



Employees' Retirement System

of the State of Hawaii

ERS Employer Update

February 20, 2020

Agenda

- ▶ Welcome / Introduction
- ▶ ERS Overview
- ▶ Proposed 2020 Legislation
- ▶ Act 87 / SLH 2015 (HRS Section 88–103.7)
- ▶ Enrollment, Personnel and Payroll Files and Technical Support
- ▶ Reminders
- ▶ Questions / Discussion

Benefit Overview



- * Information from Employers
- * Legislation and Act 87/2015
- * Employer Contribution Rates
- * Group / Class Code Changes

Benefit Calculation

Maximum Allowance Formula:

$$\begin{array}{c} \text{Benefit Multiplier (Membership Plan \%)} \\ \times \\ \text{Years of Credited Service} \\ \times \\ \text{Average Final Compensation} \\ \text{(Highest 3 or 5 Years)} \end{array}$$

Information from Employer

Class Code Report (CCR)

Enrolls in correct benefit structure (retirement deductions and interest)

Personnel

Transactions to ensure membership service

Payroll

Salaries and contributions to determine service, compensation, and employer (ER) and employee (EE) due amounts

ERS

Refunds

Contributions and interest

Death Benefits

Inactive and Active

Pension

Service or Disability

Employer Billing

Financial Reporting

Reporting Related:

1. **Class Code Reports: Enrollment Information for Employers**
 - Tier 1 – members before July 1, 2012
 - Tier 2 – members after June 30, 2012
2. **Payroll and Personnel Reporting: Service and Average Final Compensation**
3. **Compensation Definition, Employee and Employer Contributions**
4. **Retirement “Pension Spiking”**
 - Excessive “non–base” pay during last years of employment

Contribution Reporting Notes

- ▶ No employer “pick up” payroll deduction allowed for employee deficiencies due to delayed or erroneous classification
- ▶ ERS deduction from workers’ compensation payment not eligible for employer “pick-up”
- ▶ Purchase of previous service cost calculation effective July 2020
- ▶ Highly compensated employees’ limitation reporting by “earning periods”

Proposed 2020 Legislation

▶ HB 2311 / SB 2867

Compensation Definition

- ▶ Amends the definitions of “base pay” and “compensation” as designated by the employee's personnel action report notification or certification, to ensure fairness and consistency across all employers.

Proposed 2020 Legislation

- ▶ HB 2314/SB 2870
- ▶ Service Connected Disability and Accidental Death
- ▶ Clarifies the definitions and requirements of ERS service-connected disability and accidental death benefits in order to preserve them as originally intended

HiDRO (Act 30/SLH 2018)

- ▶ Authorizes ERS to pay an “alternate payee” a portion or all of ERS retirement benefits with a court–filed Domestic Relations Order (DRO) that is qualified by the ERS as a Hawaii DRO (HiDRO).
- ▶ Effective Date: July 1, 2020:
 - Model Order Forms
 - Request for Information Forms
 - Information, procedures, FAQ, forms and instructions posted on ERS website (ers.ehawaii.gov) on July 1.

References: §88–93.5, HRS, HARs 6–40

Act 87/2015 – Employer Reporting

HRS Section 88–103.7

- ▶ State and Counties to furnish payroll and personnel transactions in required format
- ▶ Clarification:
- ▶ Monitoring of progress through 2020
- ▶ Evaluation: July 2020 to June 2021
- ▶ Noncompliance Employer contributions “penalty” after June 2022
- ▶ Previous Reports on ERS website

Group and Class Code Tables

- ▶ Tables updated:
 - Removal of Payroll and Personnel Class Codes
 - Added Employer Contribution Rate references
 - Separate section for groups subject to employer surcharge rates only
 - Retiree Return to Work under HRS 88–9
 - Non–ERS Members in ERS–Eligible positions

Employer Contribution Rates

(See Group/Class Codes Table for Details)

Employer Contribution Rates by Fiscal Year	General Employees Rate	Police/Fire Employees Rate	General Employees Employer Surcharge Rate	Police/Fire Employees Employer Surcharge Rate
7/1/2017 - 6/30/2018	18.00%	28.00%	14.20%	20.90%
7/1/2018 – 6/30/2019	19.00%	31.00%	15.20%	23.90%
7/1/2019 – 6/30/2020	22.00%	36.00%	18.20%	28.90%
7/1/2020 until statutory changes are implemented	24.00%	41.00%	20.20%	33.90%

ERS Life Events

► Challenges

- ERS is misidentified the “Personnel Office” for the 125,000 members.
- ERS is only as “good” as the personnel and payroll transactions reported.
- ERS must “put it all together” for your employees and our members.

Enrollment



ERS Membership

I. Employer Enrollment Responsibilities

ERS New Hire Membership starts with...

1) Determining employee's ERS Group Code

- Use ERS Group & Class Code Chart
- Identifies specific position category

Employer Responsibilities cont'd:

2) Submitting employee's name on Class Code report to ERS for proper code

- ERS retirement class code used to deduct mandatory retirement contributions from payroll

Employer Responsibilities cont'd:

3) Submitting completed forms:

- ERS 1 Enrollment
 - Information used to create employee record in ERS database
- ERS 1A Beneficiary Designation
 - Designation used to pay correct employee death benefit

Employer Responsibilities cont'd:

4) Electronic reporting of all the employee's personnel and payroll transactions

- Provides personnel & pay history for all of employee's transactions for:
 - Crediting of service; and
 - Calculation of the Average Final Compensation (AFC)

Employer Responsibilities cont'd:

5) Delayed Enrollments

- Electronically report all of employee's PRIOR personnel & payroll transactions from date of hire
 - Information used to calculate shortage in retirement contributions
 - Adjustments to employer contributions owed

Employer Responsibilities cont'd:

6) Miscoding of ERS Class Code

- Correct ERS class code on payroll to begin deduction of corrected retirement contributions
- For all prior reported pay, provide additional pay field information which was not reported due to differences between Tier 1 and Tier 2 reporting.

