

# HOLOMUA

RETIREES & ACTIVE MEMBERS

SPRING 2021

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Employees' Retirement System  
of the State of Hawaii

Report from Elizabeth T. Burton, CAIA  
Chief Investment Officer

## ERS continues to deliver value

Aloha Kākou,  
To say calendar year 2020 was one for the record books would not be hyperbole. In many ways the year broke records. In a market context, three of the largest daily percentage losses in the S&P 500's history occurred in March 2020, as did two of its largest daily percentage gains.

Despite the whipsaws and uncertainty, the Employees' Retirement System portfolio performed extremely well. Through Dec. 31, 2020, the portfolio exceeded our 7% return target across all time periods and outperformed portfolio-level benchmarks, both on gross and net of fee bases.

In 2020 we added \$1.5 billion in assets through our investment office.<sup>1</sup> The value of our internal investment staff is clear. In each of the last three years, manager selection has contributed positively to return – accounting for 72% of outperformance over the benchmark during the trailing three years. Over the same three years, and over the last year, both the Broad Growth bucket (generally, investments tied to U.S.

economic growth) and the Diversifying bucket experienced positive manager selection, with standout performance in public growth, real assets, and diversifying strategies. This performance reinforces our staff's strong ability to source the market for the best opportunities, and our performance has demonstrated our skill in selecting top tier investments for the Plan.

Broadly, equity markets ended the year with substantial gains despite a precipitous drop in the first quarter. Commodities and real estate suffered throughout the year due to global lockdowns. Chart 1 of the S&P 500<sup>2</sup> (see page 4) demonstrates what a wild ride it was. From Feb. 19, 2020 to March 24, 2020, the S&P 500 lost 33.65% of its value – or 90% annualized. However, from March 24, 2020 to December 31, 2020 the same index gained 67.5% – or 95% annualized.

Keep in mind, it is easy to call the bottom of the market in hindsight

but nearly impossible in foresight. It is also important to realize how much the markets had to recover from their lows to end the year positive. As an example, assume an investor had invested \$100 in U.S. equities on Feb. 18. On Feb. 19, the market drops and the \$100 loses 50% of its value – meaning only \$50 is left. That investor would have to realize a gain of 100% to just return to the starting place, or to become whole at \$100.<sup>3</sup> Although in aggregate the year looks rosy, as we all know it could not have been more challenging given the hole from which investors had to dig out.

*continued on page 4*



	5Y	3Y	1Y	FY July-Dec 2020
Hawaii ERS Portfolio	9.11	7.28	10.39	14.8
Benchmark Return	8.13	6.36	8.91	13.38
Excess Return <sup>1</sup>	0.98	0.92	1.47	1.42



# Message from the Executive Director

## Fossil Fuels: Divestment or Engagement?

We are not alone in choosing the “engagement” strategy as opposed to divestment. Through our membership in the Principles for Responsible Investment (PRI), we have partnered with more than 2,800 other global investors – representing over \$83 trillion in assets – who have elected this course as preferable to divestment. Joining with others, we are able to punch above our weight class.

I compare the choice between divestment and engagement to that of walking away or electing to face a complex and dangerous issue head on. Divestment is tantamount to walking away while yelling, “Fire!” Engagement represents an effort to extinguish the flames and to preserve what remains. We don’t seek the destruction of the oil and gas industry, rather we seek its transformation. Many traditional energy companies are leading the development and change to new, clean renewable energy sources. We are capable of identifying those that are transitioning and those that are not.

We are supportive of Governor Ige’s effort to transition our state’s energy consumption

away from fossil fuels and toward renewable energy. We have attempted to align our investments with that goal while maintaining the primacy of member interests. We have deliberately lowered our exposure to fossil fuel investments, year by year, to where they now represent less than 17/100 of 1% of our public investments.

We respect the views of those advocating divestment but have elected a course that we deem more appropriate and effective for us in the long run. A course that permits us to optimize investment return and support the global shift toward renewable energy, and yet permits us to uphold our obligation to place our members’ interest first.

Mahalo,

**Thomas Williams**

A shared recognition of the enormous threats posed by global warming and climate change has resulted in investors choosing between two major investment-themed strategies intended to reduce the emission of carbon dioxide (CO<sub>2</sub>) in the atmosphere, “divestment” and “engagement.”

