

# HOLOMUA

RETIREES & ACTIVE MEMBERS

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# Innovation in Hawai'i Supported by ERS

By Andrew Betz

Did you know Hawai'i is a hotbed of innovation? With entrepreneurs starting interesting businesses daily, there is a tremendous amount of innovation happening in our state. This innovation brings new companies, more jobs, beneficial economic development, and an ecosystem that fosters more creativity.

The importance of innovation, entrepreneurship and venture capital to the economy is well-known. In 2010, the influential Kauffman Foundation released a study entitled, "The Importance of Startups in Job Creation and Job Destruction," which found that over the previous 28 years startups were responsible for all of the net new job creation in the United States. Supporting startups is sound economic policy and capital availability is a critical ingredient for a thriving entrepreneurial environment. Availability of capital for entrepreneurs, as well as guidance and support, can mean the difference between a successful job-creating startup ecosystem and a failing one.

To provide support for the Hawai'i startup ecosystem while fulfilling fiduciary responsibilities, the State Employees' Retirement System (ERS) launched the Hawai'i Targeted Investment Program (HiTIP) in 2010. HiTIP was set up to provide emerging growth businesses in Hawai'i with access to investment capital, while producing competitive risk-adjusted returns for the members of ERS. HiTIP is managed on behalf of ERS by a team of experienced venture capital investors from Stafford Capital Partners, a leading private markets investment group managing and

advising \$5.0 billion, and supported by internal (ERS) investment staff.

Supporting the earliest, and thus riskiest, stages of the venture ecosystem in Hawai'i is not an appropriate investment area for HiTIP capital. Fortunately, over the past seven years a robust and organized angel investor network, Hawai'i Angels, along with multiple business accelerator

*HiTIP was set up to provide emerging growth businesses in Hawai'i with access to investment capital, while producing competitive risk-adjusted returns for the members of ERS.*

programs such as Blue Start-ups, Elemental Excelsator, Mana Up, and XLR8UH are providing capital and services for start-ups in their early days. These organizations provide entrepreneurs with the support and access to capital necessary to test out their business concept and take the initial steps to build a successful company. For companies that successfully navigate these early stages, the next step is often to seek out further financing from a ven-

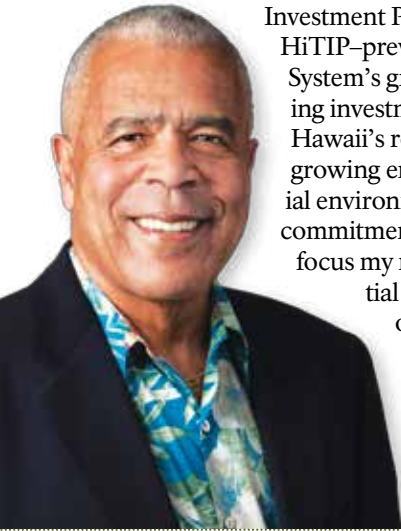
ture capital fund – this is where HiTIP is focused.

HiTIP partners with both Hawai'i-based and out-of-state venture capital fund managers to provide Hawaiian entrepreneurs with access to next level financings. Since 2010, HiTIP has invested into ten venture and growth capital funds spanning multiple industries to provide coverage to as many of the startups in Hawai'i as possible. For example, a top-tier venture fund out of Silicon Valley that focuses on security, healthcare and wellness, software as a service and data analytics, recently invested in a Hawaii-based business.

Through June 2017, funds within the HiTIP program considered nearly 500 Hawai'i companies, with five investments completed. This ratio of 100:1 for Hawaiian investments analyzed to

**Continued on Page 4**

# Message from the Executive Director



The article appearing in this edition of Holomua describing the ERS's investments in the Hawaii Targeted Investment Program—HiTIP—preview the System's groundbreaking investments in Hawaii's robust and growing entrepreneurial environment. These commitments serve to focus my mind's potential on the value of particular investments, especially those made close to home. No

question, a successful \$16B financial institution has to have a global orientation in order to be diversified for purpose of lowering risk as well as being successful in today's increasingly complex and interwoven set of worldwide capital investment opportunities. This does not, however, negate the value of selective and focused investments close to, or even at home.

