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**STATE OF HAWAII
EMPLOYEES' RETIREMENT SYSTEM**

November 16, 2022

TO: State and County Directors
State and County Personnel and Payroll Staff

FROM: Thomas Williams, Executive Director
Employees' Retirement System 

SUBJECT: Employer Reporting Requirements and Criteria for Compliance with Section 88-103.7,
HRS (Act 87, SLH 2015)

The purpose of this memorandum is to notify jurisdictions of the requirements for personnel and payroll reporting to the Employees' Retirement System (ERS) that will become effective on **January 1, 2023**. As it may take some time for employers to implement the necessary changes to ensure compliance, the ERS will allow for a grace period following the effective date, but compliance must be achieved by no later than June 30, 2023.

Personnel Reporting

Personnel transactions are used by ERS to determine membership service and salary changes for employee's retirement benefits ranging from death payments to pension calculations. As a result, all personnel transactions for each employee, including but not limited to, appointments, terminations, leaves without pay and the subsequent returns, and pay changes must be submitted to ERS in a timely manner and in compliance with the requirements below.

The requirements for personnel reporting are as follows:

1. Class Code Reporting (CCR)

ERS provides employers with retirement class codes to be used by Personnel and Payroll staff. The retirement class codes provide the correct mandatory retirement contributions for new and returning employees.

Employers shall:

- a. Submit all new and returning employees using ERS CCR via Axway (secured electronic reporting).
- b. Validate the ERS class code between Personnel and Payroll sections after processing to ensure correct class code is applied to employee's payroll deduction.



Employees' Retirement System
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2. Personnel Interface File (PIF)

The PIF transmits all the personnel transactions electronically to the ERS.

Employers shall submit a PIF in a 1500-character fixed length text file format. The PIF shall be a text file with each row/record comprising of 1500 characters exactly, no more, no less.

3. Data Fields in PIF

The required data fields provide the personnel transactions required for our benefit calculations.

Employers shall:

- a. Submit all required fields in proper format for:
 - I. Field length
 - II. Field content
- b. Populate a required field with a "default value" if Field is not applicable for your department.
- c. Validate data fields submitted to ensure accurate data is provided to ERS.
- d. Update employer's action codes timely as it is mapped to the ERS factor tables.
- e. Remove all duplicate or incomplete personnel transactions from the PIF.
- f. Enter the day after the employee's last day work as the "termination date".

Payroll Reporting

The following are general payroll reporting requirements. See attachments for detail requirements, description of payroll reporting issues (Attachment A), and payroll file layout field modifications (Attachment B).

1. Payroll transactions shall be reported electronically following the ERS approved 600-byte layout, version 2. This applies to reporting of current payroll transactions, as well as prior period transactions, adjustments, and corrections.
2. Files shall be submitted on a semi-monthly basis including adjustment and correction files. Additional supplemental files are created when off-cycle payroll is processed.
3. Only ERS eligible compensation based on the pay type listings provided to each employer shall be reported.
4. Files shall contain the correct semi-monthly earning periods for the compensation reported and associated to the correct ERS pay fields.
5. ERS eligible compensation shall be reported with the correct ERS group and class code that pay was earned as and contributions are calculated based on the required contribution rate for that group and class code.

The ERS will be scheduling individual meetings with employers in December 2022 to review the above reporting requirements. Should you have any questions regarding the requirements, please email the employer team at dbf.ers.eemployerteam@hawaii.gov or contact James Greubel or Bart Asato, Program Specialists, at (808) 586-1863 or (808) 586-1768, respectively.

