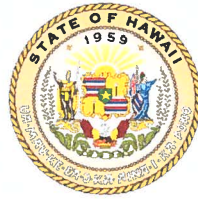


JOSH GREEN, M.D.  
GOVERNOR




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DEPUTY EXECUTIVE DIRECTOR

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

August 16, 2023

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

FROM: Thomas Williams, Executive Director  
Employees' Retirement System 

SUBJECT: Temporary Hazard Pay

The Employees' Retirement System ("ERS") is aware of negotiations and proposed agreements between employers and employee organizations (unions) that would provide retroactive Temporary Hazard Pay ("THP") to some employees for services rendered within a period during the COVID-19 pandemic. The ERS would like to provide guidance to personnel and payroll officers as to how THP should be reported to the ERS for retirement benefit purposes.

THP represents additional or extra payments, which are included in the calculation of benefits for Tier 1 members and not reportable for Tier 2 members. ERS contributions should be deducted for Tier 1 Contributory and Hybrid plan members only.

Payments of THP should be reported as follows:

1. For Tier 1 members (persons who became members on or before June 30, 2012), payments of THP should be reported to the ERS:
  - a. Electronically, as indicated in the ERS's memo to employers dated November 16, 2022;
  - b. As the pay type "differential," given that THP is a payment for additional services rendered, such as services performed under hazardous conditions;
  - c. With payments allocated by:
    - i. Specific purpose or nature (including THP, underlying base pay, and corresponding deductions of required employee contributions); and
    - ii. Amount per monthly (or semi-monthly) periods in which they were earned; and
  - d. For outstanding overpayments, in the full/total amount of hazard pay, unreduced by any overpayment recovery.



Employees' Retirement System  
of the State of Hawaii

The ERS may request additional personnel, payroll and other employment records, if information provided proves insufficient for the ERS to make a determination of whether the payment constitutes a “differential” or other “compensation.” Absent records compliant with employer reporting requirements for each Tier 1 employee who received THP, the ERS is unable to include THP in the calculation of compensation, AFC and ERS benefits.

2. For Tier 2 members (persons who became members on or after July 1, 2012), payments of THP are not reportable to the ERS, given that THP is not a type of differential included within the statutory definition of compensation for Tier 2 members (namely limited to shortage differentials and 12-month differentials for employees of the Department of Education). Employee contributions should not be deducted from THP for Tier 2 members of any plan.

Further, please be advised that any THP included as eligible compensation shall be subject to HRS § 88-100 governing significant non-base pay increases to AFC and benefits.

Should you have any questions regarding ERS employer reporting, please contact our Employer Reporting Team at [dbf.ers.eemployerteam@hawaii.gov](mailto:dbf.ers.eemployerteam@hawaii.gov).