

Snowfall on the slopes of Haleakala, Maui

SPRING 2019

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Employees' Retirement System  
of the State of Hawaii

# HOLOMUA

## RETIREES & ACTIVE MEMBERS

# 2019 Legislative Session and ERS Related Legislation

The 30th Hawaii State Legislature opened its 2019 session on January 16 and will continue through May 2 when the first year of the biennium will close.

During this session, the ERS's focus is on controlling its unfunded liability, raising its funded status and ensuring that ERS assets maintain and continue to grow in a volatile and unpredictable market. ERS's most recent actuarial valuation report as of June 30, 2018 prepared by ERS's actuaries Gabriel, Roeder, Smith and Company, stated that ERS assets had a market value of \$16.6 billion. The ERS's funding ratio is 55.5 percent (which reflects its assets to liabilities) and the System's funding period (to reach 100 percent full funding) is 25 years. The ERS's target investment rate of return is 7.0 percent, and during the fiscal year ending June 30, 2018, the System's return on market value was 7.9 percent. In order to continue its path to full funding, all actuarial assumptions, including legislated employee and employer contributions and assumed investment return, must be met. *(Note: See the report of ERS's Chief Investment Officer on page 3 for more information on returns.)*

Two of the bills introduced on behalf of the ERS during the 2019 legislative session, House Bill 981 and Senate Bill 1118, will help maintain and protect ERS members and beneficiaries by establishing a clear statutory basis for the recovery of overpaid benefits.

The present statutory authority for the ERS to recover overpayments would benefit from clarification. H.B. 981 and S.B. 1118 will amend Sections 88-6 and 88-106, HRS to strengthen the ERS's ability to recover overpayments by declaring overpayments to be debts due and owing to ERS, clarifying that overpayments are legally collectable. This will facilitate rulemaking for maximum recovery, the filing of legal collection actions and liens against real property of overpaid recipients, and the filing of claims against the estate of a deceased recipient.

This bill also provides the Board of Trustees

**The ERS's target investment rate of return is 7.0 percent, and during the fiscal year ending June 30, 2018, the System's return on market value was 7.9 percent.**



or the Executive Director of the Employees' Retirement System with discretion to waive the recovery of overpayments in cases of bona fide hardship or where the costs of recovery would exceed the amount expected to be recovered.

Primarily, overpayments of ERS benefits are the result of continued payments to deceased retirees and beneficiaries when the ERS is not notified about or unable to ascertain the death of recipients. As a defined benefit plan, the ERS provides lifetime benefits to its qualified members and beneficiaries – benefits which should cease upon the death of the recipient. Despite efforts made through the Department of Health and national and international data information queries, the ERS may not discover the death of a recipient until there has been a gross overpayment. The authority and enforcement proposed by H.B. 981 and S.B. 1118 will strengthen ERS's ability to pursue and recover benefits that should be retained and protected for the rightful members and beneficiaries of the System.

We will update you on the results of this legislative session in the next Holomua. More information on ERS-related and other legislation is available at the Hawaii State Legislature website at [www.capitol.hawaii.gov](http://www.capitol.hawaii.gov).

WORKING TO FULFILL YOUR RETIREMENT DREAMS.

# ERS Launches a Two-Year Internal Audit

In February 2019, the Board of Trustees awarded KMH LLP, a Honolulu accounting and business consulting firm, with a contract to perform an internal audit on the Employees' Retirement System. The purpose of an independent audit of the ERS is to identify areas in which ERS policies, procedures or controls are deficient, weak, or non-existent and to identify the potential impacts of such findings and make recommendations to address the deficiencies. In ERS's on-going endeavor for more transparency, accountability and

security, KMH's evaluation of the ERS will be extensive and comprehensive.

## The objectives of the audit are:

1. To determine whether the ERS's internal controls over financial and operating data and information are adequate, and effective to provide reasonable assurance that such data and information is accurate, reliable and secure.
2. To determine whether the ERS's internal controls comply with laws, regulations, contracts, policies, and procedures are adequate and effective to ensure that proper compliance actually occurs.
3. To determine whether the ERS's internal controls over assets provide reasonable assurance that assets exist and are properly safeguarded against loss or theft.
4. To determine whether controls over ERS operations provide reasonable assurance that resources are used efficiently and economically.
5. To determine whether controls over ERS operations and programs are effective to provide reasonable assurance that the operations and programs are being carried out as planned, and that the results of operations are consistent with the ERS's goals and objectives.
6. To identify where controls over ERS operations and programs are non-existent or lacking, and to assist the ERS in developing and documenting such controls.

