



Holomua



Employees' Retirement System
of the State of Hawaii

Holomua (to improve, progress) is published quarterly for retirees and active members of the ERS

Williams Welcomes Challenges & Opportunities

Thom Williams could be sitting back and enjoying a well-earned retirement. He instead chose to take the top seat at Hawai'i's Employees' Retirement System as its new executive director.

"It's a challenging job, but mostly it's an important one," said Williams, who managed the Wyoming Retirement System for five years, encompassing the onset of the recession and the beginning of recovery. Importantly, most of the plans in the \$7-billion fund are today either fully funded or closing in on that goal.

"Clearly it was a challenging period to assume the management of a pension fund," he said. "You can't pick your point of entry, but it did create a great opportunity to demonstrate how my experience could be brought to bear to address the challenges and the uncertainty of that difficult economic period."

As head of the ERS, Williams is eager to communicate with and create greater understanding among its broad base of constituencies to generate strength and greater support.

"Admittedly, it is challenging to represent so many different stakeholders – the members (employees in our state and county offices, police officers, firefighters, teachers, UH and Judiciary employees), the Legislature, the board and the like," he said. "However, the perspective and understanding of all of those constituents are critical to the successful management of the ERS and the creation of value for all involved.

"The ERS is a huge economic driver funneling billions of dollars into the state's economy. We have a direct impact on the financial security of

almost 120,000 members and their beneficiaries. Our indirect reach and impact is even larger.

"We also invest our monies across the nation and the globe, which enables projects – like the construction of malls, office buildings and housing developments – that create returns to our system, which benefit us locally as we pay benefits."

Although the recession made full funding a national concern for public pension funds, Williams is confident the ERS will be able to fulfill its obligation to provide for all accrued benefits to its retirees.

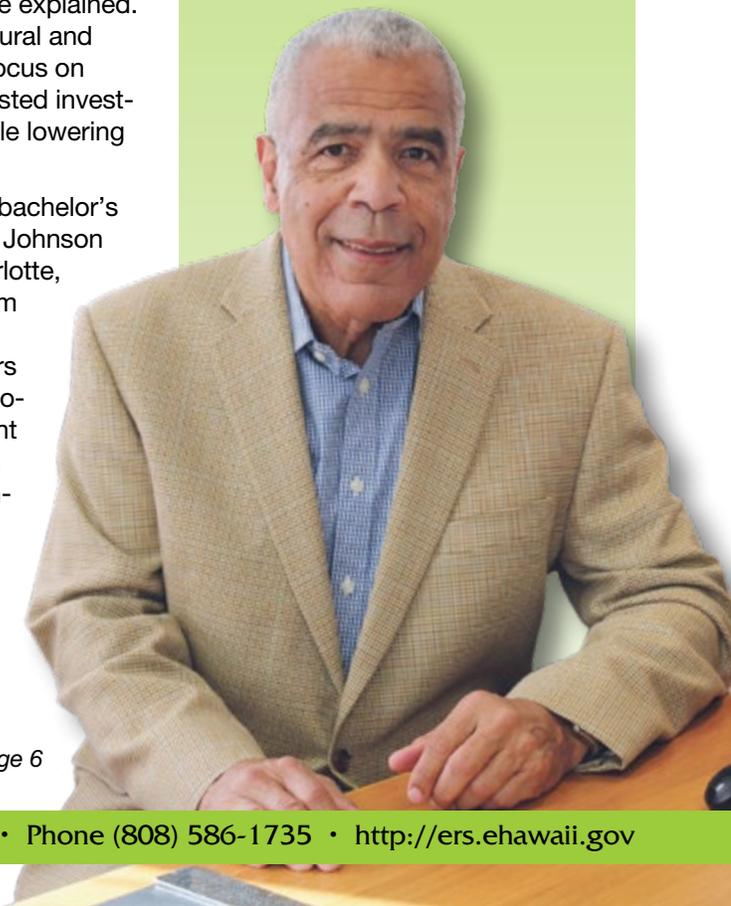
"Some of the necessary steps to move the system toward full funding have already been put in place – the creation of new benefit structures for new hires and mandated increases in employer contributions," he explained. "In addition to those structural and legislative changes, we'll focus on delivering strong, risk-adjusted investment returns over time while lowering our overall risk profile."

