



Questions & Answers About

Your Employees' Retirement System

Noncontributory Plan



Employees' Retirement System
of the State of Hawaii



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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?

With the Noncontributory Plan, you do not have to contribute anything to the ERS so no contributions will be deducted from your salary.

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

Your employer currently contributes 13.75% of your compensation. Effective July 1, 2008, the rate will be 15%.

5. 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 work for 15 or more days in any month, you will receive one month of service credit (except February when you must work 14 or more days).

Also, 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.

6. Can I lose service credit?

YES. You will lose service credit if you terminate employment before you earn 10 years of credited service.

However, if you return to work by December 31 of the year following the year of termination, no service will be lost.

7. 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.

Maternity leaves prior to July 1, 1973, and active military service may also be credited, subject to certain provisions and limitations.

You must file a claim with the ERS, and service will be credited at no cost.

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

Regular Retirement

- Age 62 with 10 or more years of credited service

OR

- Age 55 with 30 or more years of credited service

Early Retirement

- Age 55 with at least 20 years of credited service but less than 30 years of credited service
- Benefits are reduced by 6% for each year under age 62

Vested Retirement (*terminate prior to age 62*)

- Age 65 with 10 or more years of credited service
- OR
- Age 55 with 30 or more years of credited service
- OR
- Age 55 with 20-29 years of credited service with a 6% benefit reduction for each year between age 55 and 62

Sewer workers, water safety officers, and emergency medical technicians may retire with 25 years of

credited service prior to age 55 (without an age reduction), subject to certain provisions and limitations.

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

$$1.25\% \times \text{years of service} \times \text{average final compensation (AFC)}$$

Example:

- 30 years of service and a monthly AFC of \$2,500.00
- $1.25\% \times 30 \text{ years} = 37.5\% \times \$2,500.00 = \$937.50$
- Monthly maximum allowance of \$937.50

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

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

9. How is my AFC determined?

AFC (average final compensation) is the average of your three highest years of earnings excluding any lump sum vacation pay if you began employment on January 1, 1971, or thereafter. If your employment began before January 1, 1971, your AFC will be the average of your three highest years, 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 2008, the limit is \$230,000.

10. Am I entitled to any other benefits after I retire?

YES. You will receive a post retirement allowance, which is an automatic annual increase of 2.5% of your basic pension beginning July 1 in the year after the year of your retirement and on each July 1 thereafter. This allowance is designed to help offset the rising cost of living and has no ceiling.

11. 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 on the payroll and not terminated from employment, 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.

12. 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 penalty).

Regardless of credited service, if you are permanently disabled as a result of a job-related (service-connected) accident, you are entitled to a pension of 35% of your AFC for life. Accidents prior to July 1, 2004, have a different benefit formula.

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

If your death is not job related (service-connected), and you have at least 10 years of credited service when death occurs, your spouse or reciprocal beneficiary and your dependent children can receive a monthly benefit. This benefit is payable to your spouse or reciprocal beneficiary until remarriage or re-entry into a new reciprocal beneficiary relationship and to your dependent children until they attain age 18.

If you are eligible to retire when death occurs, your spouse or reciprocal beneficiary will be eligible to receive a lifetime pension.

If your death is due to a job-related (service-connected) accident, there is no minimum service credit requirement. Your spouse or reciprocal beneficiary will receive a monthly benefit until remarriage or re-entry into a new reciprocal beneficiary relationship.

14. Am I entitled to any benefits if I terminate my employment?

YES. You are entitled to benefits if you are credited with 10 or more years of service at the time of your termination. You are vested and depending on your years of service, you can apply for retirement benefits as early as age 55. If you have 10 but less than 20 years of service when you terminate, you must wait till age 65.

NO. You are not entitled to benefits if you have less than 10 years of service when you terminate and you do not return to work.

15. Am I entitled to health benefit coverage?

For health benefit coverage information, you need to contact your Health Plan Administrator. ERS does not administer health benefit coverage.