Our investments in HiTIP I (\$25M) and committed for investment in HiTIP II (\$35M) are prime examples of how discrete and disciplined investments can produce not only desired and necessary returns to the fund but provide benefits to the community at large. Our targeted local investments, though often quite modest relative to the size of our portfolio, are leveraged by other investors and can lead

to the creation of significant technological innovations and new business enterprises.

These investments can serve to grow our local economy, create jobs, generate widely dispersed wealth, and raise our overall quality of life. Jobs in the investment and technology sectors tend to create greater and more diverse opportunities for our young people, enabling them to remain or return home. They elevate not only our 'ohana but are fundamental to our retention of those family and cultural values that we hold so dear.

An alternate area of local investment opportunity resides in the positive impact that additional investments in our highly capable but understaffed and under-resourced ERS investment team can have. In addressing the System's unfunded liability, our legislature has taken the courageous and necessary steps to increase employer contributions. This more recent and unprecedented level of increase cannot, and should not be relied upon as providing the sole source for guaranteeing the payment of benefits we have promised.

While benefit modifications applicable solely for future service for existing employees is properly a subject of future discussion, it should be left to a more thoughtful and comprehensive discussion and analysis. More immediately, a modest additional investment today in the strengthening of our investment capacity can produce outsized benefits regardless of market direction, creating added value and lowering our unfunded liability—and ultimately costs to the general public.

We have a number of operational and administrative challenges of which we are well on the way toward addressing. How we resolve these issues will impact our members' view of our service delivery and responsiveness to their needs. Of equivalent if not greater benefit is the enhanced probability of improved investment returns, resulting from increased talent and portfolio oversight. Such returns will serve to benefit each and every citizen of this state. The added costs of such investment is modest in comparison to the enormous benefits to be derived.

Mahalo,

**Thom Williams**

## 2018 Spring Filing Session Schedule

The ERS has scheduled dates and times for upcoming counseling appointments for Oahu members who are retiring between **March 1, 2018** and **August 1, 2018**. Our neighbor island members may contact their appropriate representatives for an appointment.

At the filing session, our staff will provide counseling on your ERS Estimate Letter and assist you in completing the required forms. With you, staff will review your ERS Estimate Letter which has your projected pension based on your retirement date, service and salary history and designated beneficiary. During the counseling, the staff will thoroughly explain retirement options available and answer any questions you may have about beneficiary death benefits,

refunds of contributions (if applicable) and taxability of payments. We encourage our members to bring spouses and/or significant others, as well as financial advisors to their filing sessions, if desired.

We request that you schedule your appointment early so we can prepare your Estimate Letter for your counseling session. When members walk into our office without an appointment to file their retirement application the ERS will not have their Estimate Letter completed. For this reason, you may want to plan ahead and contact our office to sign up for your filing session. Do not wait for the last day to file your application.

Below are our upcoming session dates with appointment times at 8:00 a.m., 9:15 a.m., 10:30 a.m., 1:00 p.m., and 2:15 p.m.

FILING SESSION DATES	NOTABLE DATES
January: 30	<b>January 30 = Last day to file for March 1</b>
February: 2, 7, 9, 14, 16, 21, 23, 28	
March: 2, 7, 9, 14, 16, 19, 20, 21, 22, 23, 28, 29	<b>March 2 = Last day to file for April 1</b> <b>March 29 = Last day to file for May 1</b>
April: 4, 6, 11, 13, 18, 20, 25, 27	
May: 2, 4, 9, 11, 16, 18, 23, 25, 30	<b>May 2 = Last day to file for June 1</b>
June: 1, 6, 8, 13, 15, 20, 22, 27	<b>June 1 = Last day to file for July 1</b>
July: 2	<b>July 2 = Last day to file for August 1</b>

Contact us at (808) 586-1735 or visit our website for more information on the appointment schedule at <http://ers.hawaii.gov>. under Members > Retirement Planning.