Divestment typically involves mandatory exit from traditional energy-related investments over a prescribed timeframe, generally five years. Extensive portfolio analysis and reporting requirements generally apply. Engagement involves exerting concerted pressure from stockholders, generally institutional investors like ourselves, intended to shift energy company policy, practice and behavior away from “dirty” energy production and toward “clean” energy. The sale of an energy company’s stock remains an option if it is deemed unresponsive.

Having considered the limits and merits of each strategy, we have elected “engagement” in combination with a conscious and corresponding reduction in our exposure to fossil fuel companies over time. This occurs in parallel with our increased investment in renewable, clean energy production methods.

This approach has the advantage of avoiding negative impacts to our investment return while lowering overall portfolio risk. Secondly, we are able to drive the transition toward renewable energy production and consumption.

As fiduciaries, we must make each investment decision with the best interest of our members and their beneficiaries at the fore. The evaluation of environmental, social and governance (ESG) matters, to the extent they are incorporated, must be subsidiary to the investment objective and never, from a fiduciary perspective, supplant or place at risk achievement of the former.



### ERS executive director interviewed by Hawaii Public Radio

Hawaii Public Radio’s program “The Conversation” interviewed Executive Director Thomas Williams of the Employees’ Retirement System earlier this year on a wide range of topics, including the impact of COVID-19 and an increase in applications for retirement. The interview was released on Jan. 4.

“The Conversation” interview with Williams, conducted by Catherine Cruz, can be accessed in its entirety at: <https://www.hawaiipublicradio.org/post/conversation-hawaii-employees-retirement-system-government-workers-exodus#stream/0>. The link is also available under the News and Updates section of the ERS website (<http://ers.hawaii.gov>).

# Legislature considering ERS bills

The 31st Hawaii State Legislature opened on Jan. 20, and after 55 session days will close on April 29. Due to the COVID-19 pandemic, the State Capitol remains closed to the public, and all legislative proceedings are conducted using online videoconferencing platforms and broadcasted as live-streams on YouTube or televised on 'Ōlelo Community Media.

Four administrative bills, each introduced in the House and Senate on behalf of the Employees' Retirement System (ERS), are under consideration this session. If these proposals sound familiar, they were introduced during the 2020 legislative session that was abruptly suspended last March at the start of the pandemic. In addition to some "housekeeping" amendments, the fundamental purpose of these bills is to reduce the unfunded liability of the ERS, and to ensure that ERS benefits are protected and sustained for present and future members and beneficiaries. Your Board of Trustees strongly supports these bills.



**Executive Director Thomas Williams testifies before the House of Representatives committee on Labor & Tourism during the Hawaii legislative session.**

## House Bill (H.B.) 928/Senate Bill (S.B.) 1082, Relating to the Employees' Retirement System

Clarifies the definition of "compensation" for retirement benefit computation purposes and to ensure that retirement benefits are computed fairly and equitably for all public employees to facilitate employer reporting of compensation on a consistent and more accurate basis. This bill seeks to provide common employer-reporting pay definitions by which all employees' retirement benefits will be computed fairly and equitably. (Effective: December 31, 2021)

## H.B. 929/S.B. 1083, Relating to Qualified Domestic Relations Orders

Clarifies specific benefit- and processing-related details to facilitate its implementation and to provide transparency to ERS members, retirants, beneficiaries, and alternate payees regarding Hawaii Domestic Relations Orders, which the ERS implemented on July 1, 2020. (Effective: Upon approval)

## H.B. 930/S.B. 1084, Relating to Employees' Retirement System Investments

Identifies certain specific types of alternative investment fund information, the disclosure of which would likely put the ERS at a competitive disadvantage, and therefore exempts such categories of information from disclosure under Chapter 92F open records provisions. (Effective: Upon approval)

## H.B. 931/S.B. 1085, Relating to Employees' Retirement System Benefits

Clarifies the requirements of service-connected disability retirement and accidental death benefits of the ERS by defining the components and conditions of factors on which an accident is defined. This clarification of definitions and requirements will reinforce the legislative intent of these benefits and will reduce future increases to the unfunded liability of the ERS incurred by the approval of unwarranted benefits. (Effective: Upon approval)

Holomua will provide an update on these bills in the Summer 2021 issue. These bills and other legislation may be reviewed on the Hawaii State Legislature website at <http://www.capitol.hawaii.gov>.

