board of Trustees with certain administrative areas controlled by the State of Hawaii Department of Budget and Finance. The ERS:

- administers a retirement and survivor benefits program for State and County government employees;
- collects retirement contributions from State and County government employers, and Contributory and Hybrid Plan members;
- provides pre-retirement counseling services;
- conducts disability hearings and appeals;
- reviews claims for retirement, disability and death benefits, and certifies these benefits for payments;
- processes pension checks to retirees and beneficiaries;
- accounts for and safeguards assets in the ERS investment portfolio; and
- invests funds to help finance this program.

## 2. Am I required to be a member of the ERS?

YES. If you are a full-time, part-time (50% FTE or more), permanent or temporary (more than 3 months) employee of the State or County, Hawaii law requires you (except for elected officers) to become a member of the ERS as a condition of your employment.

## 3. How much must I contribute to the ERS?

If your membership date is after June 30, 2012:

With the Hybrid Plan, if you are a general employee you must contribute 8% of your monthly base salary. If you are a sewer worker, water safety officer, or an emergency medical technician, you must contribute 11.75% of your monthly base salary.

If your membership date is prior to July 1, 2012:

With the Hybrid Plan, if you are a general employee you must contribute 6% of your monthly gross salary. If you are a sewer worker, water safety officer, or an emergency medical technician, you must contribute 9.75% of your monthly gross salary.

## 4. How much does my employer contribute to the ERS?

Your employer currently contributes 15% of your compensation. Employer contributions are not credited to your account and are not refundable to you. Employer contributions along with ERS' investment earnings are used to pay retirement benefits to retirees and beneficiaries.

## 5. What happens to my contributions?

Your contributions are credited to your ERS account and will earn interest compounded annually. Contributions are tax deferred for federal income tax purposes and may be withdrawn when you retire or leave government service.

If your membership date is after June 30, 2011, you will earn an interest rate of 2%.

If your membership date is prior to July 1, 2011, you will earn an interest rate of 4.5%.

## 6. What is service credit and how do I earn it?

Service credit is the length of time you work for the State or County government while a member of the ERS and it determines not only the **amount** of your retirement benefits, but also **when** you will be eligible for retirement. Service is credited on a monthly basis. If you are employed for 15 or more calendar days in any month (14 calendar days in February), you will receive one month of service credit.

If you have 60 or more days of unused sick leave when you retire and leave government service in good standing, you will receive an additional month of service credit for every 20 days of unused sick leave. Any balance of 10 or more days will provide an additional month of service credit.

Service credit provided by unused sick leave is used to increase the amount of your retirement benefit but cannot be used to meet eligibility requirements for retirement.

## 7. Can I lose service credit?

YES. You will lose service credit if you leave government service and withdraw your contributions. Upon refund, all of your service will be forfeited and you will not qualify for any future retirement benefit. Any forfeited Hybrid service cannot be acquired if you are re-employed.

If your membership date is after June 30, 2012:

If you are credited with less than 10 years of service when you leave your job, your refund will consist of all your contributions and interest. If you have 10 or more years of credited service when you leave, you will also receive an additional 20% of your Hybrid Plan contributions and interest (excluding any contributions you made to upgrade or purchase Hybrid service).

If your membership date is prior to July 1, 2012:

If you are credited with less than 5 years of service when you leave your job, your refund will consist of all your contributions and interest. If you have 5 or more years of credited service when you leave, you will also receive an additional 50% of your Hybrid Plan contributions and interest (excluding any contributions you made to upgrade or purchase Hybrid service).

## 8. Can I acquire additional service credit towards my retirement?

YES. You can acquire credit for specific types of service. Generally, this is for previous service rendered as an employee of the State or County that you are currently not credited with, or any leave of absence without pay for professional improvement. No forfeited Hybrid service can be acquired.

Active military service may also be credited, subject to certain provisions and limitations.

You must file a claim with the ERS. After ERS certifies the service, you will be provided the cost (if any) and payment options to acquire the service.

## 9. What are the eligibility requirements and benefits for a service retirement?

Membership date after June 30, 2012		Membership date prior to July 1, 2012	
Normal Retirement	Age 65 w/10 yos Age 60 w/30 yos	Normal Retirement	Age 62 w/5 yos Age 55 w/30 yos
*Early Retirement (Age Penalty)	Age 55 w/20 yos	*Early Retirement (Age Penalty)	Age 55 w/20 yos
Multiplier	1.75%	Multiplier	2.0%
Vesting	10 yos	Vesting	5 yos

yos = Years of service

*\*Sewer workers, water safety officers, and emergency medical technicians may retire with 25 years of credited service (without an age penalty), subject to certain provisions and limitations.*

Your benefit will consist of a pension for life based on the following formula:

$$\text{Multiplier} \times \text{Years of service} \times \text{AFC}$$

### Example:

- 20 years of service and a monthly AFC of \$2,500
- $1.75\% \times 20 \text{ years} = 35\% \times \$2,500 = \$875/\text{month}$
- Maximum monthly allowance = \$875

If you also have Noncontributory Plan service, your Noncontributory Plan service benefit will be based on the following formula:

$$1.25\% \times \text{years of Noncontributory service} \times \text{AFC}$$

The actual amount of your lifetime pension depends on your AFC, your credited service, your contributions to the ERS, and the retirement option you select when you retire.

Please note that unused sick leave cannot be used to meet the minimum eligibility requirements.

