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GOVERNOR



STATE OF HAWAII
EMPLOYEES' RETIREMENT SYSTEM

June 28, 2011

TO: State and County Personnel and Payroll Officers

FROM: Wesley K. Machida *Wesley K. Machida*
Administrator

SUBJECT: Act 163, SLH 2011 (H.B. 1038, HD2, SD2) – New Eligibility Requirements for New Hires

The purpose of this memorandum is to update you on the passage of Act 163 for the new hires with two effective dates for the changes.

Effective July 1, 2012, the law changes the eligibility requirement for new hires and also include increases to employee contributions. However, employer contributions will not increase until the fiscal year 2013. Other changes were made to the investment return rate assumption and interest earnings on the employee contributions. The ERS will be working on the communication materials and requirements for its implementation which we plan to share with you in early 2012.

Effective July 1, 2011, the law also changes the interest earned on the member's retirement contributions for new hires to 2% from 4.5%. This change requires modification to our pension management information system to accrue interest at 2%. Please be aware that this change should be transparent to your personnel and payroll staff; however, employers should properly communicate to all affected new hires of this change.

Your cooperation is needed to ensure that new hires are enrolled timely through the appropriate personnel action form (if not electronic) and the Form 1A (Contributory/Hybrid Plan Designation of Beneficiary) which should be attached to the EC&B 1 (Membership Enrollment Form). The ERS will review all enrolled new hires based on the guidelines below to ensure that the appropriate benefit criteria is used:



Employees' Retirement System
of the State of Hawaii

State and County Personnel and Payroll Officers

June 28, 2011

Page 2

1. Employees hired for their first employment with the State or County government.
2. Former Noncontributory members with less than 10 years of service and returning to work after one (1) calendar year from the year the member terminated.
3. Former Contributory or Hybrid members (who did not withdraw their contributions) with less than 5 years returning to work four (4) calendar years after the date of termination.
4. Former Contributory or Hybrid members who were refunded their retirement contributions.

Any corrections to the hire date will be determined by the ERS and appropriate notification will be made to the member and department accordingly.

The ERS is requesting your assistance in distributing the handouts to your new hires informing them that the interest earned on their retirement contributions would be at 2% (only applies to Contributory and Hybrid Plan members).