## Retirements rise in 2020

The total number of ERS members retiring was up in the last three months of 2020 compared to the same period in 2019. For the year, the ERS retired 200 more people in 2020 than in 2019.

Retirement*	October	November	December**	Year Total
2020	178	141	935	2,510
2019	118	131	840	2,310

\* Includes service and disability retirements

\*\* December totals include Dec. 1 and Dec. 31 retirements

# ERS continues to deliver value

continued from page 1

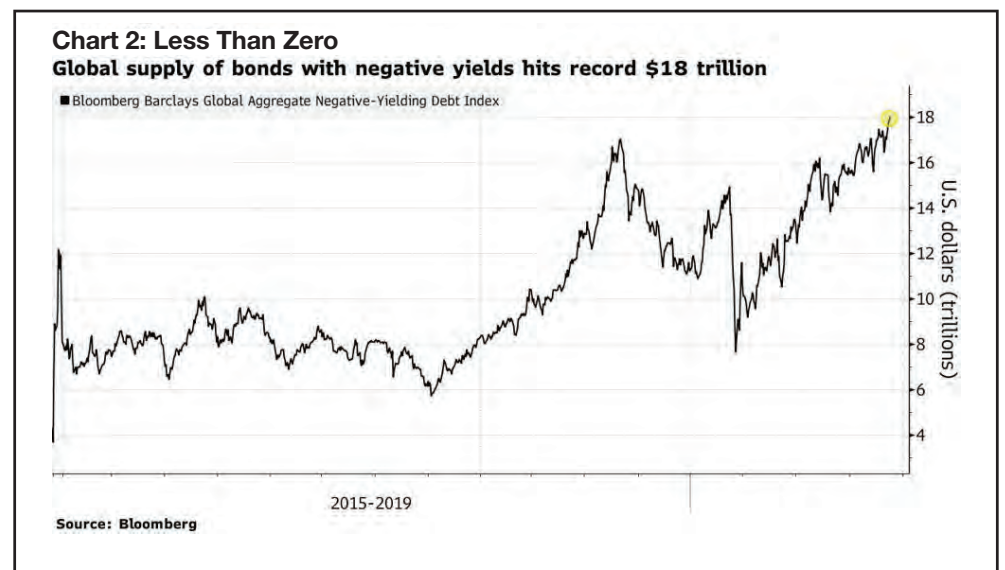
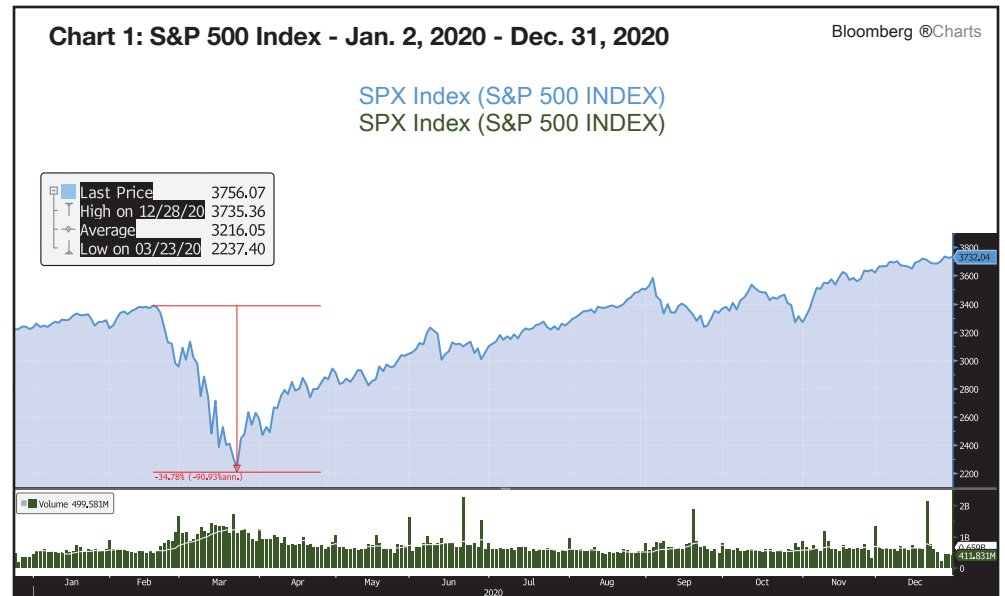
Despite our historical success, there are several challenges we acknowledge as we look ahead.

