



State of Hawaii  
Employees' Retirement System

## Information for Prospective Retirees Noncontributory Plan

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*This handout offers general information on pre-retirement issues to help you prepare for your retirement. It is only a summary and does not constitute a legal document or contract and is subject to change. Nothing contained herein shall be construed to amend, modify, override, or nullify a state statute, rule, policy, procedure or document used in the retirement process. You are encouraged to attend a Pre-Retirement Session coordinated by your Personnel Office or to schedule a counseling appointment at the nearest ERS office when you are ready to file an application to retire.*

This information is available in an alternate format. Please call 586-1735 for information.

# EMPLOYEES' RETIREMENT SYSTEM CHECKLIST

## Early Planning

- Members who do not have serious intentions of immediate retirement may use the retirement calculator available on the ERS website which can be found at <http://ers.ehawaii.gov> (select Benefits Calculator from the left menu bar). The calculator will provide a reasonably accurate estimate of retirement benefits under all options.

## 15 months or more before retirement

- Attend a pre-retirement session
- Contact your Department Personnel Office for Schedule
- An ERS representative will discuss the retirement application process, option selections, and answer any questions

## 6 to 7 months before retirement

- Contact the ERS office nearest you
- Request a Retirement Packet (or download it from the ERS website) and schedule a counseling appointment with a Retirement Claims Examiner (RCE)
- Bring your retirement packet and your spouse (recommended) to your appointment. During the appointment, a Retirement Claims Examiner will help you complete your retirement application (and any other required forms); answer any questions or concerns regarding your retirement estimate; and enable you to select the best option for you and your family.

## Not more than 150 days and not less than 30 days before retirement

*NOTE:* Retirement date must be the first day of the month except for December, when retirement can be on the first or the last day of the month

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- File your Retirement Application
- Notarized Applications may be hand-delivered or mailed to the ERS
- Required personal documents:
  - 1) Proof of birth date for you and your beneficiary (for survivor options). (*Original documents only. Photocopies not accepted*)  
**\*NOTE:** *Substitutions listed below*
  - 2) A voided check or account number *for electronic deposit of pension payments*
  - 3) Driver's license or State ID *for signature validations*

**\*Substitute any two of the following original documents (that show your birth date or age), in place of a certified birth certificate:**

- Valid Hawaii Driver's License
- Hawaii State Identification Card
- Passport (U.S. or foreign)
- Marriage Certificate
- Naturalization Record
- Voter Registration Record
- Original Baptismal Certificate/Religious record recorded after age 5
- Military Record
- Hospital Treatment Records
- Life Insurance Policy
- School Record (with age)
- Child's birth certificate (with member's age)
- Census Record

## **FILING YOUR APPLICATION FOR RETIREMENT**

A member can file only three service retirement applications. The first two service retirement applications may be cancelled prior to their effective date; however, retirement is mandatory on the third application.

You must also notify your department to determine your 'close of business' (COB) date as well as your retirement date. Your last day on the payroll is your COB date. Your retirement date must be the 1<sup>st</sup> of the month except December, which can be the 1<sup>st</sup> or the 31<sup>st</sup>. Your COB date and retirement date cannot be the same.

Retirement applications must be notarized. Notary services are provided at all ERS locations at no charge.

ERS must provide written notification of a member's retirement date, option selection, and beneficiary designation to the member's spouse/reciprocal beneficiary.

## **PENSION PAYMENT INFORMATION**

Make plans to cover expenses for your first month of retirement. Your first pension payment will be retroactive to your retirement date. Your pension amount is based on the option you selected according to the latest estimate provided to you by the ERS. **You must sign up for the direct deposit of your pension to an account at a financial institution.**

### Payment

Your first pension payment is issued approximately **4 weeks** after your retirement date pending verification of your 'close of business' date (last day on the payroll) with your personnel office. You will receive a monthly pension, which will be paid at the end of every month.

### Final Pension Adjustment

Your estimated pension will be finalized following the receipt and review of your payroll/personnel records, your department's audited report of any unused sick leave credits, and the amount of your vacation pay. Your pension will be adjusted to an exact amount retroactive to your retirement date.

Effective January 1, 2004, ERS is required to pay 4.5% interest per annum on pensions not finalized within 6 months after the retirement date.

