

IMPORTANT NEWS FOR MEMBERS RETIRING BY DECEMBER 31, 2013

Dear Member:

On January 14, 2013, the Board of Trustees of the Employees' Retirement System adopted new option factor tables for Members hired prior to July 1, 2012.

Effective January 1, 2014, the new factor tables will be used in the calculation of a Member's retirement options for all retirement plans. These new factors reflect changes in the investment returns and changes in the life expectancy of our members.

Generally, retirement options without a refund are decreased and options with a refund are increased. In addition, changes in the mortality assumption decrease your pension options at younger ages and increases your pension options at older ages. These new factor changes do not affect the Maximum Allowance.

Since the effects of this change will be different for each Member, the ERS will be providing a comparison estimate for a January 1, 2014 retirement date using the new factor tables for Members who decide to retire on December 31, 2013.

Please review our "**New Option Factors Effective January 1, 2014**" flyer for more information. We also encourage you to visit our website at <http://ers.ehawaii.gov/> to use our online benefit calculator. The calculator will include the new option factors for members who were hired prior to July 1, 2012 and plan to retire on or after January 1, 2014.

Should you have any questions, please contact our office at:

Oahu	(808) 586-1735
Hawaii	(808) 974-4076 or 808-974-4077
Maui	(808) 984-8181 or 808-984-8282
Kauai	(808) 274-3010 or 808-274-3011
Molokai/Lanai	(808) 984-8181 or 808-984-8282
Continental United States	1-888-659-0708

EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF HAWAII

NEW OPTION FACTORS EFFECTIVE JANUARY 1, 2014

Here's some updated information to the Questions & Answers for the Option Factor Changes for Members considering retirement in 2013 or 2104.

QUESTIONS & ANSWERS

1) What is the reason for changing the Option Factor Tables?

The tables were modified to reflect the significant changes in investment returns and life expectancies (mortality assumptions). The last change to the option factor tables was made in 2004.

2) How does this affect me?

The new option factors will be used to calculate the pension options for retirement dates January 1, 2014 and onward. If you were planning to retire by December 31, 2013, the current factors will be used. Along with your personal reasons for choosing a retirement date, you should consider whether retiring on or after January 1, 2014 will provide a more advantageous benefit as a result of the new option factors.

3) How do the New Factor Tables affect my retirement options?

The new option factors do not reduce the accrued benefits of ERS members or change the Maximum Allowance benefit. The member's Maximum Allowance will be the same under the new option factors as it is under the current option factors.

The option factors are applied to the Maximum Allowance to calculate the other pension options for all retirement plans (Hybrid, Noncontributory, and Contributory).

In the **hypothetical examples** below, it is assumed that the member has a maximum retirement allowance of \$5061 per month and the accumulated contributions of \$287,201. These **hypothetical examples** show how the change in option factors can impact the monthly retirement benefit of members who retire on December 31, 2013 versus January 1, 2014. **Since these are only examples, we have not included all retirement plans and options in the illustrated scenarios.**

Generally speaking:

MEMBER RETIRING YOUNGER THAN AGE 60:

* Members selecting a non-refund option may receive a slightly lower benefit with the new factors.

* Members selecting a refund option may receive a slightly lower or slightly higher benefit with the new factors depending on the amount of the refund and refund option selected.

Example: Member's age: 55 Beneficiary age: 50

Options	Retirement Dates		Monthly Payment Change from 12/31/2013	Percentage Change from 12/31/2013
	12/31/2013	01/01/2014		
Maximum Allowance	\$5061	\$5061	None	None
Two (100% Joint Survivor)	\$4483	\$4446	- \$37	-0.8%
Five (100% Refund)	\$3306	\$3351	+\$45	+ 1.3%

MEMBERS RETIRING AGE 60 and OLDER:

* Regardless of option selected, Members are expected to receive a slightly higher pension under the new factors.

Example: Member's age: 65 Beneficiary's age: 60

Options	Retirement Dates		Monthly Payment Change from 12/31/2013	Percentage Change from 12/31/2013
	12/31/2013	01/01/2014		
Maximum Allowance	\$5061	\$5061	None	None
Two (100% Joint Survivor)	\$4146	\$4224	+ \$78	+ 1.9%
Five (100% Refund)	\$2964	\$3102	+ \$138	+ 4.6%

4) Should I retire in 2013 using the current factor tables or wait until 2014 using the new factor tables?

It is your decision as to when you choose to retire. We encourage all Members who are eligible to retire to use our Benefit Calculator on our website at <http://ers.ehawaii.gov/> to assist them in deciding whether or not a December 31, 2013 retirement date would best fit their personal needs.

The effects of the new options factors for each Member will vary according to the member's particular circumstances and the retirement option selected. For all members who file for December 31, 2013 retirement, the ERS will be providing a comparison estimate for a January 1, 2014 retirement date using the new factor tables in addition to the December 31, 2013 estimate. This will enable each member to review the changes in their retirement benefits and determine whether retiring under the new options factors would provide a better retirement option.

Note that the new options factors do not affect Members who select the Maximum Allowance option.

Additionally, you should also consider your decisions on the following questions:

a) Would you have selected a December 31, 2013 retirement date if the option factors had not changed?

Yes or No.

Generally, if you were planning to retire after January 1, 2014, your additional service credit and possible higher average final compensation will increase your maximum allowance benefit; and, generally, your retirement options will be slightly increased due to the higher maximum allowance.

b) When will you receive your post retirement increase?

For all retirement dates in 2013, the first post retirement increase will begin July 1, 2014. For retirement dates in 2014, the first post retirement date will begin July 1, 2015. You should weigh the possible benefit increase of a 2014 retirement against the delay of receiving your first post retirement allowance a year later.

5) What is the last day to file for a December 31, 2013 retirement?

Friday, November 29, 2013

If you wish to file for a December 31, 2013 retirement, please contact the ERS to schedule an appointment.

Oahu:	(808) 586-1735
Hawaii:	(808) 974-4077
Kauai:	(808) 274-3010
Maui:	(808) 984-8181
Molokai/Lanai:	(808) 1-800-468-4644 Ext 61735 (toll free to Oahu)