First, fixed income investing is more challenging with over \$18 trillion of negative-yield debt globally (Chart 2). Stated another way, 27% of global bond markets trade at yields below zero.<sup>4</sup>

This makes static, traditional fixed income portfolios far less compelling. In the past, fixed income portfolios could expect 4%-5% annual yield in mostly government (safer, core) bonds. Today, you would need to allocate to investment grade and high yield to achieve such a return, which is certainly outside the traditional definition of “core” fixed income portfolios. However, a return closer to 2% currently for those same portfolios that used to yield 4%-5% is only a mere fraction of the 7% that the Hawaii pension fund targets. The role of fixed income as not only a return generator but also a diversifier to equities is now more challenged, although rates could always move lower or negative.

Second, public equity returns have been buoyed by declining rates (dropping the discount rate), tax cuts, and globalization, management buybacks and – more recently – retail euphoria. These tailwinds are unlikely to continue; we are likely to see tax increases, deglobalization, increasing rates (more likely than decreasing, in the least), and increasing debt burden. In fact, there is a greater chance of a downturn in equity markets – a bear market rather than a bull market – moving out past 2021/2022.

To address these concerns we have two main focuses. First, we must continue to diversify. Second, we must invest in the more complex private markets that require more staff expertise but also offer greater risk/reward profiles. We have mentioned both efforts in past issues of Holomua. Our private equity portfolio has an internal rate of return of 11.3% since inception versus a public market equivalent return of just 6.7%. We have been diligently rebalancing the portfolio around these themes for the past five years. As mentioned above, our



diversifiers provided the support needed in the first quarter last year and helped us to retain portfolio value and liquidity during a time when some institutional investors were forced to “borrow” from more illiquid parts of their portfolio to meet liquidity needs.

We also remain focused on keeping our fees low. Each year we commission an annual fee review from Meketa Investment Group. In 2019 the report summarized the following:

*“Meketa’s review finds that ERS’s public market managers are providing the ERS with comparable, if not the lowest, fee structure*

*for accounts of similar size and managed in the same structure and with similar objectives.”* In our private market investments, our internal team has had strong success reducing fees and working as diligently as possible on new opportunities to secure any additional discounts. We leave no stone unturned – alpha (outperformance) can be found in both returns and fee advantages.

As always, thank you for allowing me and the investment staff to safeguard your retirement.

Mahalo,  
Elizabeth Burton, CAIA, MBA  
Chief Investment Officer

<sup>1</sup> Gross of fees

<sup>2</sup> The S&P 500 is a globally recognized stock market index that measures the stock price performance of the 500 largest companies listed on stock exchanges in the United States.

<sup>3</sup> \$50 \* (1+100%) = \$100

<sup>4</sup> The premium paid is less than the amount earned in interest.



## Reminder to report address changes

Members, retirees, beneficiaries and alternate payees should report any address updates to ensure timely receipt of mailings from the Employees' Retirement System (ERS).

The procedures for updating mailing addresses with the ERS are as follows:

- **Active members:** Contact the personnel office of your respective department.

- **Retirees, inactive members, beneficiaries and alternate payees:** Contact our office or submit a completed Form ERS-211, Mailing Address Change, to our office. The Mailing Address Change form is on our website at <https://ers.hawaii.gov> (Resources>All Forms >General>ERS-211 Mailing Address Change).

The ERS will be mailing ballots for a Board of Trustees election later in 2021. Address updates should be completed by April 2021.

Other mailings from the ERS include quarterly Holomua newsletters, ERS correspondence, annual July pension statements, and Form 1099-R tax statements for those receiving benefits from the ERS.

### Online information update

The ERS has updated its website with member information through January 2021. 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.hawaii.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.

## Tax information follow-up for benefits received in 2020

If you received benefits from the ERS during 2020, your Form 1099-R was mailed to your address on file by Jan. 31. For foreign persons, your 2020 Form 1042-S was mailed to your address on file by Feb. 28. If you haven't received your form, call our office to request a reprint. Allow at least a week for mail delivery to a U.S. address and two weeks for delivery to a foreign address. If your address has changed, provide us with your new address when requesting a duplicate form.