### Taxation of Benefits

Pension benefits are subject to **Federal income taxes**, but are not subject to Hawaii State income taxes. If you will be living outside of Hawaii, contact your state and local tax authorities for information on the tax treatment of your pension within that state.

### Mailing Address Change

**Mailing address changes must be reported in writing** to ensure correct mailing of any correspondence, tax forms, and other information. Change forms are available at all ERS offices or on the ERS website.

### Financial Institution Change

Financial institution changes (for the direct deposit of your pension payment) must also be requested in writing. Change forms are available at all ERS offices or on the ERS website.

## **ELIGIBILITY REQUIREMENTS AND BENEFITS**

### **Service Retirement**

#### **Service Retirement - Full**

- Age 62 with at least 10 years of credited service -or-
- Age 55 with at least 30 years of credited service -or-
- 25 years regardless of age for Emergency Medical Technicians, Sewer workers and Water Safety Officers provided that the last five years prior to retirement is credited in such capacity.
- Maximum Allowance payable:
  - $1.25\% \times \text{years of Credited Service} \times \text{Average Final Compensation}$

#### **Service Retirement - Early**

- Age 55 with at least 20 years of credited service  
(6% age reduction penalty for each year between age 55 and age 62)

#### **Service Retirement - Vested/Deferred** (leave government service prior to age 62)

- Age 65 with at least 10 years of credited service (unreduced benefit) -or-
- Age 55 with at least 30 years of credited service (unreduced benefit) -or-
- Age 55 with at least 20 but less than 30 years of credited service, 6% reduction for each year between age 55 and 62

**Note: Unused sick leave cannot be used to meet any service credit eligibility requirement**

### **Average Final Compensation**

Members of the Retirement System:

ON or AFTER January 1, 1971

AFC is your average salary earned during your 3 highest-paid years, excluding any lump-sum vacation payment. (High – 3)

PRIOR to January 1, 1971

AFC is your average salary earned during your 5 highest paid years, including any lump-sum vacation payment. (High – 5)

## **ADDITIONAL SERVICE CREDIT**

Members may apply for additional service credit in the following categories prior to retirement. You must file a claim with the ERS before you retire.

### **Military Service**

Any member who rendered honorable active military service in the armed forces of the United States can acquire up to 4 years of membership service for the military service effective July 1, 1989. Any member with:

- 8 years of credited service with the Employees' Retirement System (ERS) can acquire up to 2 years of military service if hired before June 18, 1996. (Act 136/97)
- 10 years of credited service with the ERS can acquire up to 2 years of military service if hired after June 17, 1996.
- 20 years of credited service with the ERS can acquire up to 3 years of military service.
- 25 years of credited service with the ERS can acquire up to 4 years of military service.

Military service in the reserve or National Guard is not considered active military service unless the service occurred in time of war or declared national or state emergency.

A member's military service is considered service in the member's occupation and percentage of full-time equivalence (FTE) at the time the service is credited and provides a corresponding retirement pension. Military service is acquired at no cost.

Detailed information can be found in the Military Service Credit brochure which is available at all ERS offices or on the ERS website.

### **Previous State or County Service**

Previous non-vested service as a member of the Contributory or Noncontributory Plans, which was forfeited after termination, will be acquired on a monthly basis at no cost. Service in this capacity is credited at 1.25% in calculating your retirement benefit.

## UNUSED SICK LEAVE

An employee who retires in good standing with a minimum of 60 or more days of unused sick leave shall be entitled to additional service credit.

Sixty days of unused sick leave would increase the employee's years of service by 3 months; each additional 20 days would provide 1 more month of service credit, as would any balance of 10 or more days. Any remaining balance of less than 10 days would provide no further service credit.

### Examples:

(1) 70 days of unused sick leave meets the requirement of 60 days minimum

<u>70 days</u>		
20 days (1 month)	=	3 months (60 days)
Balance of 10 days	=	<u>1 month</u>
Total	=	4 months

(2) 85 days of unused sick leave meets the requirement of 60 days minimum

<u>85 days</u>		
20 days (1 month)	=	4 months (80 days)
Balance of 5 days	=	<u>0</u>
Total	=	4 months

After determining the number of unused sick leave days, additional service credit would be calculated as previously specified.

