

LINDA LINGLE
GOVERNOR



REVISED

[Please replace previous memo dated 12/7/04]

** SEE ADDITIONAL REVISIONS IN BLUE **

STATE OF HAWAII
EMPLOYEES' RETIREMENT SYSTEM

December 8, 2004

TO: State and County Personnel Officers

FROM: David Shimabukuro, Administrator

SUBJECT: New Regulations for Employees Hired on or after January 1, 2005 who are Not Covered by Social Security

Section 419(c) of Public Law 108-203, the Social Security Protection Act of 2004 requires State and county government employers to disclose the potential effect of the Windfall Elimination Provision (WEP) and Government Pension Offset (GPO) Provision to employees hired on or after January 1, 2005 in jobs **not** covered by Social Security. Prior to their employment, these employees must sign a statement (Form SSA-1945) to acknowledge they are aware of a possible reduction in their future Social Security benefit entitlement. On December 1, 2004, our office received the final instructions and the new form required to be signed by the employee.

Attached are SSA's information and sample Form SSA-1945.

If you have any questions, please call Ms. Carol Raber at 586-1728 or, Ms. Jennifer Awa at 586-1722. Please encourage your employees to contact Social Security directly at the numbers indicated on Form SSA-1945.

Class Code for Payroll / Eligible for ERS membership? *	Description *	Complete Form SSA-1945?	Where to send completed form
D and B / Yes	Police officers and Firefighters	Yes	ERS
V / Yes	Employees with J-1, F-1, M-1, Q-1 visas	Yes	ERS
E / No	See ERS memo dated 12/1/2003	Yes	Retain at employing Department
K / No	Employees in the Part-time Temporary Seasonal (PTS) Deferred Compensation Plan	Yes	Retain at employing Department
N / No	See ERS memo dated 12/1/2003	Yes	Retain at employing Department

* Please refer to the attached ERS Retirement Class, Group, and Social Security (FICA)/Medicare Tax Code Tables dated December 1, 2003 for more details.

Statement Concerning Your Employment in a Job Not Covered by Social Security

Employee Name: _____

Employee ID # _____

Employer Name: _____

Employer ID# _____

Your earnings from this job are not covered under Social Security. When you retire, or if you become disabled, you may receive a pension based on earnings from this job. If you do, and you are also entitled to a benefit from Social Security based on either your own work or the work of your husband or wife, or former husband or wife, your pension may affect the amount of the Social Security benefit you receive. Your Medicare benefits, however, will not be affected. Under the Social Security law, there are two ways your Social Security benefit amount may be affected.*

Windfall Elimination Provision

Under the Windfall Elimination Provision, your Social Security retirement or disability benefit is figured using a modified formula when you are also entitled to a pension from a job where you did not pay Social Security tax. As a result, you will receive a lower Social Security benefit than if you were not entitled to a pension from this job. For example, if you are age 62 in 2005, the maximum monthly reduction in your Social Security benefit as a result of this provision is \$313.50. This amount is updated annually. This provision reduces, but does not totally eliminate, your Social Security benefit. For additional information, please refer to the Social Security publication, "Windfall Elimination Provision."

Government Pension Offset Provision

Under the Government Pension Offset Provision, any Social Security spouse or widow(er) benefit to which you become entitled will be offset if you also receive a Federal, State or local government pension based on work where you did not pay Social Security tax. The offset reduces the amount of your Social Security spouse or widow(er) benefit by two-thirds of the amount of your pension.

For example, if you get a monthly pension of \$600 based on earnings that are not covered under Social Security, two-thirds of that amount, \$400, is used to offset your Social Security spouse or widow(er) benefit. If you are eligible for a \$500 widow(er) benefit, you will receive \$100 per month from Social Security, $\$500 - \$400 = \$100$. Even if your pension is high enough to totally offset your spouse or widow(er) Social Security benefit, you are still eligible for Medicare at age 65. For additional information, please refer to the Social Security publication, "Government Pension Offset."