Williams, who holds a bachelor's degree in Economics from Johnson C. Smith University in Charlotte, N.C., and a law degree from Rutgers University in New Jersey, served the Teachers Insurance and Annuity Association – College Retirement Equities Fund for 25 years. He started as an institutional consultant in 1976 and became vice president and general manager of its western operations in 2000. The fund is currently valued at \$866 billion.

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A Message from Thomas Williams

First of all, let me say I am excited to be here. Moving to a new job in a new state does require a lot of learning and information gathering on my part. As I continue to settle in, my priorities for the ERS will focus on increasing our strength and service quality to provide you with a superior experience.

Strong Communications

An effective leader needs strong communication skills and outreach to all parties with an interest in the system. In the coming months, we'll be conducting a survey to learn what matters to you.

I realize, however, that surveys oftentimes cannot replace one-to-one, interpersonal communications for a good and clear understanding of your concerns or observations. So I look forward to meeting as many people as I can across our constituencies.

Sustainable Contribution Levels

The formula that establishes the ERS contribution level is a complex interplay of our members' ages, salaries and years of service. We look at each individual and roll it up with the thousands of employees participating each year. The result is a number, a contribution level, which is maintained on a level basis each year to give predictability to the employer and employees who make contributions. While the amount needed does float month to month and year to year, the level established is intended to hit our target over time.

Attainment of Full Funding

Generally, pension funds take a long-term perspective. As it relates to investment results, you typically look at a market cycle, which is variously between three and eight years. Current actuarial valuation and plan assumptions would lead to full funding in 26 years. This is well below the 30-year target established by the Legislature.

One also has to recognize that progress toward desired goals moves more or less quickly depending on the environment you're in. I'm told Hawaii represents an environment in which things move more slowly, and I accept that. At the same time, I think it's important we not miss the opportunity to address any issues facing the system that could delay our achievement of full funding.

Improved Service Delivery

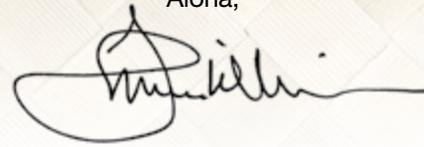
I am appreciative of what's come before and where we are now. It represents for me a base from which to grow. The ERS employees are dedicated. They're capable, and they're our most important resource in terms of achieving the longer-term goals we have for enhanced service delivery to our members. However, our infrastructure is wanting in a fairly substantial way. Our technological infrastructure requires rebuilding, and our human capital requires greater investment.

Maintaining our service to participants and retirees requires continual investment and improvement. We can't rest on our laurels. If we can improve our information gathering and retention and make that available across the enterprise, then we can enhance our service, lower our response time and improve the quality of information we give to our members.

When people have worked and contributed over their lifetimes, they should have every expectation that we're

going to be here to help them with the difficult and complex retirement decisions they have to make. I want them to know that when they call and ask for information, that information is going to be provided quickly and accurately. We need to invest in the ERS if we're going to have an equal or greater impact going forward.

Aloha,



Report from Vijoy Chattergy, Chief Investment Officer

Aloha Kākou.

Gaps are interesting phenomena that are often overlooked in everyday life. If you happen to be taking the London Tube (subway), there are signs that admonish commuters to "Mind the Gap", meaning please watch your step or you could find yourself falling through the "puka" between the end of the platform and the entrance to the train. In the 1950s, the alleged "Missile Gap" helped ignite the build-up of U.S. military weapons capability to help contain our Superpower nemesis. In many cases, gaps are identified with alarm, particularly if you were not previously aware of the "unfilled space or break in continuity" (Internet definition).

In the world of investment management, gaps are also overlooked by many, except the most sophisticated investors. For investors a "gap" is known as a "spread." Most observers of investment conditions will ask where interest rates are. For example, we might want to know what is the Federal Reserve's target interest rate (the Fed funds rate) for borrowing by depository institutions. Or, what is the 30-year fixed mortgage interest rate today?

While these numbers are important for decision-making and market perceptions, savvy traders and investors are more interested in the gap or spread between two or more interest rates. For example, a trader may focus on the spread between the quoted interest rates of U.S. government two-year Treasury bonds and 5-year Treasury bonds. Is the difference moving closer together or further apart? Knowing this will inform trading decisions.