Upon retirement, please notify your department that the audited unused sick leave and vacation forms are needed to finalize your pension

## RETIREMENT PLAN OPTIONS

One of the most important decisions you will make as you plan to retire is to select your retirement option. Option choices are designed to meet a range of retirement needs and goals. Pension payments continue for the retiree's lifetime for all options. However, **a beneficiary will continue to receive a lifetime benefit** in the event of the retiree's death **only under Options A and B**. It is recommended that you consider your retirement lifestyle, projected expenses, beneficiary concerns and needs to make the best decision for you.

NONCONTRIBUTORY RETIREMENT OPTIONS			
OPTION	RETIREE LIFETIME PENSION	BENEFICIARY BENEFIT In the Event of Retiree's Death	Pop-Up Benefit For Retiree
<b>MAXIMUM ALLOWANCE</b>	Highest Pension Allowance	<u>No lifetime survivor benefit for the beneficiary.</u>	None
<b>OPTION A</b> (50% JOINT Survivor Benefit)	Reduced Pension Amount (depending on ages of both pensioner and beneficiary).	Lifetime survivor benefit of 50% of monthly pension amount and any cumulative post retirement increase.	Converts to the Maximum Allowance upon death of beneficiary.
<b>OPTION B</b> (100% Joint Survivor Benefit)	Reduced Pension Amount (depending on ages of both pensioner and beneficiary).	Lifetime survivor benefit of 100% of monthly pension amount and any cumulative post retirement increase.	Converts to the Maximum Allowance upon death of beneficiary.
<b>OPTION C</b> (Ten-Year Guarantee)	Reduced Pension Amount	The same monthly allowance plus any cumulative post retirement increases for only the balance of the remaining 10-year period after retirement.	None

Notes:

- Changes in retirement option selections are permissible prior to the effective date of retirement; however, the law prohibits any changes thereafter.
- In the event a member dies after filing a retirement application but before the member's retirement date, or if death occurs within one year of retirement, the designated beneficiary may elect to receive the survivor benefit for the option selected by the member, or the ordinary death benefit (Option B Beneficiary Benefit).\*
- For Options A and B, should a beneficiary predecease the retiree, the retiree's pension will be converted to the Maximum Allowance (**pop-up** feature), instead of remaining at the reduced amount and another beneficiary cannot be named.
- Pensions are increased by 2.5% (if membership date was prior to July 1, 2011) or 1.5% (if membership date was on or after July 1, 2011) on the original pension amount each year on July 1, following the calendar year of retirement.

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\* See **IMPORTANT NOTICE** on page 9

## SAMPLE ESTIMATE

RETIREMENT DATE

BIRTH DATE

MEMBER'S AGE: 62

MEMBERSHIP DATE

BENEFICIARY

AGE: 57

BENEFICIARY BIRTH DATE

EARNED SERVICE

30 YRS 0 MOS

ACQUIRED SERVICE

2 YRS MOS

UNUSED SICK LEAVE

YRS MOS

TOTAL MEMBERSHIP SERVICE

32 YRS 0 MOS

\*\*Sick Leave is NOT used in estimate computation. It is included when you actually retire and your estimated pension is finalized

**Average Salary: \$4,000/month**

RETIREMENT OPTION	MONTHLY PENSION		POP UP TO RETIREE
	RETIREE	BENEFICIARY	
Maximum Allowance	\$1,600	None	-----
Option A (50% Survivor)	\$1,456	\$728	\$1,600
Option B (100% Survivor)	\$1,336	\$1,336	\$1,600
Option C (Ten-Year Guarantee)	\$1,560	\$1,560	-----



## **SUMMARY OF OPTIONS**

### **Maximum Allowance - Highest lifetime monthly pension**

- No lifetime survivor benefit
- Trust, Estate, or multiple beneficiaries possible with changes allowed after retirement

### **Option A - Reduced lifetime monthly pension for retiree and 50% continuing pension for beneficiary in the event of retiree's death**

- Beneficiary cannot be changed after retirement
- If the beneficiary predeceases the retiree, the retiree's pension "pops up" to the Maximum Allowance
- Suited for beneficiary who is not totally dependent on retiree's pension and who has other sources of income

### **Option B\* - Reduced lifetime monthly pension for retiree and 100% continuing pension for beneficiary in the event of retiree's death**

- Beneficiary cannot be changed after retirement
- If the beneficiary predeceases the retiree, the retiree's pension "pops up" to the Maximum Allowance
- Especially suited for beneficiary who is dependent upon retiree's pension and who has little or no other source of income