Attachments

#	Payroll Reporting Requirement	Issue Details
1	Payroll transactions are reported electronically following the ERS approved 600-byte layout, version 2. This applies to reporting of current payroll transactions as well as prior period transactions, adjustments, and corrections.	Payroll reported using prior version of the payroll file layout, on the Payroll Information Template (Excel spreadsheet), in email, or pdfs containing calculations.
2	Only ERS eligible compensation is reported.	Tier 2 ineligible pay reported - Other Pay (OT, CBA lump sum payments, less than 100% FTE additional hours worked), Differential Non-recurring, TA OT
3	<p>Current period requirement:</p> <p>1. Pay is reported to the appropriate ERS pay amount fields.</p> <p>Prior period requirement:</p> <p>1. Pay is reported to the appropriate ERS pay amount fields.</p> <p>2. If changes occur, adjustment to reclassify pay to the correct ERS pay amount field is reported.</p>	Update reporting based on mapping of pay type lists and updated fields descriptions.
4	Pay is reported under the appropriate ERS pay amount fields and ERS contributions are calculated based on member's required contribution rate for the period and only on ERS eligible compensation. Explanations for deduction shortages and excess must be provided.	Tier 2 Lump Sum payment of HGEA: was incorrectly reported under Reg Pay field even though not eligible, no contribution deducted so no excess
5	<p>Prior period requirement:</p> <p>1. Reg Pay, WC Pay, Other Pay, and Differentials for prior earning period is distributed to prior earning periods.</p> <p>2. Pay is reported under the appropriate ERS pay amount fields.</p>	<p>Retro Pay issues:</p> <ul style="list-style-type: none"> - Erroneous earning periods for the retro CBA lump sum pay (note: current lumpsum payments are reported correctly). - Not reporting retro payments/adjustments with the correct earning periods. - Reporting retro payments under retro pay field. - Reported retro payments that were not eligible for benefits/prior to membership dates. - Retro pay & negative Reg pay - Retroactive worker's comp pay may not be reported with correct earning period
6	<p>Prior period requirement:</p> <p>Employer keeps track of the CTO dates and hours earned and used (FIFO, LIFO) to determine payout earning periods and report CTO payout under those earning periods.</p>	CTO not being reported under the correct earning period(s).

#	Payroll Reporting Requirement	Issue Details
7	Current earnings must not be reported as adjustments.	Issues with employees who are set up to be <u>paid</u> after the fact but is <u>coded</u> as lag on job data (the code might correct might be incorrect, human error). Creating only adjustment (ER trans type 1) and therefore does not report Base/FTE/Hrs/etc. CP need to remedy this issue.
8	<p>Current period requirement:</p> <ol style="list-style-type: none"> 1. Prior earning period records are not to be included when reporting ER Tran Type 2 records. <p>Prior period reporting:</p> <ol style="list-style-type: none"> 1. For reporting adjustments for prior earning periods (ER Tran Type 1) ERS needs the difference between the sum of what was reported previously (original and subsequent adjustments) and the correct earnings for the period (the difference) in the following fields: FTE Percent, Pay Rate, Base Pay, Gross Pay, Reg pay, any fields with delta. 	Some of the payroll file's field values are defaulted, resulting in incorrect payroll data.

#	Payroll Reporting Requirement	Issue Details
9	<p>Current period requirement:</p> <ol style="list-style-type: none"> 1. Semi-monthly Base Pay Field is reported as 100% FTE of the salary schedule or equivalent amount. Need to determine requirement for salaried employees who are paid based on hours worked. 2. For Tier 1 part-time members, work performed more than fte standard hours is reported under other pay field because this consider OT for ERS purposes, even if pay is not paid time and half rate. 3. Base pay field reflects the new base pay when base pay changes mid pay period and key fields are the same. Key fields are: <ul style="list-style-type: none"> *Employer *Billing location *ER trans type *Earning period start date *Group code *Class code *Normal AS tax indicator *Additional AS tax indicator <p>Prior period requirement:</p> <ol style="list-style-type: none"> 1. Reg Pay, WC Pay, Other Pay, and Differentials for prior earning period is distributed to prior earning periods. 	<p>Base Pay discrepancy:</p> <ol style="list-style-type: none"> 1. Base Pay Field must be reported as 100% FTE in the text file 2. Check Base Pay for FTE<100; <p>For Tier 1 members, work performed more than fte standard hours must be reported under other pay field because this consider OT for ERS purposes, even if pay is not paid time and half rate. For Tier 2 members must not be reported.</p> <ol style="list-style-type: none"> 3. Another reason of reg pay is greater than base pay in the current pay period because reg pay was not distributed to correct earning periods. 4. Mid pay period base pay changed will show reg pay > base pay. Base pay field must reflect the new base pay at the end of earning period. 5. With Reg and WC Pay (part-time employees) > Base * FTE 6. WC higher than 66.67% of Base Pay 7. Base pay must reflect the correct base pay for the earning period. ERS found a lot of records that does not reflect the correct base pay. (DOE) Issues with some differentials amount included in the base pay. (OHA/HHSC issues with not getting the updated base pay information, etc) 8. Incorrect FTEs and Base pay especially for positions which allowed to be combined (mainly UH)