The ERS Investment Office does not trade bonds directly, so there is less immediate need to watch daily bond spreads. However, spreads can indicate the potential future performance of the portfolio. The spread between "high yield" and "high grade" corporate bonds (i.e., CCC Corp. Yield/AAA Corp Yield) is an important relationship that helps to inform us if the ERS investment portfolio is likely to be increasing in value over the coming months. A narrowing of the spread between "high yield" and "high grade" bond interest rates indicates positive returns while a widening indicates possible losses ahead.

No single measure can fully predict future returns. Nevertheless, the staff has noted that toward the end of 2015, "high yield" spreads have widened, which if sustained could mean the ERS portfolio is probably going to face challenging markets in the early part of 2016. However, conditions could change rapidly, and this is not a short-term tactical forecast. The Investment Office will continue to "mind the gap" for the prudent and conservative management of the retirement portfolio.

Chairwoman Lee Loy Bids Aloha & Mahalo

*Out through the fields and the woods
And over the walls I have wended;
I have climbed the hills of view
And looked at the world, and descended;
I have come by the highway home,
And lo, it is ended...*

*Ah, when to the heart of man
Was it ever less than a treason
To go with the drift of things,
To yield with a grace to reason,
And bow and accept the end
Of a love or a season?*

This excerpt from Robert Frost's poem, titled "Reluctance," sums up my emotions as I wind down my incredible journey of 46 years as a third-generation public school teacher at Aliamanu Middle School and the 24 years I've served as teacher trustee on the ERS Board of Trustees. On January 2, my term with the ERS ended, and although I look forward to new pursuits, I also look back upon wonderful memories of working with the dedicated staff at the ERS and helping tens of thousands of members fulfill their retirement goals.

Making our community stronger has been my lifelong passion. I have had the privilege of being a 7th and 8th grade English teacher. My students have gone on to become firefighters, police officers, doctors, lawyers, teachers and truck drivers with an occasional *kolohe* (rascal) who has been incarcerated. For the most part, they are good and industrious men and women who are functioning citizens of their communities.

My own journey began when I graduated 50 years ago from the Kamehameha Schools, which emphasized our need to be not just good and industrious men and women but servants in our community. This sense of altruism led me to join and serve in leadership roles in community organizations that included the Hawaii State Teachers' Association Board, Hawaii Education Association Board, Democratic Party, Hawaii Commission and National Commission on the Status of Women, Delta Kappa Gamma, Kamehameha Alumni Association, Hawaiian Civic Club of Honolulu, Honolulu Business and Professional Women's Club, and Central Union Church.

I would like to thank the University of Hawaii Professional Assembly who



endorsed my ERS board candidacy in 1991. I am humbled by the support of the employee unions that enabled me to be re-elected three times without opposition.

Public service is a legacy in my family. My mother, Marion, retired from Farrington High School and my father worked for the Department of Hawaiian Home Lands. My sister, Marylyn, is a retiree from the Bureau of Conveyances and my brother, Sam, is a retired firefighter. I also have relatives who are either retired from or currently work for the state or county. Together, they represent every department in government. So, for me, the beneficiaries of the ERS were never faceless, and it was very personal to ensure promised benefits were protected for every member.

I quickly learned to be prepared to

hear from relatives whenever an article appeared in the paper and not to be too sensitive when they asked, "What happened?" After I was first elected to the board, every Sunday paper from January until May included an article on the ERS. I learned that what members really want is transparency and the assurance of receiving their hard-earned benefits.

During my tenure as trustee, I served four executive directors – Stanley Siu, David Shimabukuro, Wesley Machida, and Thomas Williams. We worked diligently to change the funding method of the ERS, allow the ERS to keep all of its earnings, and not provide the employers with an offset over the actuarial yield to pay their contribution.

The ERS is now at a meaningful juncture. There is an ongoing restructuring of the portfolio to safeguard assets, implementation of a risk-based asset allocation, initiatives by our new executive director, and the beginning of a new legislative session. To ensure our constituencies are well served, the board needs to be vigilant and the staff must continue their frequently complimented competent and friendly service.