# Report from Vijoy Chattergy, Chief Investment Officer

*“What’s in a name?  
That which we call a rose,  
by any other word would  
smell as sweet”*

Aloha Kākou,

Only too late did Shakespeare’s star-crossed Juliet recognize, perhaps, that it does matter whether one is called a Montague or a Capulet. It’s not that she missed that the essence of a flower or person is unchanged by the label placed on it. It is only that she failed to appreciate the more full meaning conveyed through understanding of nuance and context. She was quintessentially naïve.

In finance, eloquent prose is not required, as anyone who has read through a mutual fund prospectus can attest. There are no sonnets or novels that testify to an author’s wisdom of the human experience. Instead, the highest form of communication (and it’s an acquired taste) for investors is the visual display of quantitative information, mostly in the form of charts and graphs, that illuminate market insights.

This certainly must come as a disappointment to readers not schooled or practiced in the exercise of crunching data into line and bar pictures often labeled something like “Figure 1” and completed with x-axis and y-axis titles that hint at the key to understanding the picture. Mostly, the “Figure 1” is a disappointment because the picture is mundane and does not fully display the nuance and context of the underlying data. Maybe this should be expected as not every collection of words ends up like a Shakespeare play, and not every collection of numbers ends up like Charles Joseph Minard’s statistical graphic masterpiece Napoleon’s March.

**This brings us to the important question of this essay.**

*“What’s in a number? Oh,  
would his attributes as a  
perfect 10 be any different,  
if he were a perfect 5”*

A couple of years ago, I asked my elementary school-aged son if one million is a big number. He is relatively numerate and so understands where a million falls on the number line. His initial response was conventional in that he believed a million is a large number. The more appropriate

response would have been to ask, “as compared to what, papa?” In other words, a million is large relative to one but small compared to a billion. Context matters.

Often when people look at investment strategies they ask, what was the return performance and is that a large number? More sophisticated investors will want to know what’s in that number and how it compares to other metrics. The sophisticated investor wants to understand the context.

For example, the ERS has been compounding returns at 9 to 10 percent for the past five to six years. In fact, since September 2011 the portfolio has grown from \$10.2 billion to around \$17 billion at calendar year-end 2017. Is this a good rate of return or not? The numbers seem strong and even the absolute dollar increase seems substantial. We need to understand the context.

A good starting point to provide context is to ask, do these returns outperform the ERS policy benchmark? Yes, these returns outperformed over all periods measured. Next, do these returns outperform the actuarial assumed rate of return of seven percent? Yes, these returns outperformed

over all periods measured. Do these returns outperform other institutional investors? Looking at the MSCI InvestorForce Plan Universe of over 2,300 plans, yes, these returns substantially outperformed the median institutional investor.

Should/could the ERS’s performance have been better? That question introduces the idea that, beyond relative returns, we should understand risk-adjusted returns, that is the amount of risk taken to generate the strong returns. In the fiscal year ended 2017, two measures of risk-adjusted performance, the Sharpe Ratio and Information Ratio, were 3.8 and 1.4, respectively. Any ratio approaching 1.0 is considered outstanding. The ERS’s fiscal year 2017 performance of 13.7 percent was a strong risk-adjusted return.

Adding context makes us all more literate and numerate. To appreciate Shakespeare, one needs to appreciate the human endeavor. To appreciate investment markets, one needs to appreciate the economic endeavor. With this understanding, we can better appreciate what Mary Chapin Carpenter once sang, “Hey, the stars may lie, but the numbers never do. I feel lucky, yeah.”

## 2018 Neighbor Island Retirement Workshops

Our neighbor island members who need retirement information must attend one of the ERS workshops conducted by the staff of our three neighbor island ERS offices on Hawaii Island, Maui or Kauai. These workshops are intended for the active members of the State and County who are planning their retirement, or who just want information since we conduct both pre-retirement and informational sessions.