#	Payroll Reporting Requirement	Issue Details
10	<p>Current period requirement:</p> <p>1. Report contributions with the correct tax indicator - pre-tax must be '01', post-tax must be '02'. When pre-tax and post-tax contributions are deducted, report current period earnings, including Reg, Other Pay, Differentials and WC Pay on the same record as the pre-tax contributions with tax indicator '01' and create a separate record to report only workers' comp post-tax contributions with a tax indicator of '02'.</p> <p>2. When a separate record is created for reporting only workers' comp post-tax contributions (AS Tax ID 02), the pay rate, base pay, fte, num of hrs worked, and standard hours fields must be zero filled.</p> <p>Prior period issue:</p> <p>1. If pay is reclassified from Reg Pay to WC Pay or WC Pay to Reg Pay and tax treatment of contribution changes, report tax indicator correction.</p>	<p>Normal AS Tax Ind field issues related to WC Post-Tax Contributions:</p> <p>Examples:</p> <ul style="list-style-type: none"> *2 records as ER Tran Type 2 code - one for the WC Pay and another for Normal AS with Tax Ind "02" *ERS Contributions post-tax deduction (AS Tax ID 02) reported with ER Trans type 2 still contains pay rate, fte and standard hours (must be zero) *Tax Indicator of WC Pay Contribution reported wrong, as "01". *Normal AS tax ind for WC pay was defaulted to "01" *Unable to correct the tax treatment when reclassifying pay (ex. Reg to WC pay)
11	<p>Advanced pay recovery - must not offset current earnings, need to check prior period recovery and go-forward recovery, reverse advance periods</p>	<p>Advanced pay recovery - must not offset current earnings, need to check prior period recovery and go-forward recovery, reverse advance periods</p>
12	<p>The following fields are no longer required - zero fill or leave current reporting as is:</p> <ul style="list-style-type: none"> *Num of Hours Worked *Standard Work Hours 	<p>Num of Hrs Worked field issues:</p> <ul style="list-style-type: none"> -# of hours worked is blank with pay type SL, paid multi employers; SL members reported as Hourly, must be SL; Majority is supplemental payment - Hourly members don't report # of hours worked, - "Number of hours worked required for Hourly" for hourly records with WC pay. <p>SL members:</p> <ul style="list-style-type: none"> -Standard hours reported as 75.84 / 86.67 , but num of hours < 1 -Standard hours & num of hours are reported as a couple hours, -Standard Work Hours in period have blank fields

#	Payroll Reporting Requirement	Issue Details
13	Employee contributions is based on member's required contribution rate for the period and only on ERS eligible compensation. Provide explanations for deduction shortages and excess contributions deducted.	<p>Discrepancies between expected AS and reported AS</p> <p>***Incorrect deduction amount due to manual calculation when processing terminated or post death payments.</p> <p>***Payroll systems are set up to stop taking deduction 3 months after separation.</p> <p>Examples:</p> <p>*Hybrid or Contributory members, no contribution be deducted</p> <p>*Incorrect deduction taken when employee change from Non ERS Eligible to ERS eligible position mid earning period. Deduction is taken from his/her total earnings instead of just from the day he/she become ERS eligible</p>
14	<p>Prior period requirement:</p> <p>1. Reg Pay, WC Pay, Other Pay, and Differentials for prior earning periods is distributed to prior earning periods.</p>	<p>Erroneous earning periods for Other Pay reported after retirement date (CTO payout, retro CBA lumpsum payments)</p>
15	<p>Prior period requirement:</p> <p>1. Pay is reported to the correct ERS pay amount fields. If changes occur, adjustment to reclassify pay to the correct ERS pay amount field is reported.</p> <p>2. If pay is reclassified from Reg Pay to WC Pay or WC Pay to Reg Pay and tax treatment of contribution changes, report tax indicator correction of contributions.</p>	<p>Reclassification of WC Pay (from Reg to WC Pay, from WC Pay to Reg):</p> <p>*Reclassification of Reg Pay to WC Pay does not include reclass of ERS contributions on W/C Pay from pre-tax to after-tax contributions if Employer adjusts W-2.</p> <p>*Unable to reclassify pay (ex. Reg to WC pay)</p>
16	<p>For overpayments for prior earning periods (ER Tran Type 1) ERS needs the difference between the sum of what was reported previously (original and subsequent adjustments) and the correct earnings for the period (the difference) for all applicable fields with a delta. Contributions must be adjusted based on corrected earnings. Any excess must be reported as negative contributions in the payroll file. Correction for overpayments are reported to ERS semi-monthly in the current payroll file or in an adjustment file.</p>	<p>Overpaid salaries</p> <ul style="list-style-type: none"> - incorrectly offsetting current earnings/contributions if overpayment is recovered through payroll - no notification given to adjust overpaid periods, includes when ees reimburse w/personal checks/cash - notification not electronic/timely - negative adjustments reported through payroll file occur months/years later, with incorrect earning periods and under incorrect fields