To all my colleagues on the board, the staff, the Medical Board and deputy attorneys general, and the team of consultants, money managers, and vendors for the system: *Malama pono. Kulia I ka nu'u. Onipa'a and Imua.* Care for things righteously. Strive for the top. Be steadfast and go forward.

Board Welcomes New Trustee Catherine K.Y. Chan, Ph.D.

At its December 14, 2015 board meeting, the Board of Trustees of the Employees' Retirement System (ERS) announced that Dr. Catherine K.Y. Chan was elected as the board's new teacher trustee. Her six-year term began on January 2, 2016.

Dr. Chan is a professor and chair of the Department of Natural Resources and Environmental Management at the University of Hawai'i at Mānoa. She has worked in four institutions with different retirement plans and, as an economist, scientist and administrator, seeks to ensure the ERS is economically sound, makes smart investment decisions, and develops equitable policies for their stakeholders. Dr. Chan said she thanks her supporters and looks forward to serving on the board.

The ERS Board of Trustees extends its congratulations and welcomes Trustee Chan to the board.

2016 Brown Bag Sessions

As we have received many positive comments on our Brown Bag Sessions, the ERS will continue to provide Brown Bag Sessions for our new and mid-career Oahu members. These sessions provide an opportunity for the participants to ask questions they may have regarding their retirement benefits.

Below is the schedule for the first half of 2016:

| DATES | RETIREMENT PLAN | TIME | LOCATION |
|-------------|-----------------|----------------------------|---|
| January 21 | Hybrid | 12:15 pm to 12:45 pm | City Financial Tower- ERS 201 Merchant Street Suite 1400 |
| February 18 | Noncontributory | | |
| March 10 | Hybrid | | |
| April 21 | Hybrid | | |
| May 12 | Noncontributory | | |
| June 9 | Contributory | | |
| June 28 | Hybrid | | |

To register, please call our office at 586-1735 at least one week prior to the scheduled workshop. Each session is limited to 35 members. On the day of the session, please report to the 14th floor in our building and staff will accompany you to the conference room. Feel free to bring your lunch, too. Limited parking is available in our building.

2016 Spring Filing Session Schedule

We have scheduled dates and times for our upcoming ERS counseling appointments for O'ahu members who are retiring between April 1, 2016 through November 1, 2016. Neighbor Island members may contact our island representatives for an appointment.

At the appointments, we will help you complete your retirement application, copy and return your proof documents, and provide counseling on your ERS pension benefits. Together, we will review your ERS Estimate Letter, which is based on your retirement date, your service and salary history and your proposed beneficiary. We will thoroughly explain the retirement options available and answer any questions you may have about beneficiary benefits, refunds of contributions (if applicable) and taxability of payments.

Recently, we had a number of members walking into our office without an appointment to file their retirement application. Members were unprepared to submit their documents and, as we did not have their ERS Estimate Letters prepared, we were not able to fully counsel members on their benefits. In many cases, members had to return to complete the application process. For this reason, we request that you schedule your appointment early so that we will have the time to review your records and have the Estimate Letter prepared for your appointment. We encourage our members to bring their spouse and/or significant other as well as their financial advisor to their filing appointment, if desired.

The upcoming session dates are listed below; appointment times are 8 a.m., 9:15 a.m., 10:30 a.m., 1 p.m., and 2:15 p.m. at the O'ahu ERS office:

| | |
|--|---|
| February 3, 5, 10, 12, 17, 19, 24, 26 | |
| March 2, 4, 16, 17, 18, 21, 22, 23, 24, 30 | 3/02/2016 = Last day to file for April 1 |
| April 1, 6, 8, 13, 15, 25, 26, 27, 28, 29 | 4/01/2016 = Last day to file for May 1 |
| May 2, 4, 11, 13, 18, 20, 25, 27, 31 | 5/02/2016 = Last day to file for June 1 |
| June 1 and 29 | 6/01/2016 = Last day to file for July 1 |
| July 1 | 7/01/2016 = Last day to file for August 1 |

Don't wait! Contact our office at (808) 586-1735 early to schedule your appointment. Popular appointment dates and times become more limited as the filing session approaches. You may also visit our website at <http://ers.ehawaii.gov> for more information on the appointment schedule under the Members>Retirement>Planning section.

