

HOLOMUA

RETIRES & ACTIVE MEMBERS



Employees' Retirement System
of the State of Hawaii

Nā Pali Coast, Kaua'i by Carlos Chavez Bugarin

ERS Noncontributory, Hybrid Videos Posted

Recorded presentations featuring the Employees' Retirement System and the Noncontributory and Hybrid plans are on the ERS website.

A general overview video reviews ERS plans, retirement types, membership, pension requirements and calculations, filing an application, unused sick leave benefit, post-retirement increase and active employee death benefits.

The Noncontributory and Hybrid Retirement Benefits videos review important information for those members who are preparing to retire. The information includes a review of membership service, eligibility requirements, pension calculations and the features of the different retirement options.

The ERS is working on additional presentations to be posted later this year. See the videos at <http://ers.hawaii.gov> under the Members pull-down menu, click on Videos.



Two UH-Manoa Professors Vying for Trustee Seat

Two University of Hawaii at Manoa faculty members are vying in the election for the teacher seat on the Employees' Retirement System's Board of Trustees. Ballots were mailed to the membership in early September and must be returned and postmarked by Oct. 22, 2021 to be considered valid.

Profiles of the candidates—current board member Catherine K Chan, nominated by petition, and Lynne Wilkens, nominated by the University of Hawaii Professional Assembly—are on Page 4.

The seat can be filled by an ERS member classified as a "teacher," which includes teachers or an educational officer certified as a teacher by the Department of Education, or dean, professor, instructor or lecturer of the University of Hawaii and the community college system.

Chan, whose term ends on Jan. 1, 2022, has served since 2016.

Four of the eight Board members are elected by the membership: two general employees, a teacher and a retiree. Three members are non-employee citizens of the state, appointed by the governor, one of whom is an officer of a bank authorized to do business in the state or a person of similar experience. The state Director of Finance is an ex-officio member by statute.

The election results will be reported at the Dec. 13 board meeting. The new trustee will serve a six-year term starting Jan. 2, 2022.



Board of Trustees Election

Ballots must be postmarked by Oct. 22, 2021

If you need a replacement ballot or have any questions, please email Rebecca Gleason at ERSBallot@kmhllp.com or call (808) 543-3310.



Visiting the ERS office on Oahu includes filling out a questionnaire and a temperature check. The entrance to the reception area is limited.

Governor Signs ERS-Related Bills into Law

Hawaii Gov. David Ige signed into law on June 24 a bill relating to the court-ordered forfeiture of benefits from the Employees' Retirement System (ERS).

Act 84/Session Laws of Hawaii (SLH) 2021 authorizes the court to order the forfeiture of one-half of the ERS benefits of an ERS member, former member or retiree (retiree) upon conviction of the individual for a felony related to the state or county employment of the individual. It further prohibits designated beneficiaries from receiving benefits if convicted of a felony under the same set of circumstances as the member, former member or retiree who was subject to forfeiture of ERS benefits.

In addition to the benefit forfeiture bill, two ERS-initiated administrative bills regarding Hawaii Domestic Relations Orders (Act 70/SLH 2021) and Investment Records (Act 71/SLH 2021), were also signed by Gov. Ige and effective on June 24.

These bills and other legislation may be reviewed on the Hawaii State Legislature website at <http://www.capitol.hawaii.gov>. The ERS-related bills also were featured in the Summer 2021 edition of the Holomua.

Modified Procedures for Office Visitors Continue

With a few months remaining in the year, the Employees' Retirement System (ERS) is continuing with modified procedures for members and retirees who visit our offices on Oahu, Hawaii island, Maui and Kauai during the COVID-19 pandemic.

The ERS offices remain open, but entry to reception areas is limited. The ERS wants to continue providing needed customer service for its membership. Counseling services are being done by phone, including for members who filed a retirement application and received an estimate letter (pension projections).

The ERS website, <https://ers.ehawaii.gov>, includes information for members and retirees and forms for downloading. Information and forms can also be mailed by calling (808) 586-1735. The ERS recommends calling the office in your county for the latest office-visit procedures. Phone information is on the back cover of Holomua.

Filing for retirement

For members filing for retirement, the ERS will mail a retirement packet of forms to be completed at home and mailed or dropped off at the ERS. Members will not be allowed to complete the forms at the ERS offices. The packet can be requested by phone or can be found on the ERS website under the Members pull-down menu under Retirement Planning.

An example for filling Form 18, ERS's

Service Retirement Application, has been added to the packet to help reduce errors and delays in processing.

