STATE OF HAWAI'I
EMPLOYEES' RETIREMENT SYSTEM

Aloha!

Congratulations on your planned retirement!

The Employees' Retirement System (ERS) has developed this retirement application packet and information on disability retirement to assist you in the successful completion of your process. Below is the information we believe to be most relevant to your decision:

Service Retirement Packet

1. Forms
   - Service Retirement Application (Form 18: See sample and instructions for completion)
   - Withholding Certificate for Periodic Pension or Annuity Payments (IRS Form W4-P)
   - Direct Deposit Agreement (ERS-210)
   - Spousal/Civil Union Partner/Reciprocal Beneficiary Notification Form (ERS-182)
   - Hybrid and Contributory Members Only: Direct Rollover Options (ERS-123B), Withholding Certificate for Nonperiodic Payments and Eligible Rollover Distributions (IRS Form W-4R), and Special Tax Notice Regarding Rollover Options (ERS Notice 402(f))

2. Informational Materials
   - Features of Retirement Plan Options
   - Choosing the Best Retirement Option for You
   - 100% Joint & Survivor Retirement Options with Non-Spouse Beneficiary
   - Retirant Returning to Work (ERS-212)
   - Map to ERS (ERS-222)

Disability Retirement

The ERS has provisions for active members to file a disability retirement application if you have become permanently disabled due to a medical condition or work-related accident/injury. If this situation pertains to you, please call our office immediately on the eligibility and filing requirements or visit our website at ers.ehawaii.gov under Member>Disability as these options will not be available once you retire under normal retirement provisions.

Should you need further assistance, please contact our Call Center at (808) 586-1735.

Sincerely,

Kalbert K. Young
Executive Director

Employees' Retirement System
of the State of Hawaii

City Financial Tower • 201 Merchant Street, Suite 1400 • Honolulu, Hawaii 96813-2980
Telephone (808) 586-1735 • Fax (808) 586-1677 • http://ers.ehawaii.gov

Rev. 05/2022

Instructions for Completing Service Retirement Application

The following instructions will help you complete the Service Retirement Application – Form 18.

I. PERSONAL DATA

Name: Last, first and middle name.

Social Security Number: Your 9-digit number.

Mailing or PO Box Address: Address for the receipt of ERS mail. Any change in your mailing address must be reported to the ERS to ensure proper delivery of notices, statements and tax forms to you.

Retirement Date: Your retirement date must be the 1st day of a month or the 1st or 31st day of December. It <u>cannot</u> be the same day as your last day of work.

Date of Birth: The month, day and year of your birth.

Marital Status: Your marital status.

Position Title: Your position or job title.

Department/Division or School: The name of the Department and/or Division you are employed with, and/or the name of the school where you work.

Employer: Check off whether you work for the State, County (identify which County), or Board of Water Supply.

Contact Phone Number: Provide the best phone number where the ERS can reach you during our business hours for any questions regarding your retirement benefits.

Home, Cellular or Work Phone: Check appropriate box(s) for the contact phone number provided.

Email Address: Provide an email address for an optional method of contact.

II. RETIREMENT OPTIONS

Select your retirement plan and only one retirement option. Enclosed is the “Features of Retirement Plan Options” which provides an explanation of options available.

You may change your option at any time **<u>prior</u>** to your retirement date. Option changes are **<u>not allowed</u>** once your retirement is effective.

III. BENEFICIARY DESIGNATION

List your beneficiary’s name, 9-digit social security number, their relationship to you and their date of birth. If you select an option that allows designation of multiple beneficiaries, provide the social security of the first beneficiary. Also, clearly indicate the proportionate share each beneficiary should receive. For example, “In equal shares or to whoever survives.”

SIGNATURE

You must sign the application in the presence of a Notary or an ERS representative.