For More Information

Social Security publications and additional information, including information about exceptions to each provision, are available at www.socialsecurity.gov. You may also call toll free 1-800-772-1213, or, for the deaf or hard of hearing, call the TTY number 1-800-325-0778, or contact your local Social Security office.

I certify that I have received Form SSA-1945 that contains information about the possible effects of the Windfall Elimination Provision and the Government Pension Offset Provision on my potential future Social Security benefits.

Signature of Employee _____ Date _____

Form SSA-1945 (11-2004) (Expires January, 2006)

* Please check with your personnel office as your position may not be covered for Medicare benefits.

FOR EMPLOYER USE ONLY:

Payroll Class Code: _____

Where to send: If Class Code B, V or ~~E~~ ^D, send to the Employees' Retirement System
If Class Code E, K, or N, retain at employing Department

**Information about Social Security Form SSA-1945,
Statement Concerning Your Employment in a Job Not Covered by Social Security**

New legislation [Section 419(c) of Public Law 108-203, the Social Security Protection Act of 2004] requires State and local government employers to provide a statement to employees hired January 1, 2005 or later in a job not covered under Social Security. The statement explains how a pension from that job could affect future Social Security benefits to which they may become entitled.

Form SSA-1945, **Statement Concerning Your Employment in a Job Not Covered by Social Security**, is the document that employers should use to meet the requirements of the law. The SSA-1945 explains the potential effects of two provisions in the Social Security law for workers who also receive a pension based on their work in a job not covered by Social Security. The Windfall Elimination Provision can affect the amount of a worker's Social Security retirement or disability benefit. The Government Pension Offset Provision can affect any possible Social Security benefit entitlement as a spouse or an ex-spouse.

Employers must:

- Give the statement to the employee prior to the start of employment;
- Get the employee's signature on the form; and
- Submit a copy of the signed form to the pension paying agency.

Social Security will not be setting any additional guidelines for the use of this form.

Copies of the SSA-1945 are available online at the Social Security website, www.socialsecurity.gov/form1945. Paper copies can be requested by email at oplmsw.orders@ssa.gov or by fax at 410-965-2037. The request must include the name, complete address and telephone number of the employer. Forms will not be sent to a post office box. Also, if appropriate, include the name of the person to whom the forms are to be delivered. The forms are available in packages of 25. Please refer to Inventory Control Number (ICN) 276950 when ordering.

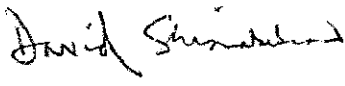
LINDA LINGLE
GOVERNOR



STATE OF HAWAII
EMPLOYEES' RETIREMENT SYSTEM

December 1, 2003

TO: State and County Personnel and Payroll Offices

FROM: David Shimabukuro 
Administrator

SUBJECT: Updated Retirement Class, Group, and Social Security (FICA)/Medicare
Tax Code Tables

The attached updated retirement group and class code tables supersede all prior tables.

Improper coding of an employee may result in (1) both the employee and employer overpaying or underpaying Social Security and Medicare taxes; (2) employer being incorrectly assessed for retirement costs; and (3) reimbursement or recovery adjustments of retirement contributions through the payroll system.

Please note that the attached code tables apply to all employees hired by the State, Judiciary, Legislature, Office of Hawaiian Affairs and Counties regardless of whether the employees are paid through the respective centralized payroll offices.

Corrections to an employee's Social Security earnings record may be made within 3 years, 3 months, and 15 days after the year in which the wages were paid.

Please call Ms. Carol Raber, ERS Accounting Manager, at 586-1728 or Ms. Jennifer Awa, Disbursements and Benefits Supervisor, at 586-1722 should you have any questions.