Our 2018 neighbor island retirement

workshop schedules have already been posted on the ERS website at <http://ers.ehawaii.gov> under Members->Retirement Planning—which includes dates, times, locations, and registration instructions for each island. Please register directly with each neighbor island office as the registration forms are printed on the schedules. Registering early is recommended, as the number of attendees for each session is limited.

### Online Information Update

The ERS has updated the website with member information as of November 2017. The updated online information is for active members in the Contributory, Non-contributory and Hybrid plans. Retirement information and account balances may vary between members due to payroll lags and adjustments. Help us ensure that we have the most accurate information possible by logging on to the website at <http://ers.ehawaii.gov> and click on “Member Information (Active Members Only)”. To report any discrepancies with your account information, click on the link to the Correction Form and print and mail the completed form to ERS with a copy of your “My Retirement Account” screen print. Once we have completed our research, corrections will be applied and you will be notified of any changes.

## ACTIVE MEMBERS

# ERS Brown Bag Sessions

As we head into 2018, the ERS will continue lunch hour Brown Bag sessions for our Oahu members due to positive feedback from members attending.

Below is our upcoming schedule for the first half of 2018 with some information on the plans:

DATES	RETIREMENT PLANS	DID YOU KNOW...
February 1	Hybrid - Tier 1	Only members enrolled prior to July 1, 2012 are in the Tier 1 benefit structure.
February 15	Noncontributory	This plan is only a "supplement" to your total retirement income.
March 1	Hybrid - Tier 1	You are eligible to retire at age 62 with 5 years of service.
March 15	Noncontributory	Plan has four (4) retirement options available.
March 29	Contributory	Plan has seventeen (17) retirement options available.
April 12	Hybrid - Tier 2	Tier 2 are all members enrolled on or after July 1, 2012. You will be vested with 10 years of service.

All sessions are from 11:30 am to 12:30 pm in our building at the City Financial Tower, Suite 1400 (14th Floor).

Want to know more? Please register to attend a session by calling our office at 586-1735 at least one week in advance of the scheduled session. Each session is limited to forty (40) members. Limited validated parking is available in our building (3rd Floor). Feel free to bring your lunch, too!

### Continued from Cover

Hawaiian investments completed is comparable to the ratio for investment opportunities outside Hawaii.

A local fund in the HiTIP program is Startup Capital Ventures (SCV) which focuses on investments in financial technology, cloud, software as a service, security, healthcare IT, and Internet of things sectors. SCV operates out of two offices, Honolulu and Menlo Park, CA. SCV's Donovan Kealoha operates the firm's Honolulu office and led SCV's investment in Honolulu-based Hobnob where he serves on the board of directors. "Hobnob is an excellent example of the high-quality startups launching out of Hawaii," states Donovan. "The founding team is strong with a number of previous successful startups and has demonstrated an ability to quickly build an engaged and active user base for their service."

*"Hobnob is an excellent example of the high-quality startups launching out of Hawaii."*

Hobnob is Hawai'i's most prominent consumer tech startup, having reached 7 million users across North America since January 2016. Hobnob was created to fulfill a two-part mission: i) offer a new type of social communication and event man-

agement platform that makes it effortless to coordinate offline/real-world groups free from the ad-driven influence of social media; and ii) build a technology success story with a recognizable brand name from Hawai'i, thus attracting new forms of investment to the local market, prompting the return/retention of talented kama'aina and inspiring young locals to pursue careers in all aspects of technology development.

Thus far, Hobnob has accrued over 800,000 monthly active users, and attracted \$500 thousand of investment from Hawai'i and \$2.5 million from mainland investors. The company has been featured by Apple for design and ranked as the 8th highest grossing (revenue) app in the App Store's Lifestyle category. Hobnob's goal of re-prioritizing real world relationships is rooted in Hawai'i's cultural values of having authentic dialogue and using social gatherings as a touchstone for community. The current nine-person team is comprised of kama'aina from Hawai'i Island, Maui, and O'ahu.

