

EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF HAWAII

Procedures For Tax Shelter Institutions* to Transfer Funds from 403(b) and 457 Plans For the Purchase of Service Credit

(February 2021)

* Refers to 403(b) Tax Shelter Annuity Agents, Tax Deferred Annuity Service Providers and 457 Third Party Administrators

EMPLOYEES' RETIREMENT SYSTEM

Transfer of Funds from 403(b) Plans [Tax Shelter Annuity or Tax Deferred Annuity] and 457 Plans [Deferred Compensation] for the Purchase of Service Credit [Transfer to 401(a) Defined Benefit Plan]

PROCEDURES

These procedures and sample forms are intended for use by the 403(b) Tax Shelter Annuity Agents, Tax Deferred Annuity Service Providers and 457 Third Party Administrators. Please do not distribute the sample forms or banking information to our members.

1. Member requests to purchase service credit by submitting appropriate forms to the ERS
2. ERS provides the Member with **Form ERS-26 (2/2021)** that provides the purchase amount
3. Member transmits the completed Form *ERS-26* and Attachment A to the Tax Shelter Institution* (TSI), if the Member elects to purchase his/her service credits using 403(b) or 457 funds (item 2 of Form *ERS-26*)
4. TSI processes the Member's request (in accordance with TSI's processing procedures, e.g. funds liquidation and transfer forms, approval of applicable forms with government agency, if applicable)

Funds transferred must be received in the ERS' bank account within 60 days of the date indicated on Form *ERS-26* **and** prior to the Member's retirement. Wire transfer of funds is recommended. If payment is made by check, make check payable to the Employees' Retirement System.

5. Five days prior to the transfer of funds, the TSI will send the following via facsimile transmission to the ERS:
 - a. A completed facsimile transmission form, attached
 - b. A completed Form *ERS-26* for each of the Members listed on the facsimile form
 - c. For each individual payment provide a breakdown of the Pre-Tax and Post-Tax amounts
 - d. The total amount on the facsimile form must equal the total of the individual Form *ERS-26s*
6. ERS will send a confirmation of receipt of funds to the Member

See attached for ERS contact and wire information

* Tax Shelter Institution refers to 403(b) Tax Shelter Annuity Agents, Tax Deferred Annuity Service Providers and 457 Deferred Compensation Plan Administrators.

EMPLOYEES' RETIREMENT SYSTEM
Instructions/Assistance for 403(b) & 457 plans listed below

Transfer of Funds from 403(b) Plans *[Tax Shelter Annuity or Tax Deferred Annuity]*
and 457 Plans *[Deferred Compensation]*
for the Purchase of Service Credit
[Transfer to 401(a) Defined Benefit Plan]

ERS CONTACT AND WIRE INSTRUCTIONS

Assistance on Purchase of Service or Retirement Benefits:

Call Center: (808) 586-1735

Cash Management Section Contacts for Transfer of Funds Instructions Only:

Virgie Jaralba	Account Clerk	(808) 586-1718	Email: virgie.jaralba@hawaii.gov
Shiori Pang	Accountant	(808) 586-1730	Email: shiori.pang@hawaii.gov
Thanh Vo	Accountant	(808) 586-1724	Email: thanh.vo@hawaii.gov
Debra Nakamura	Accountant	(808) 586-1721	Email: debra.nakamura@hawaii.gov
	Facsimile Ph #:	(808) 586-2882	

Wire Instructions for TSI:

Tax Shelter Institutions (TSI) should request for instructions through e-mail to all Cash Management Section personnel listed above.

Five days prior to the transfer of funds, the TSI will send the following via facsimile transmission to the ERS:

- a. A completed facsimile transmission form certifying funds to be transferred to the Employees' Retirement System of the State of Hawaii are eligible for transfer from a plan qualified under Sections 403(b) or 457 of the Internal Revenue Code with the understanding that the funds will be used to purchase service credit as determined by the Retirement System
- b. A completed Form ERS-26 for each of the Members listed on the facsimile form
- c. For each individual payment provide a breakdown of the Pre-Tax and Post-Tax amounts
- d. The total amount on the facsimile form must equal the total of the individual Form ERS-26s

EMPLOYEES' RETIREMENT SYSTEM
OF THE STATE OF HAWAII
201 Merchant Street, Suite 1400, Honolulu, Hawaii 96813-2980
Phone: (808) 586-1735 FAX: (808) 587-5766

ELECTION TO PURCHASE SERVICE CREDIT

<DATE>

<FIRST NAME> <MIDDLE INITIAL> < LAST NAME>
<ADDRESS>
<CITY>, <STATE> <ZIPCODE>

RE: XXX-XX-<LAST 4 SSN>

Credited Service: <SCP-Total Service Credits> [<SCP-Service From Date - <SCP Service To Date>] **Amount:** <AmountTotal>
<SCP Type>

PLEASE INDICATE YOUR METHOD(S) OF PAYMENT AND SIGN BELOW.

Note: All payments to purchase service must be made prior to retirement.