II. ERS Enrollment Responsibilities

1) Calculation of eligibility for retirement benefit based on reporting of employee's personnel & pay information

2) Ensure that all mandatory retirement contributions have been paid.

- Notification to employee of deficient contributions amount owed.
- Refund excess contributions with interest to employee

III. Employee Responsibilities

- 1) Payment of deficient contributions to be made in one lump sum.
- If contributions not paid, lifetime monthly pension will be impacted.

Payroll Files



- * Work Reports
- * Payroll Templates

Payroll File – Work Reports

► Source of payroll information:

- 600–byte text file (imported)

HV3FILENAMEERBL_082018.TXT	V022018081510		
D000113880LAST NAME	FIRST NAME		00301200000000000000
D000169205LAST NAME2	FIRST NAME2	S	00301200000000000000

- Payroll Information Template (manual)

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
1	SSN	Last Name	First Name	Middle Name	Name Suffix Code	Employer Code	Billing Location Code	Pay adjustment	Pay adjustment description	Pay Number	ER Tran Type	Retirement Group	Retirement Class	FTE Percent	Contract Type	Pay Rate Code
2	XXXXXXXXXX	Member	Sample			002	011			0000000000	01	31	HI		12	SL
3	XXXXXXXXXX	Member	Sample			002	011			0000000000	01	31	HI		12	SL

Payroll File – Work Reports

- ▶ Adjustments impacting a member's ERS salary and contributions must be reported to ERS
 - Adjustments include salary overpayments, incorrect earning periods, base pay changes, FTE changes, incorrect pay buckets
- ▶ Upcoming Collective Bargaining Unit Agreement Payouts
 - Retroactive increase must be reported under the semi-monthly period it was earned.
 - Example: 2.15% base pay increase effective 7/1/2019. Retroactive payout of \$766.00 in March. Employee earned OT during this period. Report as:

Earning Pd Start	Earning Pd End	Base Pay	Gross Pay	Reg Pay	Other Pay	Earning Pd Start	Earning Pd End	Base Pay	Gross Pay	Reg Pay	Other Pay
7/1/2019	7/15/2019	\$50.00	\$53.00	\$50.00	\$3.00	11/1/2019	11/15/2019	\$50.00	\$50.00	\$50.00	\$0.00
7/16/2019	7/31/2019	\$50.00	\$50.00	\$50.00	\$0.00	11/16/2019	11/30/2019	\$50.00	\$50.00	\$50.00	\$0.00
8/1/2019	8/15/2019	\$50.00	\$60.00	\$50.00	\$10.00	12/1/2019	12/15/2019	\$50.00	\$50.00	\$50.00	\$0.00
8/16/2019	8/31/2019	\$50.00	\$50.00	\$50.00	\$0.00	12/16/2019	12/31/2019	\$50.00	\$50.00	\$50.00	\$0.00
9/1/2019	9/15/2019	\$50.00	\$50.00	\$50.00	\$0.00	1/1/2020	1/15/2020	\$50.00	\$50.00	\$50.00	\$0.00
9/16/2019	9/30/2019	\$50.00	\$50.00	\$50.00	\$0.00	1/16/2020	1/31/2020	\$50.00	\$53.00	\$50.00	\$3.00
10/1/2019	10/15/2019	\$50.00	\$50.00	\$50.00	\$0.00	2/1/2020	2/15/2020	\$50.00	\$50.00	\$50.00	\$0.00
10/16/2019	10/31/2019	\$50.00	\$50.00	\$50.00	\$0.00				\$766.00		

Technical Support



- * Axway Accounts
- * Reminders

Technical Support

- ▶ Contact us to create / modify Axway accounts, passwords, folders, and distribution groups
- ▶ Use appropriate Axway accounts and folders to send / retrieve files

Technical Support Reminders:

- ▶ Provide us with all necessary data
- ▶ Complete all required fields; verify values and data types
- ▶ Unexpected data can be lost or delay processing
- ▶ Inform ERS of any changes in your payroll / personnel contact information or computer system

Class Code Report

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Closing Reminders



- * Neighbor Island Briefings
- * ERS Contact Information

Neighbor Island Briefings*

▶ Maui

- Tuesday, March 10
- David K. Trask, Jr. Building

▶ Hawaii

- Tuesday, March 24
- Hilo State Building

▶ Kauai

- Tuesday, March 31
- County of Kauai, Piikoi Building

*All briefings at 10:00 AM

ERS Contact Information

- ▶ ERS Website: ers.ehawaii.gov
- ▶ Phone: (808) 586-1735
- ▶ Online Information
 - Membership Category (Plan)
 - Service Credit
 - Contributions (Hybrid and Contributory)
- ▶ Benefits Calculator
- ▶ Employer Information and Memorandums
- ▶ Group and Class Code Tables
- ▶ Email: dbf.ers.sss@hawaii.gov
 - Subject line: "Employer Team ..."

Mahalo for Attending!



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