"We are grateful and appreciative of the support of HiTIP and ERS via Startup Capital Ventures. While we've been able to attract world-class technology venture capital into our market, the benefits of having an investor with a deep and committed interest in developing our local tech ecosystem have been significant," states Tina Fitch, Hobnob co-founder and CEO.

As of September 30th, 2017, Stafford's financial reports show that HiTIP has produced a nine percent return for ERS. Based

on the positive impact HiTIP has brought to the Hawai'i entrepreneurial ecosystem and strong returns of the investments, ERS decided to continue HiTIP in early 2017. This expansion will allow HiTIP to continue supporting exciting high growth Hawai'i companies such as Hobnob and share the investment returns with the employees and retirees of ERS.

*Andrew Betz is an Investment Manager with Stafford Capital Partners, managers of the ERS HiTIP program.*

# hobnob

## What is Hobnob?

Hobnob is a mobile app that helps you create real life experiences with the people you care about most. The app "auto-magically" turns basic event info into stunning text-based invites. Text-based event updates means no missed information, no scrambling to contact everyone across ten different messaging services, and more time focusing on what matters most – being there.

Hobnob is available for free for both iOS and Android. Download and try it out today.



# Year-end Tax Information

If you received benefits from the ERS during 2017, your 2017 Form 1099-R will be mailed to your home address by January 31, 2018. Reprint/duplicate Form 1099-R

## RETIRED MEMBERS

requests will only be processed after February 5, 2018 to allow time for mail delivery. To submit an address

change, please complete the Mailing Address Change form on our website at <http://ers.ehawaii.gov> (Resources>All Forms>-General>ERS-211 Address Change).

The ERS is a “government defined benefit pension plan,” therefore all benefits paid by the ERS are classified as “pension” benefits and reported to you on the Internal Revenue Service (IRS) Form 1099-R. For

terminated members, this benefit includes refund of contributions; for retirees, this includes option refund payments and disability benefits. (Certain retirees receiving service-connected disability benefits will receive the Annual Non-reportable Benefit Notice.) If you have a professional tax advisor, accountant, and/or tax preparer, we suggest that you make this information available for their review.

### An example of a Form 1099-R

## 2018 Pension Payment Schedule & Notices

**Federal Income Tax Withholding:** Payments from the ERS are subject to federal income tax withholding unless you elect to not have taxes withheld. You may change your withholding election by submitting Form W-4P prior to a payroll processing date.

**Direct Deposit:** Please keep your original account open until the first ERS deposit is made to your new account. Closing your old account too early may delay the timely receipt of a pension payment as undeposited payments will be returned to the ERS for reissue.

**Payment Date:** Pension payments are paid on the 15th and/or the end of the month. If any of these dates fall on a weekend or a holiday, the payment date will be the last business day prior to the weekend or holiday.

15TH	END OF MONTH
Jan 12	Jan 31
Feb 15	Feb 28
Mar 15	Mar 29
Apr 13	Apr 30
May 15	May 31
Jun 15	Jun 29
Jul 13	Jul 31
Aug 15	Aug 31
Sep 14	Sep 28
Oct 15	Oct 31
Nov 15	Nov 30
Dec 14	Dec 31

In most cases, you will receive only one Form 1099-R. However, you may receive several different 1099-R forms if you:

- (1) took a refund option with a rollover to another retirement account;
- (2) became age 59½ during 2017; or
- (3) received benefits as a retiree and as a beneficiary.

For more information you may want to review

- the Retiree FAQ section of the ERS website <http://ers.ehawaii.gov> (Retirees/ Retirees FAQs) or
- information on the IRS website (<http://www.irs.gov>) such as IRS Publication 575, Pension and Annuity Income, the instructions for IRS Form 1040 U.S. Individual Income Tax Return

## How is the IRS Form Organized?

The 1099-R is a four-part form with instructions on the back of the form. Copy B is to be used in preparing your federal return. Retain Copy C for your records and keep it in a safe place for future financial purposes. You may disregard Copy 2, since all benefits received from the ERS are exempt from State of Hawaii income tax. If you are living out-of-state, you should consult a qualified tax preparer regarding the tax laws in your area.