Initially, KMH will review the areas of ERS's communications; benefit claims and refunds; employer communications and reporting; business continuity and disaster recovery; system back-up and recovery; and policy development. This audit, which will be comprised of several phases, is expected to be completed in 2021.

## Message from the Executive Director ERS Purpose and Profits

A widely recognized investor and respected business leader, Larry Fink, recently addressed the ERS Board of Trustees and shared his belief that an organization's purpose and its profits are inextricably linked. His perspective resonated with me. In ERS's case, our purpose is to provide lifetime income in retirement for our members and their beneficiaries. Our profits are the financial benefits we produce and deliver, as experienced and shared with and between all our various stakeholders.

As Chairman and CEO of BlackRock, the world's largest investment management company, Larry postulated his view that a clear understanding of an institution's purpose—whether a business or not-for-profit entity—leads to the development of vision and long-term strategies which ultimately enhance profitability. His view is that companies and their leaders must look

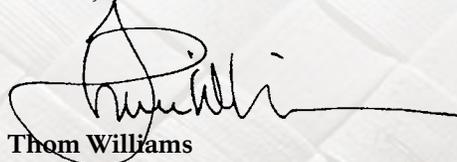
beyond the short-term, beyond mere immediate return to their shareholders but to the broader benefits to be derived on behalf of the community and society at large. One has the responsibility to pursue a greater good. A more expansive

definition of profit. As Executive Director of the ERS, I ascribe to that ethos.

Profits alone don't represent the full expression of a company's responsibility to its shareholders, its employees or the communities in which they reside. Mission, values and purpose represent more fully the reasons for their existence. Our stakeholders are our members, their families, employers, the citizens and taxpayers across our State. And, that's who we exist to serve. Our purpose is to provide economic security to our members which in turn translates into economic security for the communities in which they reside. Our profit is realized and our purpose is achieved as current and future retirees are allowed to retire in dignity with their incomes supporting our economy in good times and bad.

Our State and our nation will benefit as economic security in retirement is experienced more broadly across the spectrum of jobs and incomes. The receipt of basic benefits in retirement should not be viewed as an unfair economic advantage, rather it should represent mitigation of the most significant risks facing our society. They include growing income inequality and the massive lack of preparation by the overwhelming majority of Americans to support themselves in retirement.

Mahalo,



Thom Williams

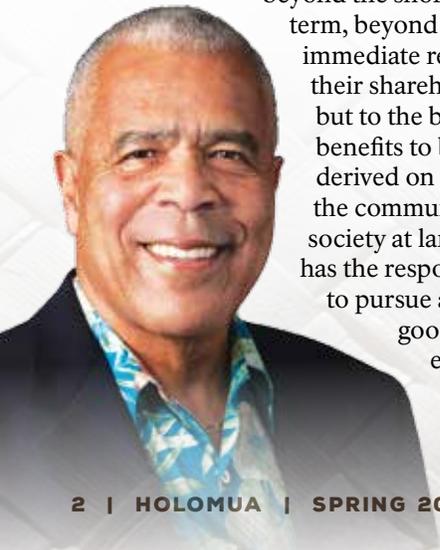
## Online Info Update

The ERS will update its website with member information as of May 2019.

The updated online information is for active members in the Contributory, Noncontributory 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.



# Report from Elizabeth T. Burton, CAIA, Chief Investment Officer

Aloha Kākou,

I have just completed one quarter as Chief Investment Officer at ERS—and what a quarter it was. Over the course of calendar year 2018 the markets pivoted away from the low-volatility, strong growth, mid-cycle environment to which investors had become accustomed. Most major asset classes (bonds, global equities, commodities) exhibited negative performance in 2018, but the fourth quarter was particularly challenging. Public equities—the major risk driver and return generator for most public pension plans, displayed their worst quarterly declines in nearly a decade.

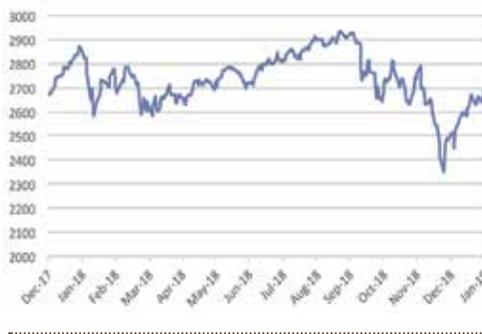
Through the end of 2018, the ERS portfolio returned negative 3.3 percent over the previous twelve months. In comparison, over the same time horizon, in public markets, global developed market equities lost 6.9 percent, emerging market equities lost negative 9.7 percent, and global bonds lost negative 1.2 percent. On a fiscal year-to-date basis (the six months of July 2018 through December 2018), the ERS portfolio returned negative 3.5 percent—with the poor performance attributable to the fourth quarter. Once again, our deliberate portfolio construction diversified the portfolio away from the public equity markets; our principal protection and real return portfolios were positive on both a calendar and fiscal year basis. Our crisis risk offset portfolio (which is designed for protection during an extreme negative equity shock, not sporadic negative volatility) was a performance detractor for 2018 on balance but contributed positive to performance in the fourth quarter, offsetting some of the equity exposure.