### **Option C - Reduced lifetime monthly pension for retiree and continuing pension for beneficiary (up to ten years only) in the event of retiree's death**

- Trust, Estate, or individual beneficiary possible with changes allowed after retirement
- No survivor benefits payable if retiree lives beyond 10 years after retirement
- Short term financial benefit for beneficiary whose needs are critical during the first 10 years of retirement

\* See **IMPORTANT NOTICE** on the following page

## **IMPORTANT NOTICE**

### **RULE AFFECTING 100% JOINT & SURVIVOR RETIREMENT OPTIONS WITH NON-SPOUSE BENEFICIARY**

The ERS was required by federal law to adopt a rule (Hawaii Administrative Rule § 6-28-8) that affects the retirement allowance options that are available if an ERS member designates a beneficiary who is not the member's spouse. If the age difference between the member and the non-spouse beneficiary exceeds the federal limit for 100% joint and survivor annuities, the member may not select Option 2 or Option 4 (5&2) under the Contributory and Hybrid plans or Option B under the Noncontributory plan.

The age difference for the purpose of the federal limit is determined first by calculating the number of years by which the age of the member in the calendar year of retirement is greater than the age of the beneficiary in that calendar year. Then, if the member is younger than age 70, the age difference is reduced by the number of years the member is below age 70 in the calendar year of retirement. If the adjusted age difference is more than ten years, the member may not select a retirement allowance option that provides a non-spouse beneficiary with lifetime benefits upon the member's death at 100% of the amount that the member was receiving.

Examples:

#1

Retirement date:	12/31/2012	
Member birthdate:	3/1/1952	60 (age in 2012)
Beneficiary birthdate:	8/5/1982	- 30 (age in 2012)
Age difference		30 years
Less (member age under 70)		- 10
Adjusted age difference		20 years

Since the adjusted age difference is more than 10 years: Member may not elect to receive retirement benefits under any of the 100% survivor options (Contributory and Hybrid Plan Options 2 or 4 (5&2), or Noncontributory Plan Option B).

#2

Retirement date:	12/31/2012	
Member birthdate:	5/1/1957	55 (age in 2012)
Beneficiary birthdate:	1/5/1982	- 30 (age in 2012)
Age difference		25 years
Less (member age under 70)		- 15
Adjusted age difference		10 years

Since the adjusted age difference does not exceed 10 years: Member may elect to receive retirement benefits under the 100% survivor option(s) for the plan to which Member belongs (Options 2 or 4 (5&2), if Member is in the Contributory or Hybrid Plan, Option B, if Member is in the Noncontributory Plan).

## **ERS OFFICE LOCATIONS, PHONE NUMBERS AND WEBSITE ADDRESS**

The Employees' Retirement System (ERS) office is located on the corner of Merchant and Alakea Streets on the 14th floor of the City Financial Tower in downtown Honolulu. Validated parking is available in the building. Enter the City Financial Tower parking entrance on Richards Street.

Office hours are from 7:45 a.m. to 4:30 p.m., Monday through Friday (except holidays).

### **OFFICES:**

<b>Oahu</b>	Employees' Retirement System City Financial Tower 201 Merchant Street, Suite 1400 Honolulu, HI 96813  Benefits Branch: (808) 586-1735 Fax: (808) 587-5766
<b>Hawaii</b>	Hawaii District Office 101 Aupuni Street, Suite 208 Hilo, HI 96720  (808) 974-4076 or (808) 974-4077 Toll-free to Oahu @ (808) 974-4000 Ext. 61735
<b>Kauai</b>	Kauai District Office 3060 Eiwa Street, Room 302 Lihue, HI 96766  (808) 274-3010 or (808) 274-3011 Toll-free to Oahu @ (808) 274-3141, Ext. 61735
<b>Maui</b>	Maui District Office 54 High Street, Room 218 Wailuku, HI 96793  (808) 984-8181 or (808) 984-8282 Toll-free to Oahu @ (808) 984-2400, Ext. 61735
<b>Molokai/Lanai</b>	Toll-free to Oahu @ 1-800-468-4644, Ext. 61735
<b>US Mainland Only</b>	Toll-free to Oahu @ 1-888-659-0708
<b>Website</b>	<a href="http://ers.ehawaii.gov">http://ers.ehawaii.gov</a>