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CHANGE	FORM TO USE	REMARKS
Bank account and/or financial institution	ERS-210, Direct Deposit Agreement	Confirm that pension payment is deposited to new account before closing old account.
Federal income tax withholding	IRS Form W-4P, Withholding Certificate for Pension or Annuity Payments	Refer to tax withholding tables for approximate federal income taxes to be withheld.
Mailing address	ERS-211, Mailing Address Change	Important for receipt of 1099-R forms, annual July pension statements and Holomua newsletters.

## EUTF HMSA PPO Medical Plan Deductibles

Active employees enrolled in the HMSA PPO plans will have the amounts they paid that accumulated toward meeting their calendar year deductible reset to \$0 on **January 1, 2018** (see table right).

### FOR ACTIVE MEMBERS

This means active employees and their dependents enrolled in the 75/25 plan from January 1, 2018 will first pay 100 percent of their medical charges for services

subject to the deductible (e.g. maternity, emergency, inpatient and outpatient services) until they pay \$300 individually or \$900 per family before insurance coverage begins. Beginning **July 1, 2018**, labo-

ratory and pathology services will NOT be subject to the 75/25 plan deductible.

The HMO and HSTA VB 80/20 active employee plans do not have in and out-of-network deductibles.

	DEDUCTIBLE	
	IN NETWORK	OUT OF NETWORK
EUTF HMSA 90/10 Plan	None	\$100 per person; \$300 per family
EUTF HMSA 80/20 Plan	None	\$250 per person; \$750 per family
EUTF HMSA 75/25 Plan	\$300 per person; \$900 per family	

## Medicare Part B Reimbursements for 2018

Like 2017, there are again different Medicare Part B premium amounts being charged to retirees in 2018. To ensure that

### FOR RETIREES

you are correctly reimbursed for your and your spouse/partner's Medicare Part B premiums,

please provide EUTF with a copy of your and your spouse/partner's letter from the Social Security Administration (SSA) showing Medicare Part B premiums for 2018. EUTF will reimburse the amount stated on the letter (less any penalties). If EUTF does not receive the SSA letter, you and your spouse/partner's reimbursement will be the lesser of 1) your 2017 reimbursement, or 2) the standard Medicare Part B monthly premium of \$134 per month for 2018.

Please mail a copy of the SSA letter or invoice to the following address:

**EUTF**  
**PO Box 2121**  
**Honolulu, HI 96805-2121**

## Electronic Payment Options

If you are currently paying your retiree healthcare premiums via check to the EUTF, the EUTF is pleased to announce that you now have four other payment options:

- **Monthly recurring deductions from**



**your ERS pension initiated and adjusted by the EUTF.** No fees are charged. You must complete and submit to the EUTF, a EUTF Automatic ERS Pension Deduction Agreement Form, which can be found at [eutf.hawaii.gov](http://eutf.hawaii.gov), prior to starting this payment method.

- **Monthly recurring electronic transfers from your bank account initiated and adjusted by the EUTF.** No fees are charged. You must complete and submit to the EUTF, a EUTF ACH Deduction Authorization Agreement Form, which can be found at [eutf.hawaii.gov](http://eutf.hawaii.gov), prior to starting this payment method.

- **Credit card, for a fee of \$2.50 plus 2.25% of the premium amount.** Visit the EUTF website at [eutf.hawaii.gov](http://eutf.hawaii.gov) and click on the link for Payment Options.

- **Electronic transfers from your bank account that you initiate for a fee of \$3.50 per transaction.** Visit the EUTF website at [eutf.hawaii.gov](http://eutf.hawaii.gov) and click on the link for Payment Options.

If you have questions about the electronic payment options, please call 586-7390 or toll free at 1-800-295-0089 extension 3.