While our goal is always to achieve our target return, we must evaluate our performance in light of the markets. We substantially outperformed our public plan peer group over the most challenging quarter of the year, which is confirmation that our portfolio redesign is beginning to pay dividends. Our investment office was not surprised by the volatility; in fact, in this past Winter Holomua I commented, “While the first three quarters of 2018 have been strong for the portfolio, we expect the remainder of the year to be more challenging.” So, if we were not surprised, one might ask, why did we maintain our exposure to equities?

First and foremost, we are long-term investors and cannot let short-term events or emotions drive our decision-making

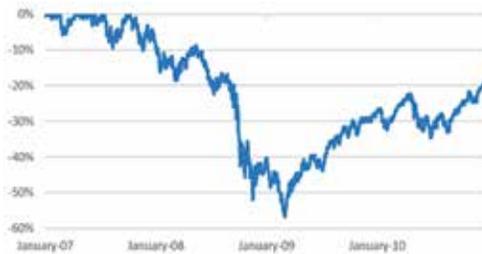
## S&P 500

TABLE 1 | Return 12/29/17-2/1/19 is 1.2%



## S&P 500 Drawdown

TABLE 2 | Daily Returns



process. This is why I strongly urge investors not to concentrate on daily, weekly, monthly or even quarterly returns. In fact, while the last year has been a bumpy ride for stocks, the market is essentially flat over a one-year period as I write this (see Table 1). This underscores the point that staying the course is usually the best action. Our investment process is allocated based on returns over a market cycle—“market cycle” is a bit ambiguous but effectively it is anywhere from five to twenty years. Therefore, when evaluating market performance we should not think about what happened last month but what has happened over the last cycle (5-20 years) and what we would expect to happen over coming cycles.

Second, market timing is very challenging. Identifying exit (asset selling) points in and of itself is difficult, but equally challenging is determining re-entry points (asset buying). Consider, for example, the global financial crisis (GFC). While most investors today identify September 15, 2009 as the nadir for the crisis, problems had been brewing since early 2007. A look at Table 2 above highlights that picking an exit point would have been challenging—there was no clear ex-ante “bottom.” Similarly, there was no clear re-entry point. Ideally, for one who would have bought in 2009 there was no

identifiable trigger that signaled the exact moment to put the chips back in.

Third, any asset allocation strategy is only effective if you are committed to it. While it is important to digest market information and changing conditions, and reposition slightly as necessary, asset allocation built on sound economic fundamentals will stand the test of time—if you let it. Despite the risks of a bear market, it is critical that pension funds maintain equity exposure as, historically, stocks have the highest long-term returns of all investments. To achieve our 7.0 percent target rate of return we must maintain measured exposure to markets with higher expected rates of return.

We cannot control the markets. In difficult periods like this—where the enemy is also our best friend—we should focus on what we can control. We can control our asset allocation (which I already mentioned should stay somewhat stable), we can control where we devote our time (research, diligence), and we can control our costs. With respect to asset allocation, we will be focusing on investments that should perform in periods of declining growth (bonds, managed futures, commodities, and cash). On the research side, we will be focusing on those areas as well but will likely also spend time on evaluating our liquidity needs as a payor of benefits weighed against our ability as long-term investors to harvest the liquidity premium in private markets. We will also spend considerable time on diversifying investments that can add return without dramatically increasing risk, reviewing macro information and indicators to help inform our tactical decision tilts and examining our portfolio efficiency. Finally, with respect to costs—this has been and continues to be an ongoing effort of our staff. In 2018 our internal staff saved \$13 million by aggressively reducing fees across our portfolio. While reducing expenses is challenging in any market, it is particularly challenging when our external money managers are faced with reduced return expectations for the foreseeable future. Fee reduction directly impacts their bottom line. It is incredible and laudable that our talented staff was able to accomplish such a feat for the benefit of our portfolio. This is only one of the many benefits of a dedicated and seasoned internal investment staff.

Thank you for allowing me to serve you as your Chief Investment Officer. Once again, I am honored by the opportunity.