REQUIRED DOCUMENTS

1. Government issued identification for verification of signature. Acceptable identification includes valid:
   - Driver's license
   - State ID
   - Passport
   - Military ID

2. The ERS is required to verify your birth date and your beneficiary's birth date should you select a joint survivor option. Besides a copy of your birth certificate, "Real ID" credentials (e.g., Driver's Licenses with "Gold Star" emblems or equivalent State Identification certificates), written statement from Social Security (which shows the date of birth), or baptismal certificate (which shows the date of birth and is recorded before age 5), the ERS can accept copies of any two (2) of the below listed documents, that show date of birth, in lieu of those listed previously:

   - Birth Registration Card
   - Passport (U.S. or Foreign)
   - Passport Card
   - Marriage Certificate
   - Naturalization Record
   - Military Record
   - Voter Registration Record
   - Hospital Treatment or Birth Record
   - Insurance Policy
   - Elementary School Record
   - Child's Birth Certificate (with member's age)
   - Census Record
   - Baptismal Certificate/Religious Record (Recorded after age 5)

Please contact our ERS Offices at any of the following locations if you need any further assistance.

Office Hours: 7:45 am – 4:30 pm Monday through Friday (except State Holidays)

Location	Address	Phone Numbers
Oahu	City Financial Tower 201 Merchant Street, Ste. 1400 Honolulu, Hawaii 96813 Validated Parking in the building	Call center: (808) 586-1735
Hawaii	101 Aupuni Street, Ste 208 Hilo, Hawaii 96720	(808) 974-4074 (808) 974-4076 (808) 974-4077 (808) 974-4000 ext. 61735 (toll free to Oahu)
Kauai	3060 Eiwa Street, Room 302 Lihue, Hawaii 96766	(808) 274-3010 (808) 274-3011 (808) 274-3141 ext. 61375 (toll free to Oahu)
Maui	54 S. High Street, #218 Wailuku, Hawaii 96793	(808) 984-8181 (808) 984-8282 (808) 984-2400 ext. 61735 (toll free to Oahu)
Molokai/Lanai		1-800-468-4644 ext. 61735 (toll free to Oahu)

Website: http://ers.ehawaii.gov
Email: dbf.ers.sss@hawaii.gov

Form 18
Rev. 8/2016

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

SAMPLE

SERVICE RETIREMENT APPLICATION

To the Board of Trustees: Date October 1, 20 20

In accordance with the provisions of law governing the operation of the Employees' Retirement System (ERS) of the State of Hawaii, the undersigned, a member of ERS, hereby applies for service retirement.

I. PERSONAL DATA: (Please print or type)

Name: Doe, John A (LAST FIRST MI) Social Security Number: 123-45-6789

Mailing or PO Box Address: 201 Merchant Street, Suite 1400 Honolulu, Hawaii 96813 (STREET APT. NO CITY STATE ZIP CODE)

Retirement Date **1st of a month or 12/31** Date of Birth: 01 / 01 / 1955 (MONTH DAY YEAR) Marital Status: [ ] Single [✓] Married

Position Title Teacher Department/Division or School: Dept of Education, McKinley High School

Employer: (Check one) [✓] State of Hawaii [ ] County of ______ [ ] Board of Water Supply

Contact Phone: (808) 586-1735 [ ] Home [✓] Cell [ ] Work Email Address: dbf.ers.sss@hawaii.gov

II. RETIREMENT OPTIONS: I have read the information on selecting a retirement option and I select the following retirement option.

[✓] HYBRID [ ] NONCONTRIBUTORY [ ] CONTRIBUTORY

____ Maximum Allowance Maximum Allowance Maximum Allowance

____ Op...

____ Op... Survivor)

____ Op... Survivor)

Check only 1 plan & select option or refund option.
Sign into Member information module at ERS website: ers.ehawaii.gov

Refund options below are only available to Hybrid/Contributory Members with at least 10 years of credited service.

✓ Option Four (Five & 2) Refunds: ___Pre-1987 ✓ 50% ___75% (Contributory only) ____ Option Five (100% Refund)

III. BENEFICIARY DESIGNATION: A beneficiary must be designated for all options, however, only one beneficiary may be designated for Hybrid/Contributory options Two, Three, Four (5 & 2) and Four (5 & 3) and Noncontributory options A, B, or C. Multiple beneficiaries, a trust, or an estate may be designated for all other options.