## Inform EUTF of Changes

Notify the EUTF of changes that affect your or your dependents' eligibility. The EUTF will continue to review active employee, retiree and dependent eligibility to identify events that have not been reported to the EUTF, such as divorce, remarriage of surviving spouses, loss of full-time student status for dependents of active employees, dental and vision plans, dependents of all retiree plans, or a retiree's return to work.

### FOR ACTIVE & RETIREES

If you have experienced an event that may cause you or your dependents to become ineligible for EUTF and HSTA VB plans, you are required to notify the EUTF within 30 days of the event by submitting an EC-1 Enrollment Form for active employees to your personnel office or an EC-2 Enrollment Form for retirees to EUTF, PO Box 2121, Honolulu, HI 96805-2121. Do not wait for annual open enrollment period to make these changes.

## Supporting Documents Requirement

Beginning **January 1, 2018**, EUTF will require that all supporting documents be received before an enrollment is processed (e.g., marriage certificates, birth certificates [for dependents with a last name different from the employee/retiree], letters indicating a Loss of Cov-



erage or Acquisition of Coverage, etc.). This requirement will eliminate the need to reverse changes for employees and retirees who have not complied with the request for supporting documentation.

The EC-1/EC-1H (for active employees) or EC-2/EC-2H (for retirees) change request forms must still be received by the employer (for active employees) or postmarked to the EUTF (for retirees) within 30 days for all qualifying life events except for births (180 days). Supporting documents must be received by (for active employees) or postmarked to (for retirees) the EUTF within 60 days of the event (60 days from the receipt of the EC-1 for births). Failure to submit the EC forms or documents within the timelines will result in the EUTF denying the change request.

## Keep Your Sight Sharp at Every Age!

Just like the rest of our bodies, our eyes have different needs as we age. That's why it's important to know which vision changes are a normal part of aging, and when something more serious may need the attention of an eye doctor. Find out what to expect of your eyes in every stage of life, discover proactive steps to preserve your healthy eye sight, and learn which corrective measures will help you see clearly and feel your best! No matter what your age, always monitor your vision changes, make healthy lifestyle and dietary choices, and visit your eye doctor at least once a year for a comprehensive eye exam and to screen for common age-related eye diseases. Find a VSP doctor at [www.vsp.com](http://www.vsp.com).

## If you haven't seen your dentist recently, make an appointment today!

Regular visits to the dentist for check-ups and preventive care are fundamental to maintaining good oral health and preventing tooth decay and gum disease. So

take advantage of exams and cleanings twice per calendar year, which are covered at 100 percent as part of your Hawaii Dental Service (HDS) plan. Create an on-line account at [hawaiidental.com/eutf](http://hawaiidental.com/eutf) to help manage your oral health.



## Tired of Prescription Drug Copayments and Healthcare Premiums Increasing?

### Here's What You Can Do!

You can take simple but significant steps toward reducing your copayments for prescription drugs that will also help to lower your prescription drug premiums by using 1) generic drugs when available and 2) mail order for 90-day supplies of maintenance drugs. Generic drugs are approved by the FDA and are as safe and effective as the brand name drug. Generic drug copayments can be as much as 90 percent less than non-preferred brand drug copayments depending on your drug plan, and will help to lower premiums. Consult your physician and pharmacist about replacing brand drugs with generic drugs. Mail order is another simple way to lower premiums, plus it's easy to use and convenient. HMSA/CVS members can ask their physicians to submit their 90-day prescription directly to the CVS Caremark mail service pharmacy located on O'ahu. HMSA/CVS members can also call CVS at 1-855-801-8263 or visit their website at [caremark.com/eutf](http://caremark.com/eutf). Kaiser members can call 1-808-643-7979 or visit [kp.org/eutf](http://kp.org/eutf).

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Your 2017 IRS Form 1099-R will include the following information:

**Box 1 - Gross distribution:** Total benefit payment(s) the ERS paid to you in calendar year 2017 per IRS Distribution Code (in Box 7).