Mahalo,  
**Elizabeth T. Burton, CAIA**  
*Chief Investment Officer*

# ERS Investments: Focused on the Long Term

As a result of the floundering market during the 2018 October to December quarter, the Employees' Retirement System's (ERS) assets declined by more than \$1 billion and now face an uphill battle to reach the July to June fiscal-year investment target.

## FOR ACTIVE & RETIREES

Dec. 31 resulting in a reduction of 3.5 percent at the midway point of its fiscal year, according to a February report presented

to ERS trustees by Portland, Ore.-based Pension Consulting Alliance LLC.

The ERS targets an annual seven percent assumed rate of return to help cover its financial obligations to current and former employees.

"The markets are notoriously unpredictable, especially in the short term," said ERS Executive Director Thom Williams. "Achieving our seven percent assumed investment return for the fiscal year appears at risk as of this moment. Significant moves up or down can occur at any time. We will see what the markets deliver over the next few months, but we remain steadfastly

The ERS reported a 5.9 percent investment loss in the quarter ended

focused on the long term."

ERS assets in addition to investment returns—affected by benefit distributions, contributions and expenses—ended the quarter at \$15.8 billion after starting the period Oct. 1 with a market value of \$16.9 billion. It was the first time that assets declined in a quarter by more than \$1 billion since the quarter that ended Sept. 30, 2011.

"That drop (in 2011) included \$125 million of benefit payments in excess of contributions, so not all of the drop was due to performance," Chief Investment Officer Elizabeth Burton said. "There are also times when we increase assets by almost a billion a quarter, for example in September 2016."

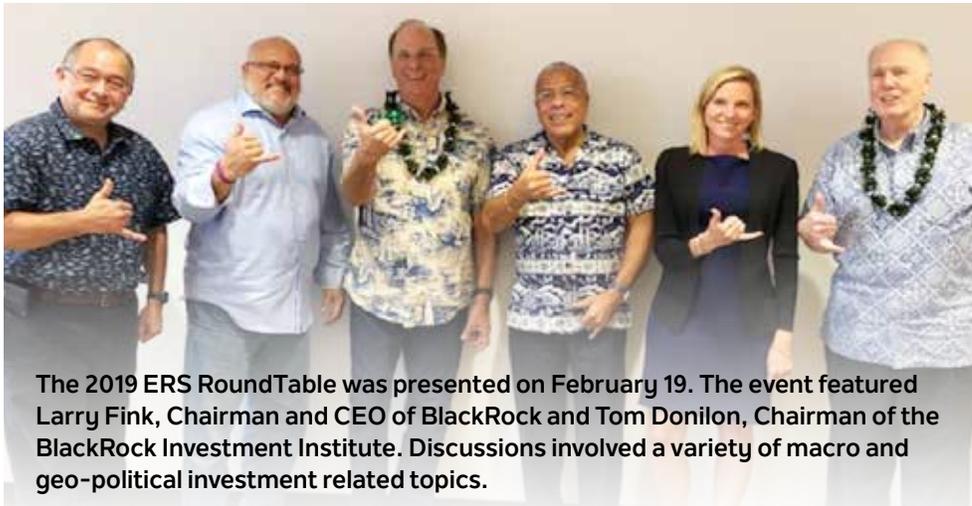
Last quarter there were benefit payments of \$78.2 million in excess of contributions.

"Our portfolio lost 5.88 percent—a disappointing figure but considerably better than the broader stock market, which speaks to our portfolio diversification," Burton said. "Our use of alternative strategies (private markets, crisis risk offset, etc.) improved our performance relative to peers who do not allocate to alternatives, some of whom experienced larger negative performance. We do not expect positive performance when equities crater. However, we do expect our diversified exposure to provide downside protection, which it did."

Williams said beneficiaries should not worry, as the purpose of the 2012 comprehensive pension reforms was to eventually eliminate the unfunded liability. Lawmakers also passed legislation in 2017 to close funding shortfalls that were created partly due to existing unfunded liabilities, retirees living longer and lower projected investment returns. Those pension reforms include increased contributions from employers, which are based on a percentage of an employee's pay. The higher payments will reduce the ERS's unfunded liability in future years. Williams said the shortfall is expected to keep increasing for the near term until the higher contributions take hold.

"Declines such as we have experienced have to be put into context," he said. "For a given percentage decline the nominal effect appears greater the larger your portfolio while the relative percentage remains the same. We don't get to experience the up periods in the markets without enduring some of the downs."

"Unfortunately, we cannot predict the market returns over the next few months," Burton confirms. "We do not expect to achieve our 7.0 percent target return every year. We design our asset allocation so we can aim for the 7.0 percent over the long-term."