Attachments

c: The Honorable Kathleen Watanabe, Director, DHRD
The Honorable Russ K. Saito, State Comptroller, DAGS
Ms. Sheila Walters, Pre-Audit Branch Chief, DAGS

List of Tables Attached

<u>Table #</u>	<u>Number of Page(s)</u>	<u>Description</u>
I	2	Retirement Group and Class Code Summary
II	1	Class/Payroll Codes for Employees Eligible for ERS Membership
III	2	Payroll Codes for Employees NOT Eligible for ERS Membership
IV	1	Sample Codes for Employees Employed in more than One Position

EMPLOYEES' RETIREMENT SYSTEM
RETIREMENT GROUP AND CLASS CODE SUMMARY

TABLE 1
Page 1 of 2

Group Code*	CONTRIBUTORY PLAN		NON-CONTRIBUTORY PLAN	DESCRIPTION
	Employee Contribution Rate	Class Code	Class Code	
1	7.8%	A/B	C	General employees of the State Public library employees DOE classified (Civil Service) employees: SASAs, Educational Assistants, Cafeteria Workers, Typists, Custodians, etc. UH BOR Appointees (Executive/Managerial; APT, and non-instructional faculty) UH Civil Service employees (grounds keepers, secretaries, security officers, building maintenance workers, etc.)
		A		Department heads or executive officers of the departments of accounting and general services, agriculture, attorney general, budget and finance, business, economic development, and tourism, commerce and consumer affairs, Hawaiian home loans, health, human services, labor and industrial relations, and natural resources, personnel services, public safety, taxation, and transportation Deputies or assistants to department heads Administrative director of the courts, executive directors of the labor and industrial relations appeals board and the Hawaii labor relations board Adjutant general Superintendent of education, Deputy to the superintendent of education President of the University of Hawaii
2	7.8%	A/B	C	UH Instructional Faculty and Lecturers DOE certified employees: Principals, Teachers, Counselors, Educational Officers, Educational Specialists, School Librarians
3	7.8% 7.8%	A/B	C	General employees of the Counties
		A		County counterparts to the positions under HRS §26-52 and §26-53, managing directors or administrative assistant to the mayor, and other department heads, including agency heads appointed by the mayor, first deputies appointed by the county attorney and prosecuting attorney, the county clerk and deputy county clerk of each county
4	12.2%	B/D		Police Officers Firefighters of the State (Airport) and Counties
5	7.8%	A		Judges of the District, Circuit, Appellate and Supreme Court Per Diem Judges qualify if membership requirements met
6	7.8%	A		Elected Officials: Governor, Lt. Governor, Legislators (Senators, Representatives) Mayors and Council Members Prosecuting Attorney Sergeant-at-Arms, Assistant Sergeant-at-Arms, Chief Clerks and Assistant Clerks of the Legislature

EMPLOYEES' RETIREMENT SYSTEM
RETIREMENT GROUP AND CLASS CODE SUMMARY

Group Code*	CONTRIBUTORY PLAN		NON-CONTRIBUTORY PLAN	DESCRIPTION
	Employee Contribution Rate	Class Code	Class Code	
7	7.8%	A		Sewer and Wastewater Workers as defined in Section 88-21, HRS, hired prior to 7/1/84 who elected to remain in the Contributory Plan
			C	Sewer and Wastewater Workers as defined in Section 88-21, HRS, hired after 6/30/84 Water Safety Officers hired prior to 7/1/94 who elected to transfer to the Noncontributory Plan Water Safety Officers hired after 6/30/94
8	12.2%	A		<u>Investigators</u> in the following offices: Narcotics Enforcement, Attorney General, Public Safety County Prosecuting Attorney hired prior to 7/1/84
			C	County Prosecuting Attorney hired after 6/30/84
	12.2%	A		Water Safety Officers hired prior to 7/1/94 who elected to remain in the Contributory Plan Adult Corrections Officers (ACO) hired prior to 7/1/84 who elected to remain in the Contributory Plan
			C	Adult Corrections Officers (ACO) hired after 6/30/84
N				Not eligible for membership in the ERS (Classes E, K, N, S, T)

* Group and class codes are used for actuarial valuation purposes and are critical because the codes impact the retirement benefit formulas and actuarial assumptions used to determine the employer costs.