For those who received benefits from the ERS during 2020 for either a service-connected (work-related) disability or death, an Annual Nonreportable Benefit Notice was mailed to your address on file by Jan. 31. This notice applies to the portion of your pension benefits that are considered payments for workers' compensation and, therefore, excludable from gross income under Internal Revenue Code (IRC) Section 104(a)(1). If a portion of your benefits is taxable, you should have received a 2020 Form 1099-R by Jan. 31.

For more information, 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, or the instructions for IRS Form 1040 U.S. Individual Income Tax Return.

To change the amount of federal taxes withheld in 2021, 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 ERS 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 4-6 weeks for the change to be effective. Refer to the tax withholding tables for the approximate federal income taxes to be withheld.

**FOR ACTIVE EMPLOYEES**

**Open Enrollment**

The Open Enrollment period for all EUTF Active Employee Health and Life Insurance plans, including HSTA VB plans, is April 1-30, 2021.

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, 2021 through June 30, 2022). Open Enrollment is your only opportunity to make changes without a qualifying event during the plan year (e.g., marriage and birth). EC-1/EC-1H enrollment forms must be submitted to your employer’s Open Enrollment designee by April 30, 2021.

Here are some important dates to remember:

- Open Enrollment election period ..... April 1-30, 2021
- Rate changes effective ..... July 1, 2021
- Plan period ..... July 1, 2021 through June 30, 2022

The EUTF will be hosting virtual open enrollment fairs in place of in-person informational sessions. You can attend virtually from your laptop, tablet or PC!

At the virtual fair, you will be able to:

- Attend a live webinar presentation by an EUTF representative
- Watch on-demand video presentations from HMSA, Kaiser Permanente, CVS Caremark, HMA, HDS, VSP, and Securian
- Learn about benefit and premium changes

On the day of the fair, go to [eutf.hawaii.gov/learning-center](http://eutf.hawaii.gov/learning-center) and click on “Active Employee Open Enrollment Fair.” You’ll be able to view on-demand video presentations from the EUTF and the insurance carriers and attend an EUTF live webinar. Visit EUTF’s website at [eutf.hawaii.gov](http://eutf.hawaii.gov) to review the 2021 Active Employee Reference Guide and find dates and times of Open Enrollment Informational

Sessions. For the best experience, use an up-to-date version of Google Chrome (preferred), Safari or Firefox from a desktop or laptop computer.

**Pre-Retirement Health Benefits Webinars**

Attend a Pre-Retirement Health Benefits Webinar and learn about the EUTF retiree health insurance benefits. It’s never too early to start planning for your future. Whether you plan to retire in a few months or a few years, join us for a 60-minute presentation to learn about applying for your EUTF retiree health insurance benefits. Topics covered will include:

- Dependent eligibility
- Health plan options
- Medicare
- Differences between active employee and retiree plans
- Completing the EC-2 enrollment form
- Premiums and contributions
- Making changes to your plans

To access the webinar, go to [eutf.hawaii.gov](http://eutf.hawaii.gov) on the day of the event and select “Learning Center” in the menu bar. Click the “Webinar” tab and select the desired webinar. Registration is not required.

**Webinar Schedule**

Date	Time
3/29/2021	10:00-11:00 am, 11:30 am-12:30 pm
5/4/2021	
5/26/2021	
6/10/2021	
6/22/2021	

**FOR RETIREES**

**Suspension of Employer Retiree Prefunding Contributions**

Governor Ige’s tenth emergency proclamation on July 17, 2020 suspended the state and counties’ required prefunding contributions to retiree healthcare benefits for fiscal year 2021. Additionally, if it passes and becomes law, Senate Bill 1087 (SB1087) will suspend these prefunding contributions for another four years through June 30, 2025.

It is important to remember that even if there is a five-year suspension of prefunding contributions, the state and counties are still required by law to pay current retiree health premiums. More importantly, similar to ERS pensions, retiree health benefits are protected by the State Constitution. No emergency proclamation or legislative bill can eliminate or reduce your retiree health benefits.

**Medicare Part B Premium Reimbursements for 2021**

If your (and/or your spouse’s) March 2021 quarterly Medicare Part B premium reimbursement was **less** than the standard \$148.50 per month (\$445.50 per quarter) but should be greater, submit a copy of your 2021 Social Security Administration (SSA) letter indicating your Medicare Part B premium.