The 2019 ERS RoundTable was presented on February 19. The event featured Larry Fink, Chairman and CEO of BlackRock and Tom Donilon, Chairman of the BlackRock Investment Institute. Discussions involved a variety of macro and geo-political investment related topics.

Pictured are L-R: Vince Barfield, ERS Investment Committee Chair, Emmit Kane, ERS Board Chair, Larry Fink, Thom Williams, ERS Executive Director, Elizabeth Burton, ERS Chief Investment Officer, Tom Donilon.

## ACTIVE MEMBERS

## ERS Brown Bag Sessions

As a reminder, there are two more remaining Brown Bag session for the first half of 2019:

DATE	RETIREMENT PLAN	DID YOU KNOW
Tuesday, April 2	Contributory	There are 17 potential retirement options to select from when you retire.
Thursday, April 18	Hybrid - Tier 2	Mandatory contributions of 8 percent are deducted from your salary each pay period.

All sessions are held from 11:30 am to 12:30 pm at ERS in the City Financial Tower, Suite 1400 (14th floor). Please register to attend a session by calling our office at 586-1735 at least one week prior to the session. Each session is limited to forty (40) members. There is also limited validated parking in our building. Feel free to bring your lunch, too! For our upcoming fall Brown Bag sessions schedule, check out our next issue of *Holomua*.

# Tax information follow-up

If you received benefits from the ERS during 2018, your 2018 Form 1099-R was mailed to your home address by January 31, 2019. For foreign persons, your 2018 Form 1042-S was mailed to your home address by February 28, 2019. If you haven't received

## RETIRED MEMBERS

your form, please call our office to request a reprint. Please allow at least one week for mail delivery to a U.S. address and two weeks for delivery to a foreign address. If your address has changed, please provide us with your new address when requesting a duplicate form.

For those who received benefits from ERS during 2018 due to either a service-connected (work related) disability or death, an Annual Nonreportable Benefit Notice was mailed to your home address by February 28, 2019. This notice applies to the portion of your pension benefits that are considered payments in the nature of workers' compensation and, therefore, excludable from gross income under Internal Revenue Code (IRC) Section 104(a)(1). If a portion of your benefits are taxable, you should have received a 2018 Form 1099-R by January 31, 2019.

For more information you may want to review:

- the Retiree FAQ section of the ERS website <http://ers.hawaii.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

To change the amount of federal taxes withheld in 2019, please complete Form W-4P, Withholding Certificate for Pension or Annuity Payments. This form is available under the Retirees>>Pension Forms section of our website, or you may call our office to have the form mailed to you. Form W-4P may also be obtained from the IRS or downloaded from the IRS website. For Form W-4P to be valid, enter your name, address, full social security number, withholding election, and sign and date the form. Please also include your phone number and retirement date on the bottom of the form. Allow 4 to 6 weeks for the change to be effective and refer to the tax withholding tables for the approximate federal income taxes to be withheld.

## UA 'IKE ANEI 'OUKOU? DID YOU KNOW?

*Did you know that an ERS member who retires at age 65 has a retirement life expectancy of between 22 and 27 years?*

# Trustee Election Scheduled for 2019

Two elected Board of Trustee positions for the Employees' Retirement System will be open as of January 2, 2020. An election to fill them will be held this Fall.

The Board of Trustees, the governing body of the ERS, is comprised of eight members, four who are elected by the membership: two general employees, a teacher and a retiree. Of the four, one general employee and the retiree position will be open for election. The other four positions of the eight-member board are appointed by the Governor: three are citizens of the State of Hawaii (one who is an officer of a bank authorized to do business in the State or a person of similar experience), and the fourth is the State Director of Finance who is an ex-officio member by statute.

Nominations for trustee positions may be proposed by employee organizations with members in the ERS. An individual may also be included in the trustee election by the submittal to the board of a petition with signatures of at least one

**Our expected ballot mail out will be in September of 2019.**

hundred members or retirees of the System who desire to have the nominee's name on the ballot.

As these elections are conducted by mail-in ballots, please ensure that the ERS has your most current address.

- Active members may update mailing addresses through the personnel offices of your respective departments.
- Retirees and terminated vested members may have mailing addresses updated directly with the ERS. Please refer to the ERS website at [ers.hawaii.gov](http://ers.hawaii.gov) and locate the ERS-211 Mailing Address Change form found under: Retirees > Pension Forms.

Our expected ballot mail out will be in September of 2019. Your active member address corrections and updates should be submitted to your departments by the end of April. For retirees, please submit your address change forms to the ERS by April 2019.

