ERS Contributions on Lump Sum Vacation Pay-Out

Applies Only to Employees Hired Prior to 1971 and in the
Contributory or Hybrid Retirement Plan

1. Purpose:
   a. To prescribe University procedures to collect retirement contributions at the time
      of retirement on lump sum vacation pay for employees hired prior to 1971 and in
      the Contributory or Hybrid Retirement Plan. These members qualify for the high
      five average final compensation (AFC) calculation.
   b. To ensure that the payroll system complies with the federal law which prohibits
      excess contributions from being held in a qualified plan such as the Employees’
      Retirement System?

2. Applicability:
   a. This instruction applies to University personnel hired prior to January 1, 1971 and
      participating in the Contributory or Hybrid Retirement Plan.
   b. Personnel hired prior to January 1, 1971 and participating in the Non-
      Contributory Retirement Plan are not required to make retirement contributions
      on the lump sum vacation payout.

3. Procedures:
   a. In accordance with HRS 88-81, the compensation used to calculate retirement
      benefits is based on the member’s THREE highest paid years of credited service
      EXCLUDING vacation pay for employees hired on or after January 1, 1971. For
      employees hired prior to January 1971, the compensation used to calculate
      retirement benefits may also be based on the member’s FIVE highest paid years
      of credited service INCLUDING lump sum vacation pay.
   b. At the time of retirement, the Personnel Representative will complete the Form
      G-2 Application for Transfer of Vacation and Sick Credit.
   c. For employees hired prior to 1971 and participating in the Contributory or Hybrid
      Retirement Plan, the Personnel Representative will complete the D-60 Form at
      the time of retirement to collect retirement contributions on the lump sum
      vacation pay out.
d. In completing the D-60 Form, enter the following information:

- **Department:** University of Hawai’i
- **Sub-Division or School:** D-60
- **Form No.:** D-60
- **Type Code:** AR
- **Agent Code:** 910
- **Plan Code:** 004
- **Dept.:** F
- **Check off:** “Assigns”
- **$ Amount for First Month:** double the commitment amount
- **Effective with Payroll Period:** be aware of DAGS deadlines
- **When my Commitment of$:** total amount to be withheld


e. To determine the total amount to be withheld (commitment amount), you will need to calculate the amount of the vacation pay-out. Take into consideration any holidays and collective bargaining increases. The Form D7 may assist you in this process: [http://www.hawaii.edu/ohr/bor/forms/07_LvRec.xls](http://www.hawaii.edu/ohr/bor/forms/07_LvRec.xls)

Example: Employee retired December 31, 2006 with 50 days of accumulated vacation leave. The monthly salary is $2000/month.

<table>
<thead>
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<th>Jan 2007 character</th>
<th>21</th>
<th>2</th>
<th>23</th>
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<tr>
<td>Feb 2007</td>
<td>19</td>
<td>1</td>
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<td>$2000.00</td>
</tr>
<tr>
<td>Mar 2007</td>
<td>10</td>
<td>-</td>
<td>10</td>
<td>$909.09*</td>
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<tr>
<td></td>
<td>50</td>
<td>3</td>
<td>53</td>
<td>$4909.09</td>
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*10 paid days /22 working days in March x $2000 = $909.09

**NOTE:** 22 working days in March 2007

f. Once the amount of vacation pay-out is determined, multiply the amount with the percentage of contribution (6% for the hybrid plan and 7.8% for the contributory plan). This will be the commitment amount. See Sample D-60 Form. Using the above example, the commitment amount for a hybrid plan participant is 0.06 x 4909.09 = $294.55

g. The completed D-60 Form is to be forwarded to the ERS for the administrator’s review and signature.

h. Please provide reasonable time for the ERS administrator to review, sign and forward the D-60 Form to DAGS for processing. It is important that the D-60 Form and the Form G-2 be processed in the same pay period to ensure that retirement contributions are withheld from the vacation pay-out. Please be aware of the Payroll deadlines.
i. To ensure a smooth processing, include a note to the Payroll Office and the ERS with the following information:

   Employee's Name:
   Anticipated date lump sum vacation to be paid:
   Date D-60 Form submitted to ERS:
   Payroll Deadline:
SAMPLE
(FOR DEDUCTION OF ERS CONTRIBUTIONS ON LUMP SUM VACATION PAYMENTS)

PACIFIC BUSINESS FORMS, LTD. (800) 597-1717

READ INSTRUCTIONS ON REVERSE SIDE CAREFULLY
FILL OUT FORM WITH REQUIRED INFORMATION COMPLETELY
(USE TYPEWRITER, OR PRINT WITH BALL POINT PEN WITH HEAVY IMPRESSION)

STATE OF HAWAII       SALARY ASSIGNMENT/CANCELLATION

<table>
<thead>
<tr>
<th>UNIVERSITY OF HAWAII</th>
<th>COLLEGE OF ARTS AND HUMANITIES</th>
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<tr>
<td>FORM NO.</td>
<td>SOCIAL SECURITY NO.</td>
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<tr>
<td>D-60</td>
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THE UNDERSIGNED HEREBY ☑️ ASSIGNS ☐ CANCELS OUT OF ANY COMPENSATION FROM THE STATE OF HAWAII

| CHECK ONE BOX ONLY, IF "ASSIGNS"
| ☑️ $589.10 THE FIRST MONTH
| AND $_______ EACH MONTH THEREAFTER
| ☐ PERCENT EACH MONTH _________%
| ☐ MY NET WAGES

FOR AGENCY USE

<table>
<thead>
<tr>
<th>DEDUCTION</th>
<th>AMOUNT</th>
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<tbody>
<tr>
<td>DUES</td>
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<td>LIFE INS.</td>
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<tr>
<td>INC. PROT.</td>
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<tr>
<td>CR. UNION</td>
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I CERTIFY THAT I WILL ABIDE BY THE REGULATION SET FORTH ON THE REVERSE SIDE OF THIS APPLICATION

01/10/07 (Signature Required)

STATE COMPROLLER (CENTRAL PAYROLL)

STATE ACCOUNTING FORM D-60
JANUARY 1, 2000 (REVISED)

TYPE CODE: AR
AGENT CODE: 910
PLAN CODE: 004
CHECK OFF "ASSIGNS"

$ AMOUNT FOR FIRST MONTH (double of total amount, see sample)
EFFECTIVE WITH PAYROLL PERIOD (be aware of Payroll deadlines)
WHEN MY COMMITMENT OF $ (TOTAL AMOUNT TO BE WITHHELD)