Telephone service will continue during our regular business hours of 7:45 a.m. through 4:30 p.m., Monday through Friday, except state holidays. However, there will likely be longer wait times for phone calls.

ERS website

Website resources for active members include a benefits calculator, active member information and a section on retirement planning. Links to those features are on the ERS website homepage. For retirees, resources include information on pension payment dates, retirees considering returning to work, ethics codes and commonly used forms to change tax withholding, direct deposit information or making a change of address.

2021 Pension Payment Schedule Update

The final pension payment date of the year is on Dec. 30, 2021. A chart published in an earlier Holomua listed another date, which is being observed as a state holiday. Here are the payment dates for the rest of the year.

15th	End of Month
Oct. 15	Oct. 29
Nov. 15	Nov. 30
Dec. 15	Dec. 30

Private Equity/Private Growth



In this issue, we thought it would be exciting to introduce the Private Equity/Private Growth part of our portfolio (1-year performance of 55.5%), where the economic recovery is also occurring alongside the more well-known public markets portfolio. Aaron Au, who wrote this column, is the ERS investment officer who manages the Private Equity/Private Growth portfolio. Au worked in various investment roles for more than 25 years at local institutions before joining ERS in 2014.

What is Private Growth/Private Equity (“Private Growth”)?

When people ask, “What is private growth?”, I say it is any investment that is not publicly traded. In layman’s lingo, think of a mom-and-pop store that sells to a relative, an employee or a third-party individual instead of on a public exchange. However, at ERS, that asset is 10 to 1,000 times larger where instead of \$1 million in revenue it would be a store of \$10 million to \$1 billion in revenue or larger. Consider different sectors to invest in, such as technology, finance, health care, energy/clean energy or consumer staples (e.g. food, personal products). Airbnb, Uber, Twitter, Good RX and Bumble were initially private companies when they were founded, eventually transitioning to public equities. These are examples of companies with

many others like them being developed or discovered every year.

In private markets, typically the ERS pools its money (along with other public and private investors) into a fund managed by industry experts with a proven track record of underwriting successful investments and creating value in private markets. These experts will turn that mom-and-pop store into the “next Airbnb.” Once an investment manager develops a reputation for success, other mom-and-pop businesses will seek them out to duplicate that success.

Competition to access only the top performing managers in Private Growth is fierce and severely limited. The investment

team fortunately has access to many such managers since increasing its allocation to Private Growth about seven years ago. Finding top-performing managers requires substantial due diligence that is undertaken each time a Private Growth investment is considered.



Why is Private Growth Necessary?

The reasons to include private growth in the portfolio are: diversification from public market equities, high return targets and

it contributes to the ERS’s goal of becoming fully funded by helping to achieve the 7% rate of return. There is always a risk-return

trade off—relatively higher risk associated with investing in private growth, but commensurately higher expected returns.

ERS’s Private Growth Portfolio

The ERS’s Private Growth portfolio consists of three broad categories, Private Equity, Venture Capital and ERS Hawaii Targeted Investment Program (HiTIP). Venture capital may be viewed as higher risk than Private Growth, but these assets are expected to generate commensurately higher returns. The ERS’s HiTIP program is a special program created to fulfill the mandate of Act 260, signed into law by the governor in 2007. The purpose of the Act is to encourage ERS to invest in Hawaii venture capital. The ERS has successfully met the requirements of this mandate and we continue to do so today.

During the past seven years, the Private Growth portfolio has grown to 13.5% (\$3 billion as of June 30, 2021) from 7% (\$688 million). Over the long-term (7 years), Private Growth outperformed its benchmark return by 550 basis points (see Chart). Returns over shorter time periods are equally noteworthy. In my 30-plus years

of managing Private Growth, the 1-year performance of 55.6% is the best performance for any 1-year period that I have ever seen—and are unlikely to be repeated.

We are tremendously proud of our returns in Private Growth. These gains have reduced our unfunded liability and increased our portfolio of assets by over \$1 billion for the past four quarters.

Continued strong performance has the potential of reducing the ERS’s period to full funding and lowering the total contributions required from employers and employees should future performance continue.

I thank you for the opportunity you have given me and the rest of our team to serve the state.

PRIVATE GROWTH RATE OF RETURN

Rate of Return as of June 30, 2021 (preliminary and unaudited)	7-Yrs	5-Yrs	3-Yrs	1-Yr
Private Growth	17.0%	20.4%	21.7%	55.5%
Benchmark	11.5%	15.3%	14.0%	59.6%
Excess Return	5.5%	5.1%	7.7%	-4.1%

ERS Board of Trustees Teacher Seat CANDIDATES

Catherine K Chan, Professor, University of Hawaii at Manoa

Nomination: by petition

Statement:

I am running for re-election as trustee for the Board of the Employee Retirement System (ERS). During my tenure on the Board over the past six years, the Retirement Fund has grown from \$14 billion to \$20 billion, a 43% increase. The investment decisions that the Board requires are extremely complex to ensure Fund targets are met, particularly in times of economic disruption. I am a trained economist, professor in applied economics and former university administrator.