## 2019 Spring/Summer Filing Sessions

For Oahu members, we would like to remind you that appointments are filling up quickly for our Spring/Summer Filing Sessions. **If you plan to retire on May 1, June 1, July 1, or August 1 of 2019, you must file your application by the deadline indicated**

**below in the "notable dates" section.** If you have not already done so, contact our office at (808) 586-1735 to schedule your appointment. Appointment times are 8am, 9:15am, 10:30am, 1pm, and 2:15pm. Below are the dates for the remaining filing sessions.

FILING SESSION DATES	NOTABLE DATES
April: 1, 5, 10, 12, 16, 17, 24, 26, 30	April 1 = Last day to file for May 1
May: 1, 2, 10, 15, 17, 23, 29, 30, 31	May 2 = Last day to file for June 1 May 31 = Last day to file for July 1
June: 5, 13, 19, 20, 21, 26, 27, 28	
July 2	July 2 = Last day to file for August 1

For Neighbor Island members, please contact our staff on your island directly for an appointment.

## Open Enrollment

The Open Enrollment period for all EUTF Active Employee Health and Life Insurance plans, including HSTA VB plans, will be from April 1, 2019 through April 30, 2019.

Now is the time when you should stop and think about health coverage for yourself and your family and determine which plan will best meet your needs for the new plan year (July 1, 2019 through June 30, 2020). Open Enrollment is your only opportunity to make changes without a qualifying event during the plan year such as needing to enroll a new dependent due to marriage or birth. EC-1/EC-1H enrollment forms must be submitted to your employer's open enrollment designee by April 30, 2019.

Here are some important dates to remember:

- **Open Enrollment election period: April 1, 2019 through April 30, 2019**
- **Rate changes effective: July 1, 2019**
- **Plan period: July 1, 2019 through June 30, 2020**

Visit EUTF's website at [eutf.hawaii.gov](http://eutf.hawaii.gov) to review the 2019 Active Employee Reference Guide and for a schedule of Open Enrollment Informational Sessions. At these Informational Sessions, the EUTF and the insurance carriers will provide information on changes to the plans as well as tips on what to consider in selecting the right plan for you and your family, and how to better utilize your EUTF health benefits.

## EUTF and HSTA VB HMSA Medical Plan

### Changes Effective July 1, 2019

- Advance care planning will be covered at 100 percent in-network (not subject to the 75/25 deductible) and standard plan benefits\* out-of-network for EUTF and HSTA VB plans.
- Genetic counseling will be added at standard plan benefits\* in-network and out-of-network for EUTF and HSTA VB plans.
- The Annual Preventive Health Exam will replace the Routine Physical Exam and will be covered at 100 percent in-network and out-of-network (not subject to the deductible) for EUTF plans.
- Chlamydia and gonorrhea screenings for men will be added at 100 percent in-network (not subject to the 75/25 deductible) and the same plan benefits as provided for women\* out-of-network for EUTF and HSTA VB plans.
- The Diabetes Prevention Program will be added at 100 percent in-network and limited to once per lifetime for HSTA VB plans. This was previously added to the EUTF

plans July 1, 2018. For more information on the program, go to [hmsa.com/eutf](http://hmsa.com/eutf), click Member Resources, and Diabetes prevention for active employees.

- The Ornish Lifestyle Medicine™ program (formerly Dr. Ornish's Program for Reversing Heart Disease®) will be added at \$20 per session in-network and limited to once per lifetime for HSTA VB plans. This was previously added to the EUTF plans January 1, 2016.
- A supportive care benefit will be added at 100 percent in-network, limited to 90 calendar days in a 12-month period, for HSTA VB plans. This was previously added to the EUTF plans effective July 1, 2017.

\* For more information about your coinsurance or copayment, see your *HMSA Guide to Benefits*.

## EUTF CVS Prescription Drug Plan

### Changes Effective July 1, 2019

• Two-Trial Step Therapy will be added requiring members to try two generic medications before certain brand-name medications will be covered for the following drug classes:

1. ACE/ARB (treats high blood pressure),
2. COX 2 Inhibitors/NSAIDS (treats pain),
3. Proton Pump Inhibitors (treats acid reflux), and
4. Urinary Antispasmodics (treats urinary incontinence).

Existing members in the ACE/ARB and COX 2 Inhibitors/NSAIDS drug classes will not be required to try a second generic.

