



Employees' Retirement System

of the State of Hawaii

ERS Employer Update August 21, 2018

Note: This abstract handout supplements the 2018 ERS Employer Update presentation. It is intended for general informational purposes, does not constitute a contract or other legal document and is subject to change.

ERS Related Legislation

- 1) **Act 19** – Allows the State and Counties to pay employer contributions to the ERS in advance of the fiscal year in which the contributions are required and receive credit against future required payments.
- 2) **Act 30** – HIDRO Act 30 provides authority for the ERS to make direct payments to the former spouse of an ERS member or retiree.
 - Effective implementation date July 1, 2020
 - ERS to program its computer system, develop policies, procedures and model forms and to educate members and other parties on the provisions of this Act.
- 3) **Act 69** – Reduces and controls the unfunded liability of the ERS by clarifying that accidental death and service-connected disability benefits are limited to members who are employed in positions for which employee and/or employer contributions are made as required for membership.
- 4) **Act 70** – Cost for Contributory and Hybrid members to purchase membership service credit will be based on an actuarially-neutral cost after June 30, 2020.
 - Election of service purchase by payroll deduction results in greater deferral of pre-tax retirement contributions
 - Act 70 repeals this method of payroll deduction

Act 87/2015 – Employer Reporting (HRS Section 88-103.7)

- 1) Clarifies requirements for State and Counties to personnel/payroll to ERS in ERS required format by 7/1/2020.
- 2) Imposes penalty after June 30, 2020 for noncompliance
 - Noncompliance –impose penalty to ERs- ER contributions must be paid at the beginning of FY instead of monthly; payment will be due on the first day of the fiscal year following the fiscal year of noncompliance (begins July 1, 2020)
 - Any unpaid balance subject to interest at investment rate of 7%
- 3) ERS to monitor progress of ERs and reports to Dept. of B&F and the Legislature
 - As with last year, the ERS will again be requesting that directors provide the ERS with a summary of each department's progress in addressing any discrepancies or issues regarding personnel and payroll reporting
 - Previous Legislative Reports (2015 – 2017) are posted on the ERS website for your reference: <http://ers.ehawaii.gov>

Payroll File – Work Reports

- 1) Payroll File Layout continues to be a 600 byte text file for regular and adjustment files.
- 2) Adjustment files can now include missing payroll and not just corrections to previously reported payroll.
- 3) Files should include ERS compensation paid outside the payroll system or off-cycle. Some death payments and associated salary and workers' compensation third party payments are not being included in the electronic files.
- 4) Files continue to include non-ERS eligible compensation, payroll reported under incorrect earning periods or not broken down by semi-monthly earning period or are reported under the wrong pay breakdowns.
- 5) Salary overpayments and adjustments should be reported in the electronic files when identified and not when paid back.

Specific file issues:

1) Field 29 - Normal AS Tax Indicator

Description: Tax treatment for the Normal AS Contrib Amount reported

- ▶ Pre-Tax = 01
- ▶ Post-Tax = 02

Workers' Compensation Pay (WC Pay) is not taxable for federal income tax purposes. Report tax treatment of ERS contribution deduction from WC pay using appropriate Normal AS Tax Indicator. When Reg Pay is reclassified as WC Pay, if tax treatment of associated ERS contribution deduction changes, report tax treatment change in payroll file to ERS.

Leave Field 29 blank (space filled) if the following calculation matches the tax treatment of the Normal AS contributions being reported:

- Pre-Tax contributions =
 $\text{Min}(\text{Min}(\text{Min}([\text{GROSS_PAY}] - [\text{WC_PAY}]) * [\text{EE CONTR RATE}]), [\text{NORMAL_AS}])$
- Post-Tax contributions =
 $[\text{NORMAL_AS}] - \text{Pre-Tax}$

If calculation does not match tax treatment, report Normal AS Contrib Amount in two separate transactions with appropriate Normal AS Tax Indicator.

2) Field 27 – Regular Pay and Field 25 - Base Pay

1x, Lump Sum type of payments - if you determine meets the definition of compensation (HRS Section 88-21.5) under:

normal periodic payments of money for service, the right to which accrues on a regular basis in proportion to the service performed (applies to membership dates before 7/1/2012 and membership dates on or after 7/1/2012)

Any increase in reported Reg Pay (Field 27) due to this payment should also increase Base Pay (Field 25) at the 100% FTE equivalent for that earning period.

Payroll File – Work Reports (Cont.)