Name: **Name of Beneficiary used to calculate your estimate options** ...r: 111-22-3333

Relationship: spouse Date of Birth: 02 / 02 / 1955 (MONTH DAY YEAR)

IV. SIGNATURE: This application must be signed in the presence of an ERS representative or a Notary Public.

Signed **Sign in presence of a notary or an ERS representative** ERS Representative ________

State of Hawaii)
________ County of ________) SS.

On the ____ day of ____________, 20____ personally appeared before me the said named ____________ to me known to be the person described in and who executed the foregoing instrument and who acknowledged such execution as being a free and voluntary act and deed.

Affix your official seal

____
Notary Public ____________
My commission expires ____________

Notary Public Certification

Doc. Date: ________ No. of Pages 1 Document Description: Service Retirement Application

Notary Name: ________ Circuit: ________ Affix your official seal

Notary Signature: ________ Date: ________

WHITE – ERS Copy YELLOW – Member's Copy

Form 18
Rev. 8/2016

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

Clear Form

SERVICE RETIREMENT APPLICATION

To the Board of Trustees: Date ________________________, 20____

In accordance with the provisions of law governing the operation of the Employees' Retirement System (ERS) of the State of Hawaii, the undersigned, a member of ERS, hereby applies for service retirement.

I. PERSONAL DATA: (Please print or type)

Name: ______________________________ Social Security Number: ____________________
LAST FIRST MI

Mailing or PO Box Address: ____
STREET APT. NO CITY STATE ZIP CODE

Retirement Date: _______/_______/_______ Date of Birth: _______/_______/_______ Marital Status: [ ] Single [ ] Married
MONTH DAY YEAR MONTH DAY YEAR

Position Title______________________ Department/Division or School: ______________________

Employer: (Check one) [ ] State of Hawaii [ ] County of ____________________ [ ] Board of Water Supply

Contact Phone: ____________________ [ ] Home [ ] Cell [ ] Work Email Address : ______________________

II. RETIREMENT OPTIONS: I have read the information on selecting a retirement option and I select the following retirement option.

[ ] HYBRID
____ Maximum Allowance
____ Option One
____ Option Two (100% Survivor)
____ Option Three (50% Survivor)

[ ] NONCONTRIBUTORY
____ Maximum Allowance
____ Option A (50% Survivor)
____ Option B (100% Survivor)
____ Option C (10-Yr Guarantee)

[ ] CONTRIBUTORY
____ Maximum Allowance
____ Option One
____ Option Two (100% Survivor)
____ Option Three (50% Survivor)

Refund options below are only available to Hybrid/Contributory Members with at least 10 years of credited service.

____ Option Four (Five & ____) Refunds: ____Pre-1987 ____50% ____75% (Contributory only) ____ Option Five (100% Refund)

III. BENEFICIARY DESIGNATION: A beneficiary must be designated for all options, however, only one beneficiary may be designated for Hybrid/Contributory options Two, Three, Four (5 & 2) and Four (5 & 3) and Noncontributory options A, B, or C. Multiple beneficiaries, a trust, or an estate may be designated for all other options.

Name: ______________________________ Social Security Number: ____________________
LAST FIRST MI

Relationship: ______________________________ Date of Birth: ________/________/________
MONTH DAY YEAR

IV. SIGNATURE: This application must be signed in the presence of an ERS representative or a Notary Public.

Signed______________________________ Date______________ ERS Representative____________

State of Hawaii)
__________County of ________________________) SS.

On the ______ day of ______________________, 20______ personally appeared before me the said named

______________________________ to me known to be the person described in and who executed the foregoing instrument and who acknowledged such execution as being a free and voluntary act and deed.

Affix your
official seal

____
Notary Public ______________________________

My commission expires ______________________________

Notary Public Certification

Doc. Date:____________________ No. of Pages: 1 Document Description: Service Retirement Application

Notary Name: ______________________________ Circuit: ________________ Affix your official seal

Notary Signature:______________________________ Date:________________

WHITE – ERS Copy YELLOW – Member's Copy

ERS-210
Rev. 3/2018

EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF HAWAII
201 Merchant Street, Suite 1400
Honolulu, Hawaii 96813-2980
808-586-1735

Clear Form

DIRECT DEPOSIT AGREEMENT

LAST Name:		**SSN:**
FIRST Name:		**Middle Initial:**
Mailing Address: __ Check here if new address		**Day Phone:**

Please read the instructions on the reverse side of this form before completing the Direct Deposit Agreement, ERS-210 form.