**Box 2a - Taxable amount:** The taxable portion of your benefit payment(s) on this 1099-R.

**Box 4 - Federal income tax withheld:** The amount of federal income tax the ERS withheld from your benefit payment(s), if any, during calendar year 2017.

**Box 5 - Employee contributions/ Designated Roth contributions or insurance premiums:** The portion of your gross benefit payment(s) not subject to taxes and the difference between Box 1 and Box 2a. This is the amount of after-tax contributions that the IRS allows you to recover tax free for the year.

*Note: Box 5 is only applicable to certain retirees of the Contributory or Hybrid Plan who made contributions on an "after-tax" basis to the ERS.*

**Box 7 - Distribution code(s):** Denotes the type of payment you received. The IRS uses this code to determine the proper tax treatment of your benefit payments.

### The IRS Distribution codes used for payments made by the ERS include:

- 1 - Early distribution, no known exception (in most cases, under age 59½; certain distributions may be subject to an additional 10% tax).
- 2 - Early distribution, exception applies (under age 59½).
- 3 - Disability.
- 4 - Death.
- 7 - Normal distribution.
- G - Direct rollover of a distribution to a qualified plan, a section 403(b) plan, a governmental section 457(b) plan, or an IRA.

**Account Number:** A unique number for each ERS 1099-R Form that helps identify duplicate forms if you request a reprint.

## IMPORTANT

The EUTF is a separate organization from the ERS. If you have any questions about information in these articles, please contact the EUTF directly. Contact information: (808) 586-7390, 1 (800) 295-0089 toll free; email: [eutf@hawaii.gov](mailto:eutf@hawaii.gov)





Employees' Retirement System  
of the State of Hawaii

201 Merchant Street, Suite 1400  
Honolulu, HI 96813-2980

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**Contact ERS-Pension**  
Monday-Friday 7:45am - 4:30pm  
(Except State Holidays)

For pension related questions,  
please contact ERS at:

**O'ahu:** (808) 586-1735  
**Kaua'i:** (808) 274-3010  
**Hawai'i:** (808) 974-4077  
**Maui:** (808) 984-8181

Moloka'i & Lana'i toll-free to Maui:  
1 (800) 468-4644, ext. 48181

Continental U.S. toll-free to O'ahu:  
1 (888) 659-0708

<http://ers.hawaii.gov>

**Contact EUTF-Medical Coverage**  
Monday-Friday: 7:45am-4:30pm  
(Except State Holidays)

For medical coverage and  
medicare reimbursements,  
please contact EUTF at:  
(808) 586-7390

Toll-free: 1 (800) 295-0089  
or email at [eutf@hawaii.gov](mailto:eutf@hawaii.gov)

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WINTER 2017

# HOLOMUA

RETIRES & ACTIVE MEMBERS

## Ask ERS

### Answers to some frequently asked questions:

**Q: What ERS death benefits are payable if I designate more than one beneficiary?**

*A: For Hybrid and Contributory active members, multiple beneficiaries would divide the retirement contributions and interest (lump sum payment). If only one beneficiary is designated, the beneficiary would have the option to select a:*

- (1) lifetime monthly pension with a minimum of 10 years of service, or
- (2) lump sum payment.

*For Noncontributory plan members, active death benefits are set by law. Death benefits are only payable to the surviving spouse or reciprocal beneficiary and dependent children under age 18.*

*For retirees, beneficiary death benefits are dependent on the option selected.*

**Form 1099-R**

**Q: What happens if I haven't received my 1099-R Federal Tax Form (pertaining to pension benefits or refunds of contributions) from the ERS?**

*A: By the end of January 2018, we will mail your tax form to the address we have on record. If you have moved recently, be sure to provide us with your new address.*

*Please wait until February 5th to request a duplicate Form 1099-R to allow the post office time to deliver your mail. If you haven't received the form by then, call our office at (808) 586-1735 and we will reprint your Form 1099-R and mail it to your address on file. Allow at least one week for mail delivery.*