



MEMORANDUM

July 1, 2011

TO: Vice Presidents  
Chancellors  
Deans and Directors  
*Brenna H. Hashimoto*

FROM: Brenna H. Hashimoto  
System Director of Human Resources

SUBJECT: Act 163/SLH 2011 Changes to the Employees' Retirement System

This memo is to inform you that on June 23, 2011, the Governor signed into law Act 163 relating to changes to the Employees' Retirement System (ERS).

Act 163 changes the interest earned on retirement contributions for new employees hired on or after July 1, 2011. New employees shall accrue interest on retirement contributions at 2%. Existing members currently accrue interest at 4.5%.

The new law also provides for retirement benefit changes for state and county employees who become members of the ERS after June 30, 2012. This law reduces the benefit multiplier, post retirement increase, and Hybrid plan account multiplier, and increases the vesting period, average final compensation period, and employee contribution rate.

The following chart illustrates the changes in retirement benefits for employees hired after June 30, 2012 and in the Hybrid retirement plan:

	Current Benefits for Hybrid Plan Members	New Benefits for Hybrid Plan Members, Effective for Employees Hired After June 30, 2012
Normal Retirement Eligibility	Age 55 with 30 years of service; or Age 62 with 5 years of service	Age 60 with 30 years of service; or Age 65 with 10 years of service
Early Retirement Eligibility	Age 55 with 20 years of service	No change
Benefit Multiplier	2%	1.75%
Post Retirement Increase	2.5%	1.5%

	Current Benefits for Hybrid Plan Members	New Benefits for Hybrid Plan Members, Effective for Employees Hired After June 30, 2012
Hybrid Plan Account Multiplier	150%	120%
Average Final Compensation	3 years	5 years
Vesting Period	5 years	10 years
Employee Contribution Rate	6%	8%

Please note that changes were made to other retirement plans for new hires, including plans for police and fire fighters, judges, elected officers, legislative officers, sewer workers, water safety officers and emergency medical technicians. As most of our employees hired after June 30, 2012 will be members of the Hybrid retirement plan, the changes in benefits were provided for that specific plan only. Please be aware that employees may be members of the Hybrid plan but have different retirement benefits based on the ERS membership date.

In addition, when a former Hybrid member (who did not withdraw his/her contributions) with less than five (5) years of service returns to work within four (4) calendar years after the date of termination, the employee will retain the eligibility requirements of the "old" Hybrid plan and all service credits will be restored. The ERS membership date will not change. However, should the non-vested Hybrid member return to work after four (4) calendar years and after June 30, 2012, the employee will be enrolled in the "new" Hybrid plan and given a new ERS membership date. All service credits will be restored.

For example, a lecturer is hired to teach Fall 2010 and is enrolled in the Hybrid plan. He also teaches in Spring 2011 and is terminated in May 2011. He does not teach in Fall 2011 and Spring 2012, but will teach in Fall 2012. Although the lecturer is not-vested, he will retain the eligibility requirements of the "old" Hybrid plan (i.e., contribute 6%, 5-years vesting period, 2% benefit multiplier, etc.) as he will be returning to teach within four (4) calendar years. If the lecturer does not return to teaching within four (4) calendar years (e.g., teaches in Spring 2016), he will be a member of the "new" Hybrid plan.

When a former Noncontributory member with less than ten (10) years of service returns to work within one (1) calendar year after the date of termination, the employee will retain the eligibility requirements of the "old" Hybrid plan and all Noncontributory service credits will be restored. The ERS membership date will not change. However,

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should the non-vested Noncontributory member return to work after one (1) calendar year and after June 30, 2012, the employee may be enrolled in the "new" Hybrid plan and given a new ERS membership date. All service credits will be forfeited, but may be restored at no cost on a month-for-month basis as Noncontributory service.

The ERS is responsible for making the final determination on eligibility requirements and the ERS membership date. More information on retirement plans for employees hired after June 30, 2012 will be provided early next year by the ERS.

A memorandum issued by the ERS on Act 163 may be viewed at the Office of Human Resources website: <http://www.hawaii.edu/ohr/>

Should you have any questions, please contact my staff at (808) 956-8643.

c: President Greenwood  
Human Resources Representatives