## 10. How is my AFC determined?

If your membership date is after June 30, 2012:

AFC (average final compensation) is the average of your five highest years of base pay earnings excluding any lump sum vacation pay.

If your membership date is prior to July 1, 2012:

AFC (average final compensation) is the average of your three highest years of earnings excluding any lump sum vacation pay.

If your membership date is prior to January 1, 1971:

AFC (average final compensation) is the average of your three highest years of earnings excluding any lump sum vacation pay, or your five highest years of earnings including lump sum vacation pay, whichever is greater.

Federal law limits the amount of annual earnings that may be used for computing AFC. This limit is subject to change. For 2012, the limit is \$250,000.

## 11. How does part-time service affect my retirement?

Whether you work on a full-time (100% FTE) or part-time basis (minimum 50% FTE), for each month you work, one month of service will be credited towards meeting the minimum eligibility requirements to retire (see question #9).

However, for benefit calculation purposes, your part-time service as well as your part-time base salary will be converted to the full-time equivalent of the position you occupy. For example, 12 months of 50% part-time service with a base salary of \$1,250 per month will be converted to 6 months of full-time service at \$2,500 per month and likewise, 12 months of 75% part-time service with a base salary of \$1,875 per month will be equal to 9 months of full-time service at \$2,500 per month.

## 12. What if I become disabled?

If you become disabled, you can apply for ordinary or job-related (service-connected) disability retirement.

To qualify for ordinary disability retirement:

- You must be employed, or on approved leave of absence without pay at the time your application is filed;
- You must have at least 10 years of credited service excluding sick leave credit; and
- The ERS Medical Board must find that you are permanently disabled. To qualify for job-related (service-connected) disability retirement:
  - Your employer must file an accident report with the Department of Labor and Industrial Relations and provide the ERS with a copy;
  - An application for job-related (service-connected) disability retirement must be filed within two years of your accident or the date workers' compensation benefits stop; and
  - The ERS Medical Board must find that you are permanently disabled for your job due to an accident while you were working that was not due to your willful negligence.

### 13. What kind of benefits am I entitled to if I become disabled?

If you are determined to be permanently disabled and you have at least 10 years of credited service, you are entitled to an ordinary disability pension for life. The benefit formula is the same as for regular retirement (without an age reduction). There is a minimum benefit of 25% of your AFC.

Regardless of credited service, if you are permanently disabled as a result of a job-related (service-connected) accident, you are entitled to a 100% refund of your contributions (including interest) and a pension of 35% of your AFC for life.

### 14. Are there any death benefits if I die while I'm employed?

If your death is not job related (service-connected), your beneficiary may receive a payment of your contributions and interest. In lieu of this lump sum payment, your beneficiary may elect a lifetime pension if you have at least 10 years of credited service and you die while you are still employed. *The lifetime pension will be available only if you designate ONE beneficiary.*

If your death is due to a job-related (service-connected) accident, your beneficiary will receive a payment of your contributions (including interest), and your spouse or reciprocal beneficiary will receive a monthly benefit equal to one-half of your AFC until remarriage or re-entry into a new reciprocal beneficiary relationship.

Payment of any death benefit to a beneficiary is governed by the Designation of Beneficiary form. You were asked to complete a Designation of Beneficiary form when you became a member of the Hybrid Plan. A change in your marital status or the death of your beneficiary may cancel your beneficiary designation. **It is therefore very important that you file a new Designation of Beneficiary form if there is a change in your marital status or if your beneficiary dies.** Failure to file a new Designation of Beneficiary form may result in death benefits being paid to your estate instead of to your intended beneficiary. Payment of death benefits to your estate may result in legal fees and other costs of probate.

### 15. Am I entitled to any benefits if I am no longer employed?

YES. You are entitled to benefits if you are vested when you leave government service, and you do not withdraw your contributions. See question #9 for vesting requirements and at what age you qualify for retirement benefits.

NO. You are not entitled to benefits if you are not vested (see #9) when you leave government service and you do not return to work, or if you request and receive a refund of your contributions after you leave your job.

### 16. Am I entitled to any other benefits after I retire?

You will receive a post retirement allowance, which is an automatic annual increase of 1.5% (if your membership date is after June 30, 2012) or 2.5% (if your membership date is before July 1, 2012), of your basic pension beginning July 1 of the calendar year following your retirement and on each July 1 thereafter. This allowance is designed to help offset the rising cost of living and has no ceiling.

As an ERS retiree, you may also be eligible for health benefit coverage. Since ERS does not administer this program, you will need to contact your Health Plan Administrator for eligibility and enrollment information.

Additional Questions? Call or write to us at the Oahu office listed on the back cover or any of the following other ERS locations listed below. You can also check our website at <http://ers.ehawaii.gov/> for additional information.

*Hawaii*  
101 Aupuni Street, Room 208  
Hilo, Hawaii 96720  
Phone: 974-4076, 974-4077  
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3060 Eiwa Street, Room 302  
Lihue, Hawaii 96766  
Phone: 274-3010, 274-3011  
Fax: 241-3193  
Toll-free to Oahu: 274-3141, ext. 61735

*Maui*  
State Office Building, Room 218  
54 S. High Street  
Wailuku, Hawaii 96793  
Phone: 984-8181, 984-8282  
Fax: 984-8183  
Toll-free to Oahu: 984-2400, ext.61735

*Molokai/Lanai*  
Toll-free to Oahu: 1-800-468-4644,  
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Toll-free to Oahu: 1-888-659-0708



**Employees' Retirement System**  
of the State of Hawaii



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