#	Payroll Reporting Requirement	Issue Details
17	<p>Current period requirement:</p> <p>1. Non ERS eligible group and class code is not reported in the payroll file unless contributions deducted in error.</p> <p>Prior period issue:</p> <p>1. Non ERS eligible group and class code is not reported in the payroll file unless contributions deducted in error.</p>	<p><u>Non ERS eligible group and class code in payroll file:</u></p> <p>Non ERS eligible Group and Class Code reported with no AS deducted</p> <p>Non ERS eligible Group and Class Code reported with AS deducted</p> <p>In some cases, there are two records reported for the same member. One record reported with non ERS eligible Group and Class Code and the other record reported with ERS eligible Group and Class code.</p> <p>***Some have AS deducted from the non ERS member Group and Class Code earnings.</p> <p>***Some AS is not deducted from the non ERS member Group and Class Code earnings.</p>

#	Payroll Reporting Requirement	Issue Details
18	<p>Off cycle check reporting: If the actual off cycle check is paid with a current period pay check date up to earning period date, payment and contributions is reported in a separate supplemental payroll file with the current report date and payment date. Contributions are sent to ERS with the supplemental file.</p> <p>***any off cycle payment for earning UP TO 7/31/2022 with check date UP TO 08/05/2022, is reported in a supplemental file with 07/31/2022 report date</p> <p>***any off cycle payment for earning AFTER 07/31/2022 with check date UP TO 08/05/2022, is NOT be reported on the supplemental file and is included in 08/15/2022 report date (SOH-08/18/2022 payment date) payroll file.</p> <p>***any off cycle payment for earning BEFORE and AFTER 07/31/2022 with check date AFTER 08/05/2022, must NOT be reported on the supplemental file and must be included in 08/15/2022 report date 08/18/2022 payment date payroll file.</p>	<p>Off cycle or late payroll check processing is reported in subsequent payroll files. Results in incorrect interest earned in member's account.</p>

#	Payroll Reporting Requirement	Issue Details
19	<p>Off cycle check reporting: If the actual off cycle check is paid with a current period pay check date up to earning period date, payment and contributions is reported in a separate supplemental payroll file with the current report date and payment date. Contributions are sent to ERS with the supplemental file.</p> <p>***any off cycle payment for earning UP TO 7/31/2022 with check date UP TO 08/05/2022, is reported in supplemental file with 07/31/2022 report date</p> <p>***any off cycle payment for earning AFTER 07/31/2022 with check date UP TO 08/05/2022, is NOT reported on the supplemental file and is included in 08/15/2022 report date (SOH-08/18/2022 payment date) payroll file.</p> <p>***any off cycle payment for earning BEFORE and AFTER 07/31/2022 with check date AFTER 08/05/2022, is NOT reported on the supplemental file and is included in 08/15/2022 report date 08/18/2022 payment date payroll file.</p>	<p>Off cycle checks reporting: Manual/Voided checks causing reporting and contribution issues - not matching deposit amount to ERS</p>

#	Payroll Reporting Requirement	Issue Details
20	Group class code change mid pay period (both are ERS eligible group and class code), is reported on two separate lines	<p>Group class code change mid pay period (both are ERS eligible group and class code), must be reported on two separate lines because different deduction rate for both Employee and employer portion (Base pay/fte/pay rate might have issue)</p> <p>***A general employee with group and class code of 11H1 (8%) on 07/01/2022-07/04/2022 and he become firefighter (group and class code 42B1 14.20%) effective 07/05/2022. Currently, for earning period 07/01/2022-07/15/2022 deduction is calculated using only one of the rate and only payroll report only shows one line.</p> <p>***A teacher with group and class code 22H0 (6%) on 07/01/2022-07/04/2022 and he becomes a principal (group and class code 23H0 6%), in this case, even if the rate is the same, it still must be reported as 2 separate lines, because it has a different group and class code combination</p>
21	Pay Rate Code correctly identifies hourly (H0) and salaried (SL) employees. Salaried employees paid based on hours worked is reported as salaried employees.	ERS eligible hourly members has been reported as salary member, this issue needs to be corrected as it is impacting the calculation of FTE. Hours worked, Standard hours and hourly rate need to be accurate.
22	Pay Rate Code correctly identifies hourly (H0) and salaried (SL) employees. Salaried employees paid based on hours worked is reported as salaried employees.	ERS eligible salaried members has been reported as hourly member, this issue needs to be corrected as it is impacting the calculation of FTE. Hours worked, Standard hours and Base Pay need to be accurate.
23	Pay Rate Code correctly identifies hourly (H0) and salaried (SL) employees. Salaried employees paid based on hours worked is reported as salaried employees.	Invalid pay rate code/pay rate for hourly ees