On the ERS board, I have proved my leadership capacity serving as Vice-Chair of the Investment and Governance Committees and Chair of the Legislative Committee. In the Investment Committee, I contributed to key decisions regarding

the direction of pension investments. Under the committee's guidance, the portfolio was resilient during the pandemic—from April 2020 to March 2021, one of the most volatile periods of the market, the portfolio gained \$4.3 billion.

I have extensive experience, expertise and familiarity with the complexities of institutional investment decisions. I am committed to improving the future of employee retirement in the State of Hawaii. Please vote for me to serve on the Board another term to help guide the pension fund to continued success.



Lynne Wilkens, Professor, University of Hawaii at Manoa

Nomination: by University of Hawaii Professional Assembly

Statement:

Retirement benefits are essential to recruit and retain good employees and ensure all retirees can have a reasonable standard of living. Although retirement benefits are not negotiated in the collective bargaining process, I believe preserving these benefits must be a top priority. That is why I decided to run as a candidate for the teacher seat on the ERS

Board of Trustees. I have the full support and endorsement of the Board of Directors of the University of Hawaii Professional Assembly (UHPA), which represents the interests of faculty on all 10 UH campuses statewide.

I served as an advocate for UH faculty through service on the UHPA Board of Directors from 2014 to 2019, UHPA treasurer from 2014 to 2016, UHPA president from 2016 to 2019 and as a member of the UHPA Negotiations Team from 2016 to present. This experience has provided me with the necessary background and skills to advocate on behalf of the ERS members.

In my role as a biostatistician at the University of Hawaii Cancer Center, I also know leadership and good public policies can make a tremendous difference in the quality of life for Hawaii residents.



Member Online Information Update

The ERS has updated its website with member information through July 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. Please

note, information for retirees and beneficiaries is not included.

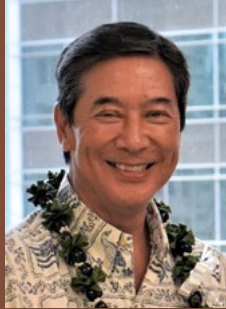
Help us ensure that we have the most accurate information possible by logging on to the website at <http://ers.ehawaii.gov> and click on Member Information (Active Members Only). To report any discrepancies with your account information,

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.

Mizumoto Named to Board of Trustees

Gov. David Ige recently appointed First Hawaiian Bank executive Lance Mizumoto to the eight-member Board of Trustees of the Employees' Retirement System (ERS) of the State of Hawaii.



Mizumoto, 63, of Honolulu, took the trustee's oath on July 27. He succeeds Jerry Rauckhorst, whose term ended on July 12 after serving as a trustee for almost 12 years.

"One of the ERS' greatest strengths lies in the talent, experience and wisdom resident in its Board of Trustees," ERS Executive Director Thomas Williams said. "Lance will surely complement an already outstanding group of strategic thinkers and advisors."

Mizumoto is Vice Chairman and Chief Lending Officer of the bank's Wholesale Banking Group and member of the Senior Management Committee. He has more than 35 years of diverse banking experience with most of his banking career in executive leadership positions overseeing commercial real estate, commercial banking, wealth management and trade finance with financial institutions in Hawaii.

Mizumoto earned a Bachelor of Business Administration in Management from the Shidler College of Business at the University of Hawaii at Manoa and holds an MBA from Chaminade University.

The Board of Trustees page on the ERS website is <https://ers.ehawaii.gov/resources/board-of-trustees/ers-board-of-trustees>.



ERS trustee Vincent Barfield, left, thanked Jerry Rauckhorst at a recent board meeting for Rauckhorst's service as a trustee for nearly 12 years.

Acquiring Service Credit for Periods of Military Leave

Employees' Retirement System members on active-duty military leave without pay (LWOP) from their state or county employer may be entitled to ERS membership service of up to four years of the leave. Applicable military service leaves would be during a time of war or declared national or state emergency or when the member is called involuntarily to active duty.

In order for employers to determine eligibility of the military leave for membership service, the member is responsible for submitting all required military orders to their personnel and payroll departments who are in turn responsible for authorizing and approving the leave and submitting any resulting retirement contributions to the ERS.