- The 75/25 PPO drug plan calendar year maximum out-of-pocket (MOOP) will increase from \$2,350/\$4,700 (individual/family) to \$2,900/\$5,800.
- The specialty calendar year MOOP will increase from \$2,000 to \$2,500.
- The specialty drug coinsurance will change from 20 percent (up to \$250 per fill) to the following tiered specialty drug copayments:

1. Specialty generic: 10 percent (up to \$200 per fill)
2. Specialty preferred brand: 20 percent (up to \$300 per fill)
3. Specialty non-preferred brand: 30 percent (up to \$400 per fill)

## EUTF and HSTA VB Active and Early Retiree Kaiser Permanente Plan

### Changes Effective July 1, 2019

EUTF and HSTA VB active and early retiree Kaiser Permanente members

with pre-diabetes can partner with a lifestyle coach and develop a plan to help you manage your condition and prevent diabetes. This plan is based on your readiness and may include one-on-one health coaching, Kaiser Permanente Clinician-led classes\*, meeting with a dietitian\*, and/or referral to a facility-based (through YMCAs of Oahu and Maui) and/or digital-based (through Omada) intensive Diabetes Prevention Program. Contact a Kaiser Permanente lifestyle coach at 1-808-432-2260 to get started.

\* Some classes/services may incur a copayment.

## HDS Dental Plan

### Changes Effective July 1, 2019

Total Health Plus—a supplemental set of benefits that provides coverage at 100 percent for additional cleanings and/or fluoride treatments for high risk patients with medical conditions or diagnosis of diabetes, cancer (including oral cancer), Sjogren's Syndrome, stroke, heart attack, congestive heart failure, kidney failure, organ transplants, and pregnancy—will be added.

## VSP Vision Plan

### Changes Effective July 1, 2019

- Standard progressive lenses (no-line multi-focal lenses) will be covered at 100 percent for VSP providers, excluding any lens option add-ons.
- Wal-Mart and Sam's Club have been added to the VSP Network.
- A frame benefit of \$120 will be available at all VSP Providers (including Costco, Wal-Mart, and Sam's Club).

## Securian Life Insurance Plan

### Has Been Added as the Life Insurance Provider Effective July 1, 2019

Securian Financial, an affiliate of Minnesota Life Insurance Company, will be the group life insurance provider, effective July 1, 2019. The life insurance benefit for active employees under age 65 will change from \$41,116 to \$38,505. Benefits will be reduced after age 65.

The accelerated death benefit, which allows a terminally ill participant with a life expectancy of 12 months or less to request early payment of life insurance benefits, will change from 75 percent to 100 percent.

If you wish to keep your current beneficiary designation, no action is needed. After July 1, 2019, Securian will be sending you a letter with instructions on how to view and update your designation online.

If you have any questions regarding these benefit changes, please contact HMSA (Oahu 948-6499 or toll free 1-800-776-4672), Kaiser (Oahu 432-5955 or toll free 1-800-966-5955), CVS (toll free 1-855-801-8263), HDS (Oahu 529-9310 or toll free 1-866-702-3883), VSP (toll free 1-800-877-7195), or Securian (Oahu 536-9890 or toll free 1-877-291-8466).

## EUTF Supplemental Medical and Prescription Drug Plan

Administered by HMA

Submitting your claim online may expedite the time it takes to receive your reimbursement. Simply go to [www.hma-hi.com/eutf](http://www.hma-hi.com/eutf) and click "Submit a Claim". Complete the EUTF Online Claim Form and upload the required documents as indicated in the instructions (e.g. Explanation of Benefits (EOB) from your primary medical plan or pharmacy receipts for all prescription drug reimbursements).

If you have any questions regarding filing a claim online, please contact HMA (Oahu 951-4643 or toll free 1-866-437-1992).

## Medicare Part B Premium Reimbursements for 2019

If your and/or your spouse's Medicare Part B quarterly premium reimbursement in March 2019 is equal to \$406.50 per

### FOR RETIREES

person, you and/or your spouse are being reimbursed the standard Medicare Part B premium of \$135.50 per person per month. If your and/or your spouse's March 2019 Medicare Part B premium reimbursement is less than \$406.50 per person but should be equal to or greater, you must submit a copy of your 2019 Social Security Administration (SSA) letter or invoice indicating your Medicare Part B premium to receive the correct reimbursement from the EUTF; otherwise, you will continually be reimbursed the lower amount.

If your and/or your spouse's Medicare

Part B premium for 2019 is an amount greater than the standard amount of \$135.50, you must provide EUTF with a copy of your and/or your spouse's SSA letter indicating your Medicare Part B premium to receive the correct reimbursement from the EUTF. Members who pay an income-related monthly adjusted amount have up to two (2) years to submit a copy of their SSA letter or invoice in order to receive the income adjustments above the standard premium. If the EUTF reimburses you an amount which is more than what you are paying, you will be subject to collection of the overpayment and it may affect future reimbursements.



