Benefits Update
May 22, 2013 HR ‘ohana meeting

Island Savings Plan Transition to Prudential effective July 29, 2013
State of Hawai‘i Deferred Compensation Plan

Island Savings Plan Structure
- State of Hawaii (Plan Sponsor)
- Board of Trustees
- ING Investment Advisors, LLC
- Prudential Retirement Insurance and Annuity Company (Plan Administrator)
- Island Savings Plan

What’s NOT changing?
- Investments
  - Board of Trustees still responsible for
- Plan Provisions
  - Accordingly to the Internal Revenue Code (IRC) section 457 – IRS
- Toll Free Information Line
  - Toll free number and accessibility will remain
Individual Investment Funds
- Stable Value Fund
- Blackrock U.S. Debt Equity Index Fund
- PIMCO Total Return Bond Fund
- Vanguard Wellington Fund
- J.P. Morgan Diversified Real Return Fund
- Blackrock U.S. Large Cap Equity Index Fund
- Victory Institutional Diversified Stock Fund
- Wellington Research Value Fund
- Mainstay Large Company Growth Fund
- Blackrock Non-U.S. Equity Index Fund
- MFS International Value Equity Fund
- EuroPacific Growth Fund
- Harbor Small Cap Value Fund
- Blackrock U.S. Small/Mid Cap Equity Index Fund
- Century Small Mid Cap Growth Fund
- Schroder Global Emerging Markets Core Equity Fund

Lifecycle Funds
- Income Fund
- 2015 Fund
- 2025 Fund
- 2035 Fund
- 2045 Fund
- 2055 Fund

Plan Provisions
- Eligibility
  - ERS eligible
- Annual Maximum Allowable Contribution Limits
  - Catch-up Provisions
- Distribution options
  - Etc...

Toll-free Information Line
- Still at 1–888–71A–LOHA
  - 1–888–712–5642
- Hours: Monday – Friday, 3:00 am – 4:00 pm (Hawai’i Standard Time)

What IS changing?
- Local Office
  - 1100 Alakea Street, Honolulu, HI 96813
  - Corporate Tower
  - 15th Floor, Suite 1500–A
- Fees
  - TPA fees reducing from 19.3 basis points (0.193%) to 12.5 basis points (0.125%)
- “GoalMaker”
  - Seems similar to current Lifecycle Funds
What IS changing? (cont.)

- Managed Accounts
  - Current participants with ING Professional Manager Service will have their accounts “mapped” over in July
- Self Directed Brokerage
  - Current participants will have their account transferred from TD Ameritrade to Prudential Investment Management Services in July
  - No annual fee (currently $50)
    - Still required to pay transactions costs and any other fees

Informational Sessions

- A lot of “back-end” issues are still unknown at the moment
- Informational sessions for all State and County employees will be scheduled state wide in July and August
- Schedule additional sessions with Prudential for following months (probably via HITS broadcast)

Communication

- Mail outs will be send directly to participant’s home address
- Posters
- Email notices

Family Leave
### Family Leave

- **Job Protection Leave**
  - Unpaid leave

- **No Stacking**
  - State and FMLA may run concurrently

- **Faculty members – up to 4 months of unpaid leave (CBA)**
  - May substitute sick and vacation leave

### State Family Leave

- State: Hawai‘i Family Leave Law (HFLL)
  - Chapter 398, Hawai‘i Revised Statutes
  - Up to 4 weeks of unpaid leave
  - Birth of a child
  - Adoption
  - To care for a family member

- **Eligibility**
  - At least 6 consecutive months of employment

### State Family Leave

- May substitute paid leave (sick or vacation) for unpaid leave

- Hawai‘i State law requires notification in writing at the time of hire of their rights and responsibilities.
  - Wage and Hour Law Poster
  - Summary of Employee Benefits for Faculty and Staff of the University of Hawai‘i