SECTION A –Account Information (May be completed by your financial institution for verification of information)

Pursuant to Section 88-91 Hawaii Revised Statutes, the Employees' Retirement System of the State of Hawaii (ERS) must directly deposit your pension into an account in your name. Entities such as Trust Accounts, Care Home Facilities, and Business Accounts cannot be used for ERS purposes.

Name(s) as it appears on your Account:	
Name of Financial Institution:	☐ **Checking** ☐ **Savings**
Routing Number:	**Direct Deposit (EFT) Account Number:**

Financial Institution Certification (optional):

Name of Agent: ______________________________ **Phone:** ____________________

Signature: ______________________________ **Date:** ____________________

SECTION B – Deposit Authorization and Agreement of All Account Holders

By signing this form, the account holder(s):

- Authorize the ERS to automatically and directly deposit your ERS pension to your account at the Financial Institution named above in Section A.
- Authorize the ERS to make withdrawals from your account in the event that the ERS benefits have been deposited to the account in error, e.g., overpayments.
- Consent to the disclosure by the Financial Institution to the ERS of any information that the ERS requests to effectuate, administer, or enforce the authorized transactions.
- Agree not to hold the ERS responsible for any delay or loss of funds due to incorrect or incomplete information supplied by you or by your Financial Institution or due to an error on the part of Financial Institution in depositing funds to the account.

Member's Signature : ____ **Date:** ______________

Signatures (Joint Account Holder(s)): ______________________________ **Date:** ______________

☐ **Representative:** If signing as Powers of Attorney (POA) Agent(s), Guardian, or Conservator, please check the box; and submit a copy of the document authorizing you to act in this capacity.

INSTRUCTIONS FOR
DIRECT DEPOSIT AGREEMENT (FORM ERS-210)

Hawaii Revised Statutes Section 88-6(a)(2), requires all retirees and beneficiaries of the Employees' Retirement System of the State of Hawaii ("ERS") to designate a financial institution into which the ERS shall be authorized to deposit their ERS retirement benefits.

All portions of the Direct Deposit Agreement (Form ERS-210) must be completed in order for the form to be valid. In addition, if there is any alteration of this form, a new form must be completed. You must submit a new form if there are any changes to your account (i.e. account number, account title, financial institution). The most recently dated form submitted to ERS will apply.

Section A – Account Information

The retiree or beneficiary's name must appear on the account. ERS is required by law to deposit pension benefits into the retiree or beneficiary's account. Entities such as a Trust Account, Care Home Facility, and Business Accounts cannot be used for ERS purposes.

You may ask the representative of the financial institution to help complete and verify the account information in this section.

IMPORTANT: The account information provided will be used to direct deposit your ERS pension or refund. Incorrect information will cause a delay in your receiving your monies.

Section B – Deposit Authorization and Agreements of All Account Holders

By signing the Direct Deposit Agreement, you and all account holders authorize the ERS to automatically and directly deposit your ERS benefits to the Financial Institution named in Section A.

This section contains the agreements of everybody who is on the account, including the ERS retiree or beneficiary. The agreements in this section apply to all Account Holders even if they are not the retiree or beneficiary receiving ERS benefits.

The retiree or beneficiary signs as primary account holder. If the account is a joint account, please have all account holder(s) sign the form. Use an additional sheet if necessary. If you are representing the retiree or beneficiary, please ensure that you have any authorizing document(s) attached to the Direct Deposit Agreement (Form ERS-210).

Forms should be returned to the ERS at:

Mailing Address: Employees' Retirement System
201 Merchant Street, Suite 1400
Honolulu, HI 96813-2980

If you have any questions, please contact the ERS at:

Oahu:	(808) 586-1735
Toll Free from neighbor islands:	1-(800) 468-4644 Ext. 61735
Toll Free from mainland:	1-(888) 659-0708

ERS Website: http://www.ers.ehawaii.gov

Employees' Retirement System
of the State of Hawaii

Internal Revenue Service (IRS) Form W-4P
Withholding Certificate for Periodic Pension or Annuity Payments
Frequently Asked Questions

The IRS released a revised Form W-4P (*Withholding Certificate for Periodic Pension or Annuity Payments*) on January 1, 2023 that includes substantial changes to the federal income tax withholding elections available, as well as changes to the calculation the Employees' Retirement System (ERS) performs to determine the amount to be withheld.