EMPLOYEES' RETIREMENT SYSTEM
RETIREMENT CLASS CODES AND SOCIAL SECURITY/MEDICARE TAX

TABLE II

EMPLOYEES ELIGIBLE FOR ERS MEMBERSHIP
(Employees must have employment terms exceeding 90 days with a minimum of 50% FTE to be eligible for ERS membership)

Class Code			Wages subject to:	
For ERS [statutory]	For Payroll Coding		Social Security Taxes?	Medicare Taxes?
<u>CONTRIBUTORY PLAN</u>				
A	A	Employees who were members as of June 30, 1984 who elected to remain in the Contributory Plan.	Yes	Yes
A	A	Returning Class A members with at least 5 years of creditable service who elect not to transfer to the Noncontributory Plan within 30 days of re-hire.	Yes	Yes
A	A	Judges, elected officials, State department heads, State deputy directors, chief clerks, sergeant-at-arms and certain investigators.	Yes	Yes
A	A	Elected OHA Trustees who elect ERS membership.	Yes	Yes
A	A	Class A retirants who are re-employed and required to re-enroll as active members.	Yes	Yes
B	B	Police officers and firefighters hired on or before March 31, 1986.	No	No
B	B	Employees with J-1, F-1, M-1 or Q-1 visas. <u>Effective January 1, 2004, these employees will be coded as Class C.</u> (Class V for payroll purposes.)	No	No
B	B	Employees of the Contributory Plan who were members on June 30, 1957 who elected not to join Social Security or Medicare.	No	No
B	D	Police officers and firefighters hired after March 31, 1986.	No	Yes
B	J	ERS Contributory members who have attained their maximum benefit allowance and are not required to contribute to ERS.	Yes	Yes
H	H	Reserved for future plan change.		
<u>NONCONTRIBUTORY PLAN</u>				
C	C	Employees initially hired after June 30, 1984.	Yes	Yes
C	C	Returning Class C members.	Yes	Yes
C	C	Former Class A members who elected Class C membership effective January 1, 1985.	Yes	Yes
C	C	Returning Class A members: <ul style="list-style-type: none"> • With less than 5 years of creditable service • With at least 5 years of creditable service who elect to transfer to the Noncontributory Plan within 30 days of re-hire 	Yes	Yes
C	C	Class C retirants who are re-employed and required to re-enroll as active members.	Yes	Yes
C	V	Employees with J-1, F-1, M-1 or Q-1 visas hired after January 1, 2004. (These employees were previously coded as Class B.)	No	No
<u>EMPLOYEES CHOOSING NOT TO BE MEMBERS OF ERS</u>				
L	L	Elected officials who choose not to be members of ERS.	Yes	Yes

Not
Applicable

EMPLOYEES' RETIREMENT SYSTEM
RETIREMENT CLASS CODES AND SOCIAL SECURITY/MEDICARE TAX

EMPLOYEES NOT ELIGIBLE FOR ERS MEMBERSHIP

Class Code		Wages subject to:			
For ERS [statutory]	For Payroll Coding	Social Security Taxes?	Medicare Taxes?		
Not Applicable	E	Retirants receiving benefits from ERS and employed in a position not eligible for ERS membership.		No	Yes
	E	Terminated vested members who have reached normal retirement age but are not retired who return to a position not eligible for ERS membership. Normal retirement age and vesting requirement: Contributory Plan - age 55 and 5 years of service Noncontributory Plan - age 62 and 10 years of service, or age 55 and 30 years of service		No	Yes
	E	Employees who are members of ERS (coded Class A, B, C, D or J) and are employed in another position with the same employer. (Employer is defined as the State or the individual counties. See examples in TABLE IV.)		No	Yes
	E	Elected or appointed board or commission officials such as the Board of Education for which compensation is based on fees.		No	Yes
	<u>FOR STATE EMPLOYEES ONLY*</u>				
	K	Part-time appointments of less than 50% FTE.		No	Yes
	K	Appointments of 90 days or less.		No	Yes
	K	Part-time teachers (paid hourly, no more than 17 hours per week).		No	Yes
	K	Part-time positions in adult education and evening programs.		No	Yes
	K	Lecturers teaching less than seven credit hours per semester at UH Manoa, UH Hilo, UH West Oahu, and lecturers teaching less than eight credit hours per semester at UH community colleges.		No	Yes
	K	A+ program employees.		No	Yes
	K	Students not working for their school or university.		No	Yes
	K	Emergency hires.		No	Yes
	K	Casual hires (e.g., UH Board of Regents casual hires, DOE substitute classified employees, adult supervisors, classroom cleaners, etc.).		No	Yes
	K	Employees hire in a PTS position with the State who are also working for the County, regardless of ERS membership.		No	Yes