Improved Security for ERS Member Information

When you access your member information later this January on the ERS website, you will notice added security features. In addition to entering your information (Last Name, Date of Birth, and Last 4 digits of your Social Security Number) you will now be asked to create an account by entering an email address and a password in order to log on. This change in access, creating an account through the Hawaii.gov website, provides greater security for the ERS online member information system.

For those active members who have yet to access ERS Member Information, this module provides you with your retirement plan, current retirement service credit and (if applicable) your accumulated retirement contributions. Your membership date (the date you became enrolled as a member with the ERS and started earning retirement service credits) is also available, and this date is required when using the Benefits Calculator for estimating your retirement benefits. Member Information has been updated with data as of mid-January.

Hawaii.gov is the official website of the State of Hawai'i and by having a Hawaii.gov account you will have access to over 110 web-based applications for the state and counties, including access to online sites for state birth certificates, tax filing and payments as well as motor vehicle registration renewals, and property tax and water bill payments for the counties. When using secure eHawaii.gov applications, such as ERS Member Information, users are required to update their password every three months as an increased security measure. When your password expires in three months, the system will automatically prompt you to change your password upon login.

ERS Member Information is accessible at: <http://ers.ehawaii.gov>

Attention Medicare Retirees as of December 31, 2015

- If your Medicare Part B premium is more than the standard \$104.90 per month, you must provide EUTF with a copy of the letter you and/or your dependent receives from the Social Security Administration (SSA) showing the premium you pay. EUTF will reimburse you the amount stated on the letter (less any penalties). If EUTF receives no letter from you from SSA, your reimbursement will be \$104.90 per month.
- If you received an income-adjusted Medicare Part B premium reimbursement from EUTF in 2015, your reimbursement will revert to the standard Medicare Part B premium (\$104.90 per month) reimbursement unless EUTF receives a copy of the letter you and/or your dependent receives from SSA showing you pay a higher amount.

Other EUTF Information for Active Employees and Retirees

Did you know?

- When going on authorized leave of absence without pay, workers' compensation or temporary disability insurance and you wish to continue your EUTF health plan coverages, you must pay your share of the premium to EUTF or you will be cancelled from plans and will not be able to re-enroll until the next open enrollment (OE). If you receive a partial paycheck and EUTF's full payroll deductions are not deducted, you must pay EUTF the balance or you will be cancelled from plans and may not be able to re-enroll until the next OE.
- When you divorce or legally separate (both active employees and retirees), your ex-spouse is no longer eligible to be covered under your plans. You are required to notify EUTF and cancel coverage within 30 days of the divorce or legal separation. Failure to timely notify EUTF may result in you having to pay any claims that were incurred by your ex-spouse.
- If you are covered under EUTF's plans as a survivor due to the death of your retiree husband, wife or partner and you remarry or enter into another partnership, you are no longer eligible for EUTF coverages. You must notify EUTF right away and disenroll in the plans. Failure to timely notify EUTF may result in you having to pay any claims you incurred from the date you re-marry or enter into another partnership.
- Medicare retirees enrolled in our HMSA retiree plans are not covered for routine physical exams. However, Medicare does cover yearly "Wellness" visits that include a review of your medical and family history, height, weight, blood pressure, other routine measurements, and detection of any cognitive impairment. You will also receive personalized health advice, a list of risk factors and treatment options for you, and a checklist of appropriate preventive services. Make an appointment with your doctor for your Medicare Wellness visit. There is no cost to you as long as your doctor accepts Medicare assignment.
- EUTF's medical plans have services available when you transition from the hospital to home. A description of these services, as well as a handy hospital discharge planning checklist, is available at EUTF's website at eutf.hawaii.gov.
- If you're a Medicare retiree looking for a doctor who takes Medicare patients you can visit <https://www.medicare.gov/physiciancompare> to find a doctor in your area. Make sure the doctor you select is in the HMSA or UHC network.
- Properly using your EUTF health insurance coverage can save you and your family hundreds or even thousands of dollars. Making simple, cost-effective decisions and being more aware of how to effectively use your benefits will also keep you healthy while saving you \$\$\$. Start using the following information today:
 - ◆ **Choose the best plan for your needs** – Not all plans are created equal. Just because a plan has the highest monthly premium, does not mean it will be the most cost efficient. Be sure to factor in the copayments/coinsurances, monthly premiums, out-of-pocket annual maximums, and your expected usage for the year before making any plan decisions. Every year open enrollment offers an opportunity to choose a plan that best suits your needs, which may change from year to year.
 - ◆ **Pick the right facility** – If you have a nagging cough, do not go the Emergency Room (ER). The ER should be reserved for serious emergency situations. If you have a non-emergency illness or injury, go to your regular doctor or an urgent care clinic. Other options include Kaiser or HMSA's online or telephonic care and clinics.
 - ◆ **Prescription Drugs** – There are a number of ways to save money on your prescription drug costs. Mail order is a cost efficient and convenient way to get your maintenance drugs. Additionally, ask your prescribing doctor if you can take a higher prescription dose of the same drug less often. For example, if you are taking a 40mg pill twice a day perhaps you could take an 80mg pill once a day. Also, ask your prescribing doctor if pill splitting is an option; for example, splitting an 80mg pill so that you can take half of the pill, 40mg, twice per day.
 - ◆ **Participating Providers** – Going to a non-par-

