

DAVID Y. IGE  
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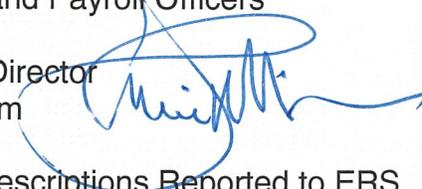
THOMAS WILLIAMS  
EXECUTIVE DIRECTOR

KANOE MARGOL  
DEPUTY EXECUTIVE DIRECTOR

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

May 7, 2019

TO: State and County Personnel and Payroll Officers

FROM: Thomas Williams, Executive Director  
Employees' Retirement System 

SUBJECT: Request for Pay Types and Descriptions Reported to ERS

In an effort to assure accurate and timely reporting of your employees' pension eligible compensation, I wish to initiate a detailed discussion involving you, your staff and mine to identify, define and understand your pay types and to ensure that they are being reported consistently for retirement benefit purposes.

In accordance with the provisions of Section 88-103.7, HRS, which require departments and agencies of the State and Counties to provide the ERS with the information necessary to compute retirement benefits for their employees, we appreciate your efforts on identifying and deconstructing the payroll information reported to us. Recurring among the issues brought up during our continuing discussions has been the employers' need for ERS guidance in determining how individual employer pay types should be reported to the ERS.

As you and your staff are aware, there are three major compensation and benefit-related variables to be considered when an employee's pay is being reported to the ERS:

1. Membership Date:
  - a) Employees who became members before July 1, 2012 – ERS "Tier 1" employees
  - b) Employees who become members after June 30, 2012 – ERS "Tier 2" employees
2. Definition of "compensation" differs:
  - a) For ERS benefit computation for members before July 1, 2012
  - b) For ERS benefit computations for members after June 30, 2012



Employees' Retirement System  
of the State of Hawaii

3. Excess Pension Costs:

Employers are assessed excess pension costs resulting from excessive “non-base pay” increases applicable to retirees after June 30, 2012

Acts 163 in 2011 and Acts 152 and 153, in 2012 significantly changed ERS’s benefit structure and the requirements for employer reporting of personnel and payroll information to the ERS.

1. Act 163 created a new tier of retirement benefits for all employees who became and/or become members of the ERS after June 30, 2012. This pension reform legislation required that new members be identified differently from members before July 1, 2012 which, in turn, required the enrollment of new members through new class code reports to be provided by department personnel offices. Enrollment codes for new members not only determine the employee’s retirement benefits, but also drives employee and employer contributions and the reporting of the employee’s eligible compensation to the ERS.
2. Act 152/2012 amended the definition of “compensation” under HRS §88-21.5 for new members after June 30, 2012 to:
  - a. “Compensation will essentially be defined as normal periodic payments including shortage differentials and DOE twelve-month differentials
  - b. “Compensation” will not include overtime, supplemental payments, bonuses, lump sum salary supplements and other types of differentials
3. Act 153/2012, commonly referred to as the “pension spiking” provision, requires that:
  - a. For retirees after June 30, 2012, the retiree’s last employer to pay the pension costs attributable to excessive “non-base pay” during the retiree’s last years of employment
  - b. Employers be assessed, on a fiscal year basis, the excess pension costs for all retirees meeting the criteria during the previous fiscal year

To assist you with coding your pay types to meet the requirements above and to ensure that all employers are consistently reporting similar pay types and interpreting our payroll file layout uniformly, we are requesting the following:

1. Provide the ERS with a listing of all pay types (see attached excel spreadsheet for sample format of your listing; you may use this spreadsheet or provide your own if information already exists in similar format)
2. Provide definitions of the pay types produced above with appropriate examples or situations when applicable

3. Provide ERS with a contact person or persons to schedule conference call discussions in order that we may review the pay types and map them to the appropriate ERS pay fields.

If possible, please provide the requested information by May 31, 2019 to Lori Kim at [lori.kim@hawaii.gov](mailto:lori.kim@hawaii.gov), so that we may complete these discussions prior to our annual employer update, which is scheduled for July 16, 2019 in Honolulu. Subsequent neighbor island sessions are scheduled for July and August.

Should you have any questions on the above, please contact Donna Curry, Program Specialist, at (808) 586-1678, or Jennifer Tanaka, Disbursement and Benefits Supervisor, at (808) 586-1753. We appreciate greatly your cooperation.

Attachment