A significant change to Form W-4P is that filers are no longer able to adjust their withholding by electing a specific number of withholding allowances. The IRS now offers new input fields to account for other income, tax credits and deductions which can increase or decrease the amount that will be withheld from your benefit payment.

Form W-4P includes instructions from the IRS on how to complete the form. The ERS does not offer tax advice nor is the ERS responsible for information entered on Form W-4P. Consult a tax professional to discuss the impact of tax withholdings on your benefit payment. For more information, visit the IRS website: irs.gov.

1. Am I required to file a new tax withholding election form even if I do not intend to change my tax withholding election?
No, not at this time. Your current withholding election will remain in effect until you submit a new Form W-4P. Please note that should the amount withheld from your pension differ due to a change in your tax withholding election, tax withholding tables, or other dues amounts, you will receive a mailed statement from the ERS detailing the deductions.

2. Should I have taxes withheld from my payment?
The ERS does not offer tax advice. Consult a tax professional to discuss the impact of a tax withholding on your benefit payment.

3. What steps are required to be completed on the updated Form W-4P?
The required steps are Step 1 (a, b, & c) for personal information and Step 5 for a signature. The IRS does not allow electronic signatures on Form W-4P. An individual may optionally complete Steps 2, 3, and 4 if it applies to you and your personal financial situation.

4. Am I required to provide my full Social Security Number (SSN)?
Yes, the IRS requires a full and correct SSN for your Form W-4P to be considered valid.

5. What happens if I choose to complete Steps 2, 3, and 4 but my additions do not total correctly?
Please make sure to provide accurate amounts in Steps 2, 3, and 4 as the ERS will not recalculate the fields for you. The ERS will input the amounts as indicated in steps "2(b)(iii)", "3", "4(a)", "4(b)", and "4(c)". The ERS will not be responsible for any information provided that is used to determine your withholding.

6. How do I choose for no taxes to be withheld on Form W-4P?
You can choose not to have federal income tax withheld from your benefit payments by checking the box in the "No Withholding" section on Form W-4P in the space below Step 4(c). Then, complete Step 1(a), 1(b), and 5. See the "**Choosing not to have income tax withheld**" section on page 2 of the W-4P under **General Instructions**.

7. Can I mail, email, or fax copies of my Form W-4P to the ERS?
No, emailed, faxed, or paper reproductions of the Form W-4P are not valid. The ERS will only process a change to your Federal Tax withholdings when a valid Form W-4P containing an original signature is received in our offices.

8. What happens if I do not provide a valid tax withholding preference?
The ERS is required to initiate withholding of taxes from your benefit payments as if your filing status is Single with no adjustments or continue your current withholding election until a valid Form W-4P is received. See "**Note**" under the **Specific Instructions (continued)** on page 3 of the Form W-4P.

9. What happens if my Form W-4P is submitted incorrectly?
The ERS will not process the submission, and the form will be returned to the sender with a letter explaining that it has not been processed.

10. How will a new Form W-4P be processed in relation to any previously filed Form W-4Ps?
The most recently submitted Form W-4P will supersede any previously submitted tax withholding preferences and will be applied independent of previous submissions.

11. I recently submitted a Form W-4P however the new deduction is too much or too little from the amount I was expecting. How do I adjust the deduction?
You will have to submit a new Form W-4P to ERS to be processed. The new Form W-4P, once received, will supersede any preciously submitted tax withholding preferences.

12. How long will it take for my tax withholding to change?
Please allow 4 to 8 weeks for your tax withholding election to take effect. You will be mailed a statement from the ERS if there is a change in your direct deposit payment amount.

Please return this page to ERS. Include the retirement date and phone number on the bottom of the page.

Form **W-4P**

Department of the Treasury
Internal Revenue Service

Withholding Certificate for Periodic Pension or Annuity Payments

Give Form W