#	Payroll Reporting Requirement	Issue Details
24	<p>The following Key fields are used to determine when separate records are required in the work report file:</p> <ul style="list-style-type: none"> *Employer *Billing location *ER trans type *Earning period start date *Group code *Class code *Normal AS tax indicator *Additional AS tax indicator 	<p>Payroll reporting is not combining earning record based on key fields (employer, ER trans type, earning period start date, group class code, billing location, normal AS tax indicator, additional AS tax indicator) value for multiple position.</p> <p>Adjustments reported as separate transactions in the current period or next pay period due to being paid on-time. Incorrectly reported as 2 transactions: full positive pay and negative reversal. EX: \$1,000 & - \$200 = \$800 net. Triggers validation rule having 2 positive transactions for same earning period.</p>
25	<p>Employees subject to employer surcharge rates are reported in payroll file with Tier 2 ERS eligible compensation.</p>	<p>Not all Class Code R1, R2, M0 are reported. See Retirement Group Class Code and Social Security Medicare Coverage 03-08-2020 chart for details on these codes.</p>
26	<p>Only two 50% FTE positions are combined and reported as one 100% FTE position.</p>	<p>Multi Positions issue: 2 positions reported as fte = 100.</p>
27	<p>ERS eligible compensation and contributions for employees who die in service are reported as if still on payroll through the last paid date, even if not paid yet.</p>	<p>Post death payments are not reported in the payroll file or are paid through Accounts Payable systems and not reported to ERS.</p>
28	<p>Report AIL (Accidental Injury Leave) in the WC Pay field instead of Reg Pay and contributions deducted from AIL with a Normal AS Tax Ind of '01' (pre-tax).</p>	<p>AIL (Accidental Injury Leave) tax reporting, report earning on workcomp with tax id 1</p>
29	<p>Report active ERS eligible employees who are on LWOP for the whole earning period with FTE, Base pay, Pay Rate and Straight pay reported. Gross Pay and pay breakdown for the current earning period is zero.</p>	<p>Active ERS eligible employees on LWOP for the whole earning period is reported with their FTE, Base pay, Pay Rate and Straight pay.</p>

Sequence	25	27	40	39 and 41*
Current Field Name	Base Pay	Regular Pay Amount	Differential Pay Amount Recurring	Other Pay Amount and Differential Pay Amount Non-recurring*
Modified Field Name	100% Basic Rate Pay	Regular Pay Amount	Non-Basic Rate Pay Amount	Tier 1 Other Pay Amount
Modified Description	100% FTE Semi-monthly 'Basic Rate of Pay' pay	Semi-monthly 'Basic Rate of Pay' pay adjusted for LWOP & FTE (does not include differentials or other types of pay that may also get adjusted due to LWOP)	ERS eligible compensation that's not part of the 'Basic Rate of Pay' pay and applicable to Tier 1 and 2	ERS eligible compensation that's not part of the 'Basic Rate of Pay' pay and applicable to only Tier 1, counts toward spiking
Modified Field Content	Normal periodic payments of money for service the right to which accrues on a regular basis in proportion to the service performed – BASIC RATE OF PAY PORTION ONLY	Normal periodic payments of money for service the right to which accrues on a regular basis in proportion to the service performed – BASIC RATE OF PAY PORTION ONLY	<u>Tier 1 Only</u> - Recurring differentials <u>Tier 1 and 2</u> - Shortage differentials - Twelve-month differentials for employees of the department of education	Overtime, non-recurring differentials, and supplementary payments Bonuses and lump sum salary supplements Note: do not include shortage differentials and twelve-month differentials for employees of the department of education since this is reportable under the 'Tier 1 and 2 Non-Basic Rate Pay' field Note: do not include recurring differentials since not part of spiking (per Base Pay definition)

* Zero fill seq 41 Differential Pay Amount Non-recurring field