* Prior to July 2, 1991, these employees were coded as Class E, subject to Medicare only. Between July 2, 1991 and June 30, 1997, these employees were coded as Class S. Effective July 1, 1997, these employees are mandatorily enrolled in the State PTS Deferred Compensation Retirement Plan.

EMPLOYEES' RETIREMENT SYSTEM
RETIREMENT CLASS CODES AND SOCIAL SECURITY/MEDICARE TAX

EMPLOYEES NOT ELIGIBLE FOR ERS MEMBERSHIP

Class Code	For ERS [statutory]	For Payroll Coding	<u>FOR COUNTY EMPLOYEES ONLY**</u>	Wages subject to:	
				Social Security Taxes?	Medicare Taxes?
Not Applicable ↓		S	Part-time appointments less than 50% FTE.	Yes	Yes
		S	Appointments of 90 days or less.	Yes	Yes
		S	Students not working for their school or university.	Yes	Yes
		S	Emergency hires.	Yes	Yes
		S	Casual hires.	Yes	Yes
		S	Employees hired in a position with the County and are also employed by the State or another County employer in an ERS eligible position (coded A, B, C, D or J).	Yes	Yes
** Prior to July 2, 1991, these employees were coded as Class E, subject to Medicare only.					
<u>OTHER EMPLOYEES</u>					
		7	Employees paid a one-time lump sum bonus pursuant to Act 253/SLH 2000 – Voluntary Severance Benefit	Yes	Yes
		S	Delegates to the Constitutional Convention.	Yes	Yes
		S	Elected OHA Trustees who choose not to be members of ERS (except OHA Trustees who are ERS retirees are coded as Class E)	Yes	Yes
		T	DOE substitute teachers (paid at daily rate) (Prior to December 1996, these employees were coded as Class S)	Yes	Yes
		N	Students regularly attending classes at the educational institutions where they are now working.	No	No
		N	Graduate assistants who are full-time students and whose research or classes are related to their masters or doctorate degree.	No	No
		N	Part-time employees with J-1, F-1, M-1 or Q-1 visas.	No	No
		N	Election workers earning less than \$1,000 per year (\$100 prior to January 1995; indexed after 1999).	No	No
		N	Services performed to relieve employees from unemployment. (However, programs to give employee work experience or training are subject to full FICA.)	No	No
		N	Services performed by an employee on a temporary basis in case of fire, storm, snow, earthquakes, flood or other similar emergency.	No	No
		N	Student nurse services performed in a hospital or training school when enrolled and regularly attending classes.	No	No

TABLE IV

EMPLOYEES' RETIREMENT SYSTEM
RETIREMENT CLASS CODES AND SOCIAL SECURITY/MEDICARE TAX
EXAMPLES OF AN EMPLOYEE EMPLOYED IN MORE THAN ONE POSITION

Example 1:

A full-time Class C employee working at the State Department of Health also works as part-time lecturer at the University of Hawaii.

The Class code for the part-time position is E.

Example 2:

A full-time Class A employee working at the City and County of Honolulu also works part-time for the Department of Transportation.

The class code for the part-time position is K.

Example 3:

A full-time Class A employee working at the State Department of Agriculture also works part-time for the County of Hawaii.

The class code for the part-time position is S.