Under the Servicemen's Act, members would receive ERS service credit by meeting the criteria of Section 88-132, Hawaii Revised Statutes, which states in part:

- The cumulative length of military service time shall not exceed four years.

- The member returns to state or county government service within 90 days of release from active duty or dies in the performance of the member's military service.
- The member's release from active duty was under honorable conditions.

Prior to a military LWOP, personnel and payroll departments are responsible for processing the employee's request based on the active-duty military orders. Upon the employee's release and return to work, departments certify the creditable leave and calculate the retirement contribution payment to the ERS. Retirement benefits, including any authorized periods under the Servicemen's Act, will be based on what is reported by the employer for their employee and the member.

In addition to the four years allowed under the Servicemen's Act, members may be eligible to acquire active-duty military service under the Uniformed Services Employment and Reemployment Rights Act of 1984 (USERRA). Contact the ERS for acquisition information.



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

FOR ACTIVE EMPLOYEES & RETIREES

HMSA Medical Plan Changes Effective January 1, 2022

- Changed the member cost share for the Ornish Lifestyle Medicine™ program from \$20 per session to the plan's standard in-network coinsurance (e.g. 10% of eligible charge under the 90/10 plan) and aligned the eligibility criteria with Medicare (which means the member must have had a cardiac event) for EUTF and HSTA VB active employees and retirees.
- Added the AccordantCare Rare program, which provides one-on-one, regular telephone consultations and coordinated care from registered nurses and other clinicians to patients to help them manage certain rare, complex, and chronic conditions, at no member cost share for EUTF and HSTA VB active employees.
- Added the Medical Nutrition Therapy benefit at 10% coinsurance in-network and 30% coinsurance out-of-network for HSTA VB retirees.

If you have any questions, call HMSA at **(808) 948-6499** or **1 (800) 776-4672**.

COVID-19 Coverage

For the latest updates on coverage of COVID-19-related services, visit eutf.hawaii.gov/eutf-covid-19-coverage/. You can also find links to more information on the COVID-19 vaccine and Delta variant.

Medicare Advantage Plan Mailers

Medicare open enrollment season begins in October, so if you are Medicare eligible or soon to be Medicare eligible, you may begin receiving a lot of mail about enrolling in a Medicare Advantage plan. A mailer you receive may even appear to be an official Medicare-issued notice but is only an advertisement for a Medicare Advantage plan.



An official Medicare-issued notice will 1) have a letterhead with either the U.S. Centers for Medicare and Medicaid Services

(CMS) or the U.S. Social Security Administration (SSA) logo and 2) direct you to contact either the CMS or SSA office.

Reminder:

- If you are an active employee and enrolled in an EUTF or HSTA VB medical and prescription drug plan, you have creditable coverage and can delay your Medicare Part B and Part D enrollment without penalty. For more information, refer to the Active Reference Guide on the EUTF website (eutf.hawaii.gov).
- If you are a Medicare eligible retiree and enrolled in the HMSA 90/10 plan, the coordination of benefits between Medicare and the HMSA 90/10 plan results in almost no out-of-pocket cost for you. For more information on coordination of benefits with Medicare, refer to the Retiree Highlights Guide on the EUTF website (eutf.hawaii.gov).
- If you are enrolled in the Kaiser Permanente Senior Advantage plan or the Humana Medicare Advantage plan, you are already enrolled in a Medicare Advantage plan and will be disenrolled if you enroll in another Medicare Advantage plan.

Diabetes

Prevention. Learn your risk by taking the 60-second American Diabetes Association risk test at <https://www.diabetes.org/risk-test>.

HMSA Members

Did you know that 85% of the 88 million American adults who have prediabetes don't know they have it? In Hawaii, 442,000 adults, or 42%, have prediabetes and many aren't aware.

How do you know if you have prediabetes or diabetes? The best way to find out is to visit your doctor. You're at higher risk if a parent or sibling has diabetes, if you're over 45, if you have high blood pressure, if you've had gestational diabetes, or if you're overweight. In Hawaii, Asian Americans and Pacific Islanders are more likely to develop prediabetes or diabetes.

The good news is diabetes can be reversed through healthy habits and lifestyle changes. There are many preventive steps you can take: 1. Don't smoke; 2. eat nutritious, well-balanced meals and snacks; 3. maintain a healthy weight; 4. stay physically active; and 5. test your blood sugar regularly.

The HMSA Diabetes Prevention Program can help you get the resources you need to prevent or manage diabetes at no cost. You can also talk to a nurse or health coach to learn more about diabetes. Call us at **(808) 948-6404** or **1 (800) 459-3963** Monday through Friday, 8:00 a.m. to 5:00 p.m.