_____ (1) **PERSONAL CHECK:** \$ _____

- Make check payable to: EMPLOYEES' RETIREMENT SYSTEM
- Attach your check to this form and mail to our office in the enclosed self-addressed envelope

_____ (2) **TRANSFER OF TAX SHELTERED FUNDS:**

Forward this form and Attachment A directly to your:

_____ 403(b) Tax Sheltered Annuity Agent: \$ _____

_____ 403 Tax Deferred Annuity Provider: \$ _____; or

_____ 457 Deferred Compensation Plan Administrator: \$ _____.

- Wire transfer of funds recommended. If payment by check, make check payable to:
EMPLOYEES' RETIREMENT SYSTEM
- For TSA Agents or Tax Deferred Annuity Providers, Attachment A Transfer instructions are available on the ERS website at <http://ers.ehawaii.gov/resources/all-publications>

PAYMENT(S) MUST BE RECEIVED IN THE ERS OFFICE WITHIN 60 DAYS OF THIS NOTICE; OTHERWISE YOUR PAYMENT AMOUNT MUST BE RECALCULATED BASED ON ACTUARIAL FACTORS.

Employee's Signature	Date	Phone
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*****FOR ERS ONLY*****

The Employees' Retirement System of the State of Hawaii is a qualified pension plan under the Internal Revenue Code section 401 (a).

ERS Authorized Signature (<Staff First & Last Name>)	Date
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FACSIMILE TRANSMITTAL SHEET

TO: ERS Cash Management Section

FROM:

COMPANY: State of Hawaii
Employees' Retirement System (ERS)

DATE:

FAX NUMBER: (808) 586-2882 Primary
(808) 586-1677 Alternate

TOTAL # OF PAGES INCLUDING COVER:

PHONE NUMBER: Area code (808)
586-1718 / 586-1730 / 586-1724 / 586-1721

Sender's Fax No.: ()
Sender's Phone No.: ()

RE: **NOTICE OF TRANSFER OF TAX SHELTERED FUNDS TO PURCHASE SERVICE CREDITS**

On _____, funds for the following members will be wired (recommended), or a check will be prepared to the ERS. These members have authorized our firm to transfer funds to the ERS for the purpose of purchasing service credits. The signed Form(s) ERS-26 is attached to this facsimile.

	Name	SSN	Pre-Tax Amount	Post-Tax Amount	Total Amount
1.	_____	_____	_____	_____	_____
2.	_____	_____	_____	_____	_____
3.	_____	_____	_____	_____	_____
4.	_____	_____	_____	_____	_____
	TOTAL		_____	_____	_____

Certification by the Tax Sheltered Institution

Name _____ Plan type: Mark with a "x" the specific plan type for the member listed above

Address _____ 403 (b) 457

City, State Zip Code _____ Telephone Number () _____

I certify that the funds to be transferred to the Employees' Retirement System of the State of Hawaii are eligible for transfer from a plan qualified under Sections 403(b) or 457 of the Internal Revenue Code with the understanding that the funds will be used to purchase service credit as determined by the Retirement System.

Authorized Representative's Signature _____ Title _____ Date _____

THIS MESSAGE IS INTENDED ONLY FOR THE USE OF THE INDIVIDUAL OR ENTITY TO WHICH IT IS BEING ADDRESSED AND MAY CONTAIN INFORMATION THAT IS PREVEILEDGED OR CONFIDENTIAL.

If the reader of this message is not the intended recipient, or the employee or agent responsible for delivering this message to the intended recipient, you are hereby notified that any dissemination, distribution, or copying of this communication is strictly prohibited. If you have received this communication in error, please notify us immediately by telephone and return the original transmission to us at the above address via the U.S. Postal Service. Thank you.

EMPLOYEES' RETIREMENT SYSTEM

PURCHASE OF SERVICE CREDIT BY TRANSFERRING YOUR TAX SHELTERED FUNDS TO YOUR ERS ACCOUNT [403(b) Tax Shelter Annuity or Tax Deferred Annuity and 457 Deferred Compensation Plans]

QUESTIONS AND ANSWERS

1. Is this method of payment to purchase eligible member service credit allowed by the Internal Revenue Code?

Yes, a provision of the current Internal Revenue Code allows plans like the ERS to accept monies from deferred compensation plans (DCP) and tax sheltered annuity (TSA) or tax deferred annuity (TDA) plans to purchase allowable service credits.

2. How will I benefit from this law?

The law provides an additional source of monies, for the purchase of service credits, other than using the member's savings accounts or taking out a loan.

In addition, there may be a tax benefit using DCP, TSA or TDA funds to purchase your service credit. For example, pension benefits are currently nontaxable for State of Hawaii income tax; therefore, the sheltered or deferred monies that you would have eventually paid State of Hawaii taxes on become tax free.

3. How do I transfer funds from my DCP, TSA or TDA plan to the ERS?

You must sign and complete the ERS' Form ERS-26, page 1 (2/2021) and mail or deliver it to your DCP Plan Administrator, TSA Agent or TDA Service Provider.

Important: Please give your DCP Plan Administrator, TSA Agent or TDA Service Provider sufficient time to transfer funds to the ERS within 60 days from the date of the ERS' Form ERS-26, page 1 (2/2021) or prior to your retirement date, whichever is earlier. Failure to meet this deadline will result in the re-computation of the purchase amount or inability to purchase service after your retirement date.

4. Is this the best method for me to purchase my eligible service credit?

We recommend that you contact your financial or tax advisor to determine the best alternative for your situation.