

The retirement group and class code tables have been updated and supersede all prior tables. It is available at the OHR website <<http://www.hawaii.edu/ohr/download/ers-new.pdf>>.

Improper coding on an employee may result in:

- 1) employer or employee overpaying or underpaying Social Security and Medicare taxes;
- 2) employer being incorrectly assessed for retirement costs; and
- 3) reimbursement or recovery adjustments of retirement contributions through the payroll system.

Therefore, please be reminded that careful attention should be given to 1) correctly coding retirement and FICA fields on PeopleSoft; and 2) timely corrections to the PNF when the visa status changes.

Visa (Hired prior to January 1, 2004): J-1, F-1, M-1, and Q-1 (Code B)

These visa holders are **not** eligible for social security or medicare benefits, since the appointments are short term with an intent to return to their home country. As a result, these individuals must enroll in a retirement plan (contributory). However, when the visa changes to an **H-1B** (temporary worker), the Internal Revenue Service (IRS) requires that the employer adjust the social security and medicare eligibility benefits back 3 years, 3 months, and 15 days. The retirement plan should change from Contributory to Non-Contributory, FICA code C, resulting in a return of retirement contributions.

Visa (Hired on or after January 1, 2004): J-1, F-1, M-1, and Q-1 (Act 121, Code V)

These visa holders are not eligible for social security or medicare benefits, and are placed in the Non-Contributory plan **without** social security or medicare benefits. Similarly, when the visa changes to an **H-1B**, then the retirement/FICA code should change to C, Non-Contributory **with** social security and medicare benefits. There will be no plan change.

However, please be mindful that the faculty member will now contribute 6.2% to social security and 1.45% to medicare, therefore, inform your faculty member that this will now be an additional benefit at age 65 or at full retirement. Additionally, should the faculty member become disabled prior to full retirement, the individual may qualify for disability benefits from the federal government.

Failure to make this change on the PNF will result in the faculty member not being eligible for social security or medicare benefits at full retirement. The faculty member will only receive a state pension benefit.

Visa (Hire on or after July 1, 2006): J-1, F-1, M-1, and Q-1, Code Z)

All faculty members who elected to switch to the Hybrid plan are coded **Z**, and will contribute 6% to the plan with **no** social security or medicare coverage. Please be mindful when the status changes to an H-1B (temporary worker), the faculty member will now contribute an additional 6.2% to social security and 1.45% to medicare. There will be no retroactive adjustment to social security or medicare benefits.

Failure to make this change on the PNF will result in the faculty member not being eligible for social security or medicare benefits at full retirement. The faculty member will only receive a state pension benefit.

Visa type: (Hired prior to July 1, 2006, H-1B, temporary worker)

Any faculty member who held this visa, petitioned by the University of Hawai'i was automatically enrolled into the Non-Contributory plan as a code C, with social security and medicare benefits.

Visa type: (Hired on or after July 1, 2006, H-1B, temporary worker)

Effective July 1, 2006 faculty members will automatically be enrolled in the Hybrid Retirement plan with social security and medicare coverage.

Employees' Retirement System (ERS):

Immediately after correcting the PNF, the department is required to provide ERS with a copy under separate transmittal, for appropriate attention. For those employees hired prior to January 1, 2004 the ERS will provide the University payroll office notification of the return of retirement contributions for reversal through the payroll system. For your information, the retirement/FICA code "V" is invisible to the ERS. The ERS codes these individuals as "C," Non-Contributory in their system. Therefore, it is important that our data is correct, as the ERS relies on information from the University.

University Payroll Office:

It is the responsibility of the university payroll office to make appropriate adjustments timely, to minimize the impact of taxable income. To assist the department, payroll will coordinate a meeting with the personnel representative and faculty member, to explain the impact of social security, medicare, and the federal withholding of taxes on the reversal of retirement contributions. Please remember, it is the responsibility of the employee to consult with a tax preparer regarding the number of exemptions on withholding federal income taxes.