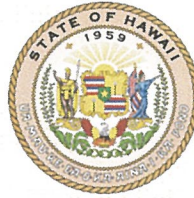


DAVID Y. IGE  
GOVERNOR



THOMAS WILLIAMS  
EXECUTIVE DIRECTOR

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DEPUTY EXECUTIVE DIRECTOR

**STATE OF HAWAII**  
**EMPLOYEES' RETIREMENT SYSTEM**

April 5, 2019

TO: State and County Payroll Officers  
FROM: Thomas Williams, Executive Director  
SUBJECT: Payroll Reporting Clarifications

The purpose of this memorandum is to clarify the process of payroll reporting in certain identified situations for which the procedure may be unclear or which cause invalid or erroneous results for the ERS.

Each of the following requirements fall under the provision of §88-103.7 (a)(3) which specifies that the employer:

Indicate any changes or errors in payments that require correcting or updating.

In order to compute and provide accurate retirement benefits for our members, we are dependent on the clarity and accuracy of your payroll data and, if errors occur, the clarity and accuracy of your adjusting transactions.

**1. Active Deaths:**

Employee dies in active service with unpaid salaries and/or vacation pay due.

**ERS reporting requirement:**

Report salary and vacation due and deduct contributions as if the employee is still on payroll and employed through the last paid date. This will allow ERS to determine the retirement service credit, salaries earned by the employee, and receive the appropriate employer and, if applicable, employee contributions in a timely manner. The employee's pay and contributions should be reported to ERS even if the employer is, or will be, making payments of the employee's remaining salaries and vacation pay to another party.



**Employees' Retirement System**  
of the State of Hawaii

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**2. Overpayment of Salaries**

Employee is overpaid and overpaid salary and/or contributions were reported to ERS.

**ERS reporting requirement:**

Report through payroll negative adjustment(s) of salary and negative adjustment(s) of contributions for each earning period the overpayment was reported to ERS. Negative adjustment(s) should be reported through payroll as soon as overpayment is identified. Do not report negative adjustment(s) of overpaid salary and contribution(s) that were not originally reported to ERS. Reporting in this manner will allow ERS to determine retirement service credit, salaries earned by the employee, and correct their account balances in a timely manner. The negative salary and negative contribution adjustment should be reported to ERS even though the employer has not recovered the overpayment or the employer has received reimbursement of the contributions deducted from the overpaid salaries.

ERS suggests that the employers create new pay types similar to lien/levy tracking to be used for the negative adjustment when initially reported and for the recovery so that an employee's current reported salary is not reduced by the recovery.

**3. Excess Employee Contributions**

Incorrect employee contributions reported to ERS resulting in excess employee contributions. Excess employee contributions could be a result of contributions deducted at a higher rate than required by the employee's group and classification category, contributions deducted from compensation not reportable to ERS, etc.

**ERS reporting requirement:**

Employer to notify ERS of the incorrect employee contributions by completing the "Payroll Information Template" available on the ERS website under "Employer-Forms." ERS will refund the excess contributions and any applicable interest directly to the employee.

**4. Advance Payment due to Payroll Lag**

Advance pay to employees for payroll lag purposes causes erroneous and inflated salaries reported for the period of the advance payment.

**ERS reporting requirement:**

ERS to process negative salary and contribution adjustments to reverse the advance payments that have not been previously been adjusted due to recovery/repayment by the employee. Future recovery/repayment should not be reported to ERS and should not reduce reporting of the employee's current or final salary/vacation payout. ERS will credit the employer using the employer rate at the time of the advance pay. Employer to

notify ERS of any plan to process an advance payment for future payroll lags. Do not report the advance payment to ERS.

We hope the information above addresses some of the questions and concerns that have been expressed regarding the situations described above. We appreciate your cooperation in this effort to accurately report initial and correcting payroll transactions to the ERS. The information you provide impacts our unfunded liability, death payments, refunds to terminated members, pension calculations, and other retirement related activities.

Should you have any questions regarding the above, please contact Donna Curry, Program Specialist, at (808) 586-1678 or Jennifer Tanaka, Disbursements and Benefits Supervisor at (808) 586-1753.

Thank you in advance for your assistance.