Continued on page 6

Thom *Continued from page 1*

"I don't think there's a question that I am driven and results oriented," said Williams. "My history has been one of strong accomplishment, and I believe the reason why I was selected by the board is the hope and expectation I can deliver some of those same results and accomplishments to our system."

"The challenges, in general, facing public pension plans are mirrored across the country. There are unique challenges attributable to each specific plan, but there's a level of overlap between them such that the experience and knowledge gained in one has some bearing and applicability to the others. So while Hawaii is unique in some respects, there are more similarities than there are differences."

"I believe the knowledge I've gathered over all these years has direct bearing on our sustainability. It's important for me to make sure all our stakeholders understand what we're doing and why it's so important, so we can increase our level of transparency as well as the level of support for our system."

"I don't feel like a placeholder whose responsibility is to oversee the status quo. If this system isn't operating more efficiently and effectively, and is not viewed more favorably by all the stakeholders during my tenure, then I won't have accomplished my job."



Ua 'Ike Anei Oukou Did You Know?

The average member age of our active membership is 47.8 years old, and the average service accrued by our active membership is 13.2 years of service.

2016 Pension Payment Schedule and Notices

| 15th | End of Month | Federal Income Tax Withholding: |
|--------|--------------|--|
| Jan 15 | Jan 29 | <p>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.</p> <p>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.</p> <p>Payment Date: Pension payments are paid on the 15th or the end of the month. If these dates fall on a weekend or a holiday, the payment date will be on the last business day prior to the weekend or holiday.</p> |
| Feb 12 | Feb 29 | |
| Mar 15 | Mar 31 | |
| Apr 15 | Apr 29 | |
| May 13 | May 31 | |
| Jun 15 | Jun 30 | |
| Jul 15 | Jul 29 | |
| Aug 15 | Aug 31 | |
| Sep 15 | Sep 30 | |
| Oct 14 | Oct 31 | |
| Nov 15 | Nov 30 | |
| Dec 15 | Dec 30 | |

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

EUTF *Continued from page 5*

icipating doctor can be, in some cases, more than twice as expensive as going to a participating provider. Seeing doctors in your network is an easy way to keep your costs low.

- ◆ **Discounts** – Most of our insurance carriers offer discounts on services, such as gym memberships, massage services, and educational classes. Be sure to ask your carriers about their various discount programs so you can start taking advantage of the money-saving opportunities they provide.
- ◆ **Preventative Care** – Getting regular preventative care is the best barometer of your health, and it may help you ward off potential big health issues. It is much easier, and far less costly, to prevent an illness than it is to cure one. Thanks to the Affordable Care Act, most preventative services are completely free of charge for our active employees and their dependents. Examples include: immunizations, routine physical exams, mammograms, and well baby visits. Retirees may receive immunizations at no charge.

Important: The EUTF is a separate organization from the ERS. If you have any questions about information in this article, please DO NOT contact the ERS. Please contact the EUTF directly at 586-7390 or toll-free at 1-800-295-0089, or email the EUTF at eutf@hawaii.gov. You can also visit their website for more information at www.eutf.hawaii.gov.