If your (and/or your spouse’s) 2021 Medicare Part B premium is **greater** than the standard \$148.50 per month, provide EUTF with a copy of your SSA letter or Centers for Medicare and Medicaid Services (CMS) invoice indicating your Medicare Part B premium. Members have up to two years to submit a copy of their SSA letter or CMS invoice to receive this higher amount.

Please submit your SSA letter or CMS invoice to: [EUTF, 201 Merchant Street, Suite 1700, Honolulu, HI 96813](mailto:EUTF, 201 Merchant Street, Suite 1700, Honolulu, HI 96813).

If the EUTF overpays you for any reason, you must return the overpayment to the EUTF. Failure to do so will affect future reimbursements.

**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)

## FOR ACTIVE EMPLOYEES & RETIREES

### Benefit Plan Changes Effective July 1, 2021 (unless otherwise noted)

#### HMSA Medical Plans

- Excluded the bariatric surgery out-of-network benefit for the EUTF 75/25 active plan.
- Subjected out-of-network mammography screenings to the deductible for the EUTF PPO active plans.
- Added the Medical Nutrition Therapy benefit at standard in-network and out-of-network coverage to the HSTA VB active plans.
- Increased the member cost share from \$20 per session to the plan's standard in-network coinsurance (e.g., 10% of eligible charge under the 90/10 plan) and narrowed the eligibility criteria for the Ornish Lifestyle Medicine™ program under the EUTF and HSTA VB active and retiree plans (effective January 1, 2022). To enroll, members will need to meet CMS eligibility requirements.

If you have any questions, call HMSA at 948-6499 (Oahu) or toll free 1-800-776-4672 (Neighbor Islands).

#### Kaiser Permanente Medical and Prescription Drug Plans

- Increased the member copayment from \$10 to \$20 for basic laboratory tests and general imaging under the EUTF Standard active plan.
- Ended the facility-based Diabetes Prevention Program (effective December 31, 2020) under the EUTF and HSTA VB active and non-Medicare retiree plans.
- Applied a \$0 copayment for the following preventive screenings and lab tests for members diagnosed with specific chronic conditions under the EUTF and HSTA VB active and retiree plans (effective January 1, 2021):
  1. A1c testing and retinopathy screening for individuals diagnosed with diabetes
  2. LDL (low-density lipoprotein) testing for individuals diagnosed with heart disease
  3. INR (international normalized ratio) testing for individuals diagnosed with liver disease and/or bleeding disorders

If you have any questions, call Kaiser Permanente at 432-5250 (Oahu) or toll free 1-844-276-6628.

#### CVS Prescription Drug Plans

- Added 100% coverage of Exemestane 25mg and Anastrozole 1mg for women 35 years or older, when verified that the medication is used for breast cancer prevention under the EUTF and HSTA VB active plans. Members must use an exception process to validate preventive use.
- Updated the coordination of benefits for members who have EUTF active plan coverage as secondary coverage. Copayment may change depending upon primary coverage.
- Increased the maximum out-of-pocket (MOOP) for the EUTF 75/25 plan from \$2,900/\$5,800 (individual/family) to \$3,150/\$6,300 (effective January 1, 2021).
- Excluded Glumetza (Metformin ER modified-release tablets), Formet (Metformin ER osmotic tablets), and their respective generic formulations from EUTF active plans (effective January 1, 2021).

If you have any questions, call CVS toll free at 1-855-801-8263.

### COVID-19 Coverage

For the latest updates on coverage of COVID-19 related services, visit [eutf.hawaii.gov/eutf-covid-19-coverage/](http://eutf.hawaii.gov/eutf-covid-19-coverage/).

### Preventive Care

#### Preventive Health Screenings for HMSA Members

Preventive care is always important, but even more so during a pandemic. With HMSA, getting preventive care is easy because your health plan includes an annual preventive health evaluation (EUTF actives) or physical exam (HSTA VB actives and retirees and EUTF retirees) at no cost when you see a primary care provider (PCP) in HMSA's network. You'll have the chance to get new health problems diagnosed, update screenings and immunizations, and save money on long-term health costs.

Even a small amount of time spent on prevention can yield significant health rewards. Visit your PCP to determine what screenings are right for you. If you want to see which screenings your doctor may recommend, review the [personal screening checklist](#) for your age group on HMSA's EUTF portal.