- ▶ Payroll Information Template
 - Excel spreadsheet for use in the interim
 - Fields same as 600 byte V2 layout
 - To report payroll not included in electronic files
 - To correct reported payroll not included in adjustment files
 - Template posted to ERS website under Employers >> Employers Forms
 - Transmit to ERS via payroll Axway account

Personnel Interface File (PIF)

1. Purpose
 - Establish member's ERS membership date
 - Grant service credit by using it in conjunction with Payroll information used for pension calculations
 - Confirms breaks, leaves, pay changes, and terminations
2. Personnel Conversion Project
 - Loading backlog files from 2010
 - Challenge is files must be loaded in chronological order
3. Common File Errors
 - NOAC Change Codes: 999 – cancellations and 991 - corrections
 - Corrective transactions need to match original action
 - Ex. TRMGEN must be cancelled with a TRMGEN NOAC code accompanied with a 999 NOAC change code and a new TRMDSM submitted separately.
 - Blank or Null fields
 - All fields need to be completed or file errors and cannot be processed
 - Need to go back to Department for corrections
4. Specific File Issues (examples)
 - Do not report records for under 50% FTE positions which are not ERS membership
 - Differential codes with no differential pay amount
 - Termination code reported but no last day worked
5. Departmental File Issues Identified by ERS
 - Email ERS for Electronic reporting status at:
 - ▶ dbf.ers.sss@hawaii.gov Subject line: Employer Team

Class Code Reports (CCR)

1. Purpose
 - Secured method to provide Employers retirement class code within 5 business days from receipt
 - Minimizes miscoding errors
 - No shortage or overage of retirement contributions
2. Departments required to submit CCR for all new and returning members in ERS eligible positions

Claims for Membership Service

1. Only periods prior to membership date
 - Personnel documents required
 - Payroll information required on ERS template
2. Non ERS membership service
 - Employers responsible for enrolling members
 - Effective October 2017, ERS not crediting service

3. New Claim form effective September 1, 2017
 - o ERS 243 replaces EC&B Claims for Service and Form 243 On-line Information Correction
 - o ERS 243 on ERS website
4. Cost to purchase service to increase
 - o Current cost based on contribution rate
 - o Effective July 1, 2020, cost based on actuarial cost

ERS Reminders

1. Retiree Return to Work (Section 88-9, Hawaii Revised Statutes)

Position Type	Required Break	Impact to Pension	ERS 209	Class Code Reporting
Non ERS Membership	6 months	None. Pension continues if employed after the break.	Yes	No
Difficult to Fill or Labor Shortage	12 months	None. Pension continues if employed after the break.	Yes	Yes
ERS Membership	No	Pension suspended.	No	Yes

Violation by:	Penalties:
Retiree	1) Reimbursement of pension plus 8% interest; 2) Retirement contributions for employment plus 8% interest; and 3) Administrative expenses incurred by ERS.
Employer	1) Employer share plus 8% interest; and 2) Administrative expenses incurred by ERS.

2. Servicemen’s Act, HRS Section 88-132
 - o Reference 2012 ERS memo for guidelines, see website Employer Tab
 - o Departments must initiate payment process
 - o No credit given until required documents and payment received
3. Ordinary & Service-Connected Disability Retirement
 - o Ordinary Disability
 - i. Must have minimum 10 years of service and be employed
 1. On leave without pay OK
 - ii. Service-Connected Disability
 1. No age or years of service minimum
 - iii. Advise members to contact ERS for more information
 - iv. Worker’s compensation start and end dates required

4. Unused Sick Leave (Audited)

- Due within 90 days from closed of business
 - i. ERS will finalize pension within 6 months even if unused sick leave not received
 - ii. If unused sick leave document received after ERS will need to recalculate pension
- Must annotate if “not in good standing”

Technical Support

- Contact us to create / modify Axway accounts, passwords, folders, and distribution groups
- Use appropriate Axway accounts and folders to send / retrieve files
- Reminders for Class Code Reports:
 - 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
 - Questions: dbf.ers.sss@hawaii.gov Subject Line: Employer Team

ERS Contact Information

- ERS Website: <http://ers.ehawaii.gov>
- Online Information
 - Membership Category (Plan)
 - Service Credit
 - Contributions (Hybrid and Contributory)
- Benefits Calculator
- Employer Information
- Group and Class Code Tables
- Email: dbf.ers.sss@hawaii.gov
 - Subject line: “Employer Team”
- Oahu: (808) 586-1735
- Kauai: (808) 274-3010
- Maui: (808) 984-8181
- Hawaii: (808) 974-4077