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:

Benefit Multiplier (Membership Plan %)  
X  
Years of Credited Service  
X  
Average Final Compensation  
(Highest 3 or 5 Years)
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
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
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)

<table>
<thead>
<tr>
<th>Employer Contribution Rates by Fiscal Year</th>
<th>General Employees Rate</th>
<th>Police/Fire Employees Rate</th>
<th>General Employees Employer Surcharge Rate</th>
<th>Police/Fire Employees Employer Surcharge Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>7/1/2017 - 6/30/2018</td>
<td>18.00%</td>
<td>28.00%</td>
<td>14.20%</td>
<td>20.90%</td>
</tr>
<tr>
<td>7/1/2018 – 6/30/2019</td>
<td>19.00%</td>
<td>31.00%</td>
<td>15.20%</td>
<td>23.90%</td>
</tr>
<tr>
<td>7/1/2019 – 6/30/2020</td>
<td>22.00%</td>
<td>36.00%</td>
<td>18.20%</td>
<td>28.90%</td>
</tr>
<tr>
<td>7/1/2020 until statutory changes are implemented</td>
<td>24.00%</td>
<td>41.00%</td>
<td>20.20%</td>
<td>33.90%</td>
</tr>
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</table>
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
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)
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
Source of payroll information:

- 600-byte text file (imported)
- Payroll Information Template (manual)
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:

<table>
<thead>
<tr>
<th>Earning Pd Start</th>
<th>Earning Pd End</th>
<th>Base Pay</th>
<th>Gross Pay</th>
<th>Reg Pay</th>
<th>Other Pay</th>
<th>Earning Pd Start</th>
<th>Earning Pd End</th>
<th>Base Pay</th>
<th>Gross Pay</th>
<th>Reg Pay</th>
<th>Other Pay</th>
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<tr>
<td>7/1/2019</td>
<td>7/15/2019</td>
<td>$50.00</td>
<td>$53.00</td>
<td>$50.00</td>
<td>$3.00</td>
<td>11/1/2019</td>
<td>11/15/2019</td>
<td>$50.00</td>
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<tr>
<td>7/16/2019</td>
<td>7/31/2019</td>
<td>$50.00</td>
<td>$50.00</td>
<td>$50.00</td>
<td>$0.00</td>
<td>11/16/2019</td>
<td>11/30/2019</td>
<td>$50.00</td>
<td>$50.00</td>
<td>$50.00</td>
<td>$0.00</td>
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<tr>
<td>8/1/2019</td>
<td>8/15/2019</td>
<td>$50.00</td>
<td>$60.00</td>
<td>$50.00</td>
<td>$10.00</td>
<td>12/1/2019</td>
<td>12/15/2019</td>
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<td>$50.00</td>
<td>$0.00</td>
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<tr>
<td>8/16/2019</td>
<td>8/31/2019</td>
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<td>$50.00</td>
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<td>9/1/2019</td>
<td>9/15/2019</td>
<td>$50.00</td>
<td>$50.00</td>
<td>$50.00</td>
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<td>1/1/2020</td>
<td>1/15/2020</td>
<td>$50.00</td>
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<td>$0.00</td>
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<tr>
<td>9/16/2019</td>
<td>9/30/2019</td>
<td>$50.00</td>
<td>$50.00</td>
<td>$50.00</td>
<td>$0.00</td>
<td>1/16/2020</td>
<td>1/31/2020</td>
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<td>$53.00</td>
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<td>10/1/2019</td>
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<td></td>
<td></td>
<td></td>
<td>$766.00</td>
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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

<table>
<thead>
<tr>
<th>Item No</th>
<th>State Or County</th>
<th>Name of Reporting Agency (Refer to the attached list)</th>
<th>Department Or School</th>
<th>Contact Person</th>
<th>Email Address</th>
<th>Phone Number</th>
<th>Last Name</th>
<th>First Name</th>
<th>Full SSN (numeric only &amp; no signs)</th>
<th>Birth Date (mm/dd/yyyy)</th>
<th>Anticipated Start Date (mm/dd/yyyy)</th>
<th>Position Title</th>
<th>Group Code</th>
<th>Class Code (Completed by ERS)</th>
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<tbody>
<tr>
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<td>ABCD</td>
<td>HR</td>
<td>Name</td>
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<td>H0</td>
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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!

Employees’ Retirement System
of the State of Hawaii