

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:
 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

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

	Working Days	Holidays	Total Pd Days	Amount
Jan 2007	21	2	23	\$2000.00
Feb 2007	19	1	20	\$2000.00
Mar 2007	<u>10</u>	=	<u>10</u>	<u>\$ 909.09*</u>
	50	3	53	\$4909.09

*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 .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. (808) 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						
DEPARTMENT University of Hawaii				SUB-DIVISION OR SCHOOL College of Arts and Humanities						
FORM NO. D-60	SOCIAL SECURITY NO. 123 45 6789	LAST NAME, FIRST NAME, MIDDLE INITIAL Aloha, Lei			TYPE AR	AGENT 910	PLAN 004	I.D. NO. F		
THE UNDERSIGNED HEREBY: <input checked="" type="checkbox"/> ASSIGNS OUT OF ANY COMPENSATION FROM THE STATE OF HAWAII				OR <input type="checkbox"/> CANCELS				FOR AGENCY USE		
(CHECK ONE BOX ONLY, IF "ASSIGNS")				<ul style="list-style-type: none"> • EFFECTIVE WITH THE PAYROLL PERIOD THAT INCLUDES <u>02/01/07</u> <small>MONTH DAY YEAR</small> • WITH ENDING DEDUCTIONS FOR THE PAYROLL PERIOD PRIOR TO <u> </u> <small>MONTH DAY YEAR</small> • WHEN MY COMMITMENT OF \$ <u>294.55</u> IS PAID OR UPON RECEIPT OF MY ASSIGNMENT CANCELLATION. 				DEDUCTION		AMOUNT
<input checked="" type="checkbox"/> \$ <u>589.10</u> THE FIRST MONTH AND \$ <u> </u> EACH MONTH THEREAFTER <input type="checkbox"/> PERCENT EACH MONTH <u> </u> % <input type="checkbox"/> MY NET WAGES								DUES		
I CERTIFY THAT I WILL ABIDE BY THE REGULATION SET FORTH ON THE REVERSE SIDE OF THIS APPLICATION				TYPE AGENT'S NAME BRANCH ADDRESS AND ZIP CODE HERE Employees Retirement System 201 Merchant Street, Suite 1400 Honolulu, HI 96813-2980				LIFE INS.		
								INC. PROT.		
DATE <u>01/10/07</u> (Signature Required)				DATE 				CR. UNION		
EMPLOYEE OR AUTHORIZED SIGNATURE 				AUTHORIZED SIGNATURE OF ASSIGNEE 				TOTAL		

STATE COMPTROLLER (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)