Kaiser Permanente Members

Understanding and treating diabetes can be overwhelming, but you're not alone. Diabetes is a complex disease. The risks, side effects, medication and treatment goals are different for each person. The good news is that most cases of type 2 diabetes are preventable.

If you have been diagnosed with prediabetes, high blood sugar that doesn't reach the threshold of a diabetes diagnosis, lifestyle changes may help prevent or delay the onset of disease. Here are some prevention tips:

- Keep your weight in check. Excess weight is the primary cause of type 2 diabetes. If you're overweight, losing just 7% to 10% of your current weight can cut your risk in half.

- Be carb-smart. Limit sugar and refined carbohydrates like white bread, pasta, and rice. Focus on high-fiber, whole-grain complex carbohydrates, like brown rice or whole-wheat bread.
- Stay active. Inactivity promotes type 2 diabetes, so regular exercise is essential. Just walking briskly for a half-hour every day can reduce your risk by up to 30%. Talk to your doctor about how and when to exercise. Also, choose a type of exercise that you like and that fits easily into your daily schedule.

Check your eligibility for our Diabetes Prevention Program by calling the Center for Healthy Living at **(808) 432-2260** Monday through Friday from 8:30 a.m. to 4:30 p.m.

FOR ACTIVE EMPLOYEES

Pre-Retirement Health Benefits Workshops

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 your EUTF retiree health insurance benefits. We'll cover:

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

Schedule of Webinars

Date	Time
10/4/2021	10:00-11:00 a.m., 11:30 a.m.-12:30 p.m.
10/11/2021	
11/1/2021	
11/15/2021	
12/6/2021	
12/13/2021	

To access the webinar, go to eutf.hawaii.gov on the day of the event and select "Learning Center" in the menu bar. Click the "Webinar" button and select the desired webinar. Registration is not required.

FOR RETIREES

CVS Caremark Plan Change Effective January 1, 2022

Updated the coordination of benefits for secondary cardholders under the EUTF non-Medicare retiree plan. Copayment may change depending on primary coverage.

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

Kaiser Permanente Plan Change Effective January 1, 2022

Removed coverage limitations (treatment episodes per lifetime, days per episode, and physician visits per calendar year) on treatment of chemical dependency in a non-hospital residential facility under the EUTF and HSTA VB Kaiser Permanente Senior Advantage plans. If you have any questions, call Kaiser Permanente at **(808) 432-5250** (Oahu) or toll free **1 (844) 276-6628**.



Employees' Retirement System
of the State of Hawaii

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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/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,

or mail: 201 Merchant Street,

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FALL 2021

HOLOMUA
RETIRES & ACTIVE MEMBERS

Sunset from Manana Ridge Trail

Ask ERS

Answers to some frequently asked questions

Q: I am an active Hybrid member who named my daughter as my beneficiary on the ERS beneficiary designation form. I recently got married. Do I need to file a new beneficiary form to keep my daughter as the ERS beneficiary?

A: Yes, you will need to submit a new beneficiary form. Section 88-93 of the Hawaii Revised Statutes specifies that beneficiary designations become null and void when a member or former employee is unmarried, and subsequently marries. For more information on the designation of an ERS beneficiary, read the instructions included with the ERS Form 1-A Contributory/Hybrid Plan Designation of Beneficiary and the Form 1-A Questions and Answers. Go to <http://ers.ehawaii.gov>, click on the Members tab and choose Member Forms. The 1-A Form and information are specified under the Miscellaneous list.

Avoid Errors When Submitting a Direct Deposit Agreement

The ERS is reminding members filing for retirement and current retirees, beneficiaries and alternate payees who are submitting an ERS-210 Direct Deposit Agreement to review their account information for accuracy before submitting the form.

The ERS-210 is submitted by members with their retirement application, or by a retiree, beneficiary or alternate payee who wishes to change their direct deposit account for ERS payments. As an option, a representative of a financial institution, such as a bank, can certify account information on the form. Incorrect routing or account numbers could delay processing.

The ERS-210 form can be found on the ERS website under the Retirees menu under Pension Forms or by calling the ERS. The form is also included in the Retirement Application Packet on the website.

UA 'IKE ANEI 'OUKOU? DID YOU KNOW?

The ERS has about 9,200 members who are vested but are "inactive," or not currently employed in jobs that require ERS membership. Vested members are employees or former employees who have attained the minimum number of years of service and can collect a retirement benefit when they meet age eligibility requirements.