Looking for a PCP? Use the [Find a Doctor tool](#) or call 948-6499 on Oahu or 1-800-776-4672 toll free on the Neighbor Islands.

#### Preventive Health Services for Kaiser Permanente Members

Staying healthy is more important than ever. Take charge of your health by staying current on preventive care visits, screenings and immunizations.

A screening is important because the sooner your doctor diagnoses a disease, the more likely it can be cured or managed. Getting recommended screening tests regularly may find breast, cervical and colorectal (colon) cancers early, when treatment is likely to work best. Talk with your doctor about your screening results and when and how often you should be screened. Based on your personal health information, your doctor can work with you to create an action plan to protect your health and monitor ongoing conditions.

If you've been delaying care or have not connected with your doctor in the past year, contact us at [kp.org](http://kp.org) and choose from the many convenient ways to get care online, by phone or in-person.

If you need help choosing the care that's right for you, call us 24/7:  
Oahu: **808-432-2000** Maui/Molokai/Lanai: **808-243-6000**  
Kauai: **808-246-5600** Hawaii Island: **808-334-4400**  
TTY: 711

#### A Healthy Smile Can Lower Your Risk of Disease

Did you know brushing, flossing and seeing your dentist twice a year can lower your risk for diabetes and heart disease? Schedule a visit with your dentist and stay healthy! Your Hawaii Dental Service (HDS) plan covers 100% of two exams and cleanings per year. Live Well, Smile More. Access your account online at [hawaiidentalsservice.com/EUTF](http://hawaiidentalsservice.com/EUTF).

#### Your Eye Health Matters

Even if you have 20/20 vision, it's important to see an eye doctor every year for an eye exam. For a \$10.00 co-pay you receive a comprehensive eye exam. Your eye doctor will get a view of your overall health by looking for signs of eye health problems and other health conditions. Plus, you can discuss day-to-day concerns, such as digital eye strain or age-related vision loss. Need an eye doctor? Visit [vsp.com/eye-doctor](http://vsp.com/eye-doctor) to find the in-network doctor right for you.



Employees' Retirement System  
of the State of Hawaii

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

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Deputy Executive Director

#### Elizabeth T. Burton

Chief Investment Officer

#### 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/Medicare  
reimbursements**

Monday-Friday: 7:45am-4:30pm  
(Except State Holidays)

(808) 586-7390;

Toll-free: 1 (800) 295-0089

email at [eutf@hawaii.gov](mailto:eutf@hawaii.gov),

or mail: 201 Merchant Street,  
Suite 1700

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SPRING 2021

**HOLOMUA**  
RETIREES & ACTIVE MEMBERS

## Ask ERS

### Answers to some frequently asked questions

*The following is a correction and clarification to a question in Ask ERS in the Winter 2020 edition of Holomua.*

**Q: How does the CARES Act apply to distributions from the ERS?**

*A: Because the ERS is a defined benefit pension plan, the CARES Act did not permit the ERS to make special distributions (or withdrawals) available to ERS members while they were employed. See IRS Notice 2020-50 (first full paragraph on page 8). However, retirees and members who received normal distributions in 2020 and were adversely affected by COVID-19 may be eligible to elect favorable tax treatment (e.g., inclusion in income over 3 years and no 10% penalty tax for early distributions) when they file their individual income tax returns for 2020. Please refer to IRS Form 8915-E and your personal tax advisor/preparer.*

**Q: How do I know if my "High-Three" or "High-Five" salary will be used in the calculation of my retirement benefit?**

*A: The "High-Three," or the three highest 12-month periods of gross pay during an employee's work history, will be used in determining the average final compensation (AFC) for members who have ERS membership dates prior to July 1, 2012. For those with membership dates after June 30, 2012, the "High-Five," the five highest 12-month periods of base pay will be used. For membership dates prior to January 1, 1971, the AFC is the average of the three highest 12-month periods of earnings excluding any lump sum vacation pay, or the five highest 12-month periods of earnings including lump sum vacation pay, whichever is greater.*

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

*A total of \$1.8 billion in defined benefit pension distributions (ERS and others) was paid to Hawaii residents in 2018, according to a 2021 "Pensionomics" report from the National Institute on Retirement Security. Retirees' expenditures from these benefits supported \$2.3 billion in total economic output in the state. Retirees' initial expenditures supported 13,028 jobs that paid \$683.4 million in wages and salaries in Hawaii.*