Year-end Tax Information

If you received benefits from the ERS during 2015, your 2015 Form 1099-R will be mailed to your home address by February 1, 2016 (January 31 falls on a Sunday). Reprint/duplicate Form 1099-R requests will only be processed after February 7, 2016 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; and 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.

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 2015, 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 (<https://www.irs.gov>), such as IRS Publication 575, Pension and Annuity Income, and the instructions for IRS Form 1040, U.S. Individual Income Tax Return.

How is the Form 1099-R 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 Hawai'i income tax. If you are living out-of-state, you should consult a qualified tax preparer regarding the tax laws in your area.

Your 2015 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 2015 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 2015.

Box 5 – Employee contributions/Designated Roth contributions or insurance premiums: The portion of

| Form 1099-R | | CORRECTED (if checked) | | OMB No. 1545-0119 | | 2015 | |
|--|--|--|--|--|--|--------------------|--|
| 1 Gross Distribution | | 2a Taxable Amount | | 2b Taxable Amount not determined | | Total distribution | |
| 26567.52 | | 26486.52 | | | | | |
| PAYER'S name, street address, city, state and ZIP code | | | | | | | |
| EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF HAWAII 201 MERCHANT ST SUITE 1400 HONOLULU, HI 96813-2980 | | | | | | | |
| PAYER'S federal identification number | | | | RECIPIENT'S identification number | | | |
| 99-6011493 | | | | XXX-XX-1234 | | | |
| 3 Capital gain (included in box 2a) | | 4 Federal income tax withheld | | 5 Employee contributions Designated Roth contributions or insurance premiums | | | |
| 0.00 | | 2664.66 | | 81.00 | | | |
| 6 Net unrealized appreciation in employer's securities | | 7 Distribution code(s) | | IRA/ SEP/ SIMPLE | | 8 Other | |
| | | 7 | | | | | |
| 9a Your percentage of total distribution | | | | 9b Total employee contributions | | | |
| | | | | | | | |
| RECIPIENT'S name, street address (including apt. no), city, state and ZIP code | | | | | | | |
| PENSIONER NAME ADDRESS | | | | | | | |
| Account number (see instructions) | | 10 Amount allocable to IRR within 5 years | | 11 1st year of desig. Roth contrib. | | | |
| 2015260479 | | | | | | | |
| 12 State tax withheld | | 13 State/Payer's state no | | 14 State distribution | | | |
| | | | | | | | |
| 15 Local tax withheld | | 16 Name of locality | | 17 Local distribution | | | |
| | | | | | | | |
| Copy 2 File this copy with your state, city or local income tax return, when required. | | | | | | | |
| Department of the Treasury Internal Revenue Service | | | | | | | |

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 Contributory or Hybrid retirees 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.

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

1—Early distribution, no known exception (in most cases, under age 59½). (Note certain distributions may be subject to an additional 10 percent 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.



Employees' Retirement System
of the State of Hawaii

*Working to fulfill
your retirement dreams...*

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



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Ask ERS Answers to some frequently asked questions:

Q: Why is the online information limited to total service and accumulated contributions? Why doesn't it include more specific, detailed information on my account?

A: The ERS' highest priority to the membership is to uphold the security and confidentiality of each member's information. The online information was the first step in providing our members with their account information. Expanding online information access is something the ERS continues to explore. As we review available options, we must proceed with caution to ensure our members' information is protected.

Q: Can I direct deposit my pension into a Trust account?

A: No. The law requires the ERS to pay individual members as primary account holders.

A Trust is not an individual; it is a separate legal entity.

Q: When my husband retired, I assumed that as his beneficiary, I was to receive 100 percent of his retirement benefit after his death. I notified you several months after he passed away and was subsequently notified that I needed to reimburse the ERS for his overpaid pension. He did not select the 100 percent survivor benefit option as I had thought. Why do I have to reimburse the ERS?

A: If there are overpayments of benefits due to a late notification of death, survivors must reimburse the ERS for the overpaid pension benefits. The ERS should be notified as soon as possible of a retiree's death, and survivors must submit a death certificate and formally claim for any survivor benefits payable.