## Prevention What You Need to Know!

### HMSA preventive screenings for your good health and well-being!

Preventive care is a great way to take care of your health and can help you stop a major health problem before it starts. As an HMSA EUTF member, your health plan benefits encourage you to see your primary care physician,

so you can talk to your doctor to find out if you're due for any preventive screenings or immunizations to help you stay healthy. When seeing an HMSA participating provider, these benefits are available to you at little to no cost. For more information, contact your doctor or see your *HMSA Guide to Benefits* at [hmsa.com/eutf](http://hmsa.com/eutf).

### Kaiser is committed to early detection and timely treatment of disease!

Prevention is about staying healthy and preventing or delaying disease. Kaiser encourages you to stay on a healthy track by following basic preventive care guidelines and getting recommended medical screening tests and immunizations. Talk to your personal physician to create a prevention plan based on your individual needs and visit Kaiser at [kp.org/prevention](http://kp.org/prevention).

### Visit the NEW HawaiiDentalService.com and HDS member portal!

Hawaii Dental Service (HDS) is pleased to announce the launch of their newly redesigned [HawaiiDentalService.com](http://HawaiiDentalService.com)! Not only is the site easier to navigate, but also has more information that helps you better manage your oral health – access your EUTF plan information at [HawaiiDentalService.com/eutf](http://HawaiiDentalService.com/eutf). Other site features include: Find a Dentist Search Tool, member forms and brochures, oral health and wellness resource library, and an enhanced member portal with benefits dashboard, claims history, and more!

### Keep your sight sharp at every age!

Just like the rest of our bodies, our eyes have different needs as we age. 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)

## Ever Wonder Who is Responsible for Your Benefits?

The EUTF Board of Trustees, comprised of five employer and five employee representative trustees, are responsible in accordance with Chapter 87A, Hawaii Revised Statutes. This entails deciding

what and how many plans to offer; what the deductibles, copayments, coinsurance and annual maximum out-of-pocket amounts are; what procedures and benefits to cover; what carriers (e.g. HMSA, Kaiser, CVS, HDS and VSP) to hire to provide the services and what to negotiate in terms of premium amounts with the carriers. Such responsibilities are not taken lightly by the EUTF Board, who meet monthly to make these decisions with the assistance of staff and a benefits consultant.

One item that the EUTF Board is not responsible for is the amount that the State and counties contribute to your health premiums. For active employees that are part of a union, your employer contribution is collectively bargained. For retirees, your employer contribution is determined by Chapter 87A, Hawaii Revised Statutes and can only be changed for new retirees through legislative action.

## 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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#### Elizabeth T. Burton

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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 & Lāna'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.ehawaii.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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## Ask ERS

### Answers to some frequently asked questions:

**Q: After many years of receiving a small federal tax refund, I found that I owed taxes on my retirement income including my ERS retirement pension. I would like to avoid this situation this year. How do I increase my federal tax withholding?**

*A: New laws were implemented under federal tax reforms of 2018. There are lower tax rates and changes to the income thresholds at which these rates apply and, in addition, there have been changes for married joint and single tax filers. Please consult with your tax advisor and if you wish to change your federal tax withholding for 2019, complete Form W-4P, Withholding Certificate for Pension or Annuity Payments. Refer to the tax information follow-up article in this Holomua. Form W-4P is available on our website: <http://ers.ehawaii.gov> under Retirees > Pension Forms or you may call one of our offices to have the form mailed to you. After submitting Form W-4P, please allow 4 to 6 weeks for the withholding change to be made to your pension.*

**Q: I recently received a request to verify or re-submit my personal information from my financial institution and realized that it was bogus. I'd heard on the news that Hawaii has the largest population of seniors who are targeted by elder scams. How do I verify a request that originates from the ERS?**

*A: It's both a fortunate and unfortunate circumstance that Hawaii has the largest population of seniors in the nation – fortunate that we live in a place that is beneficial to longevity, but unfortunate in that scammers have a greater pool of potential victims to exploit. Awareness and skepticism are the first steps to avoid being scammed, and your concern reflects the ERS's security concerns as well. There are many types of scams – official-appearing correspondence, emailed requests for verification (as you described above), bogus "checks" payable to you with a caveat of reimbursement to the sender, etc. If you should receive a phone call, email or correspondence from someone claiming to be from the ERS requesting personal or financial information, please feel free to contact our offices directly. You may refer to the contact information on our Holomua newsletter for our Oahu and neighbor island offices to verify any requests received from our office.*