### Federal Family Leave

- New Regulations effective March 8, 2013

- New Regulations implement:
  - Airline Flight Crew Employees
  - Amendment to Military Family Leave

- Administrative Procedure is being worked on
FMLA

- Federal: Family and Medical Leave Act (FMLA)
- Title 29, Part 825 of the Code of Federal Regulations (CFR)
  - Up to 12 weeks of unpaid leave
  - Birth of a child
  - Adoption or foster care
  - To care for a family member
  - Own serious health condition
  - Qualifying exigency in the Armed Forces
  - Up to 26 weeks of unpaid leave to care for a covered servicemember

FMLA Eligibility

- Employed for at least 12 months
  - Need not be consecutive employment
  - May include periods of paid or unpaid leave

- Worked for at least 1,250 hours
  - Paid and unpaid leaves are not included

FMLA

- May substitute vacation leave for unpaid leave
- May substitute sick or vacation leave for an employee’s own illness

- Notification and documentation is required
  - General Notice (FMLA Poster)
  - Notify employees concerning their eligibility status and rights and responsibilities (WH–381)
  - Notify employees whether specific leave is designated as FMLA (WH–382)

Employees’ Retirement System

Non-Contributory Member
**Employees’ Retirement System**

- Contributory Members (01/01/1926)
- Non-Contributory Members (07/01/1984 – 06/30/2006)
- Hybrid Members (07/01/2006)
- New Hybrid Members (07/01/2012)

**ERS Non-Contributory Members**

- If a noncontributory employee dies while employed are there any survivor’s benefits?
  - At least 10 years of service
  - Spouse
  - Civil Union Partnership
  - Reciprocal Beneficiary Relationship
  - Dependent Children under 18
- ERS does not recognize Domestic Partners

**ERS Non-Contributory Members**

- What if you’re single?
  - No survivor’s benefits unless you filed a disability application or retirement application prior to death.
- No beneficiary form for active non-contributory plan members.

**ERS**

- Reciprocal Beneficiary Relationship (RBR)
  - Prohibited from marriage by law
    - Related in blood
    - Same gender
  - Registered with the SOH Department of Health
- Civil Union Partnership
  - Same sex or opposite sex
  - Same rights as married couples
  - Not related by blood
  - Registered with the SOH Department of Health
Hawaiʻi Employer–Union Health Benefits Trust Fund (EUTF)

- Domestic Partner
  - Same sex or opposite sex
  - Spouse-like relationship
  - Common residence
  - Not related by blood

- EUTF recognize Domestic Partners and Civil Union and does not recognize Reciprocal Beneficiary Relationship

Vacation Transfer

- Hawaiʻi Revised Statutes 78–23 Leave of Absence (b)
- Employee Transfers from UH to another Jurisdiction
- Vacation allowance shall be paid at the rate to which the employee is entitled.
  - Salary Basis (plotting)

“Jurisdiction” means the State, the city and county of Honolulu, the county of Hawaii, the county of Maui, the county of Kauai, the judiciary, the Department of Education, the University of Hawaii, and the Hawaii Health Systems Corporation.
**Vacation Payout**

- Hawai‘i Revised Statutes 78–23 – Leave of Absence (d)

- Lump Sum Vacation Payment
  - Retirement
  - Separation

- For employees hired before July 1, 1997
  - Equivalent to what would be due if he/she was still employed (Plotting)
  - Holidays
  - Pay Adjustments

**Transportation Benefit Program**

- 2013 Open Enrollment Period for Pre-Tax Transportation Benefits Pilot Program
  - Eligible to O‘ahu employees only
  - Purchase a monthly bus pass on a pre-tax basis
  - Special Open Enrollment Form to complete
Lump Sum Payment Deferral

- Updated instruction sheet for 2013 will be posted on the OHR website shortly
  - Covers deferral for 403(b) and 457
  - "how to" instructions for each plan
  - Identifies timeframes for actions required by faculty member

- Email will be sent via AO/PO listserv

Affordable Care Act: Health Care Reform

- Establish an exchange or online marketplace by January 2014
- Individuals can shop, compare plans and buy health insurance on the exchange
- EUTF will continue to provide health care coverage for eligible state employees

Faculty Lump Sum Payment Deferral

- Updated instruction sheet for 2013 will be posted on the OHR website shortly
  - Covers deferral for 403(b) and 457
  - “how to” instructions for each plan
  - Identifies timeframes for actions required by faculty member

- Email will be sent via AO/PO listserv
**Mandates for Plans**

- No pre-existing conditions for individuals
- Lifetime and annual dollar maximums eliminated by 2014
- Dependent coverage extension to age 26 for active employees
- Waiting periods no longer than 90 days

**Mandates for Employer**

- Mandates take effect EUTF plan year July 2014
- To avoid or minimize penalties, employers are required:
  - To offer access to coverage to essentially all (95% or more) FT employees and dependents to age 26 excluding spouses
  - Coverage available must be at least a minimum value (60%)
  - Affordable (9.5% or less of gross taxable W2 wages, Box 1)
  - Waiting period must not exceed 90 days
  - Report value of coverage on W2

**Who is a FT Employee?**

- Current and New employees
  - In a FT position
  - Reasonably expected to work at least 30 or more hours/week, 130 hours/month
- In addition, PT, variable and seasonal employee who
  - On average during a measurement period works 130 hours/month (30 hours/week)

**Performing the Measurement**

- Measurement period is the span of the year used as a look-back to determine average hours worked in the period per month
  - May be from 3 to 12 months
  - Special rules with respect to employees on leave
  - Special rules for school districts with shorter school year
Who is a FT employee?

- Employees who work at least 130 hours on average during the measurement period must be granted access to coverage for a stability period of not less than 6 months, or the length of the measurement period if greater.

Example

- New Variable Hour Employee
  - Employee Hired on June 15, 2014
  - 12 month measurement period: 6/15/14 – 05/14/15
  - 1+ month admin period: 5/14/15 – 6/30/15
  - 12 month stability period: 7/1/15 – 6/30/16

- Ongoing Variable Hour Employee
  - 12 month measurement period: 04/15/15 – 04/14/16
  - 2.5 month admin period: 04/15/16 – 06/30/16
  - 12 month stability period: 7/1/16 – 06/30/17

Testing of Variable Hour Employee

- April 15 – April 14 (12 months)
  - Example 1: Employee works 1,000 hrs (non-teacher)
    - Average hrs worked/mo = 83
    - Testing done each 12 mos
  - Example 2: Employee works 1,000 hrs (teacher)
    - Average hrs worked/mo = 111
    - Testing done each 12 mos

- Special rule for teachers – not count time school is not in session; employee’s total hrs divided by length of school year (e.g. 9 months)

Benefits for Casuals/89-day Hires?

- Offer coverage if work an average of 30 hours/week or 130 hours/month
- Appointment considered continuous if no break in service 26 weeks
- Employees eligible for coverage on 91st day of appointment
- In determining eligibility, do not include breaks; include paid leaves and periods of FMLA and military leave
Example

- Casual Hire appointed January 2 – March 31 (89 days)
- 2 month break in service
- Rehired on June 3; less than 26 weeks break
- June 3rd is 90th day; eligible for medical benefits on June 4th (91st day)

Employer Penalties

- Employer offers no coverage or excludes dependents
  - $2,000 per FT employee, less 30 employees per year
- Employer offers coverage that is not of minimum value or cost of coverage exceeds affordability test
  - $3,000 annually times the number of FT employees that received subsidized coverage from the exchange

Required Employer Notice

- By October 1, 2013 – employer must provide notice to current employees on how to access health care coverage through exchanges and eligibility for tax subsidies to buy insurance through exchanges
- From October 1, 2013, all new hires must be given notice
- EUTF, DHRD and the Governor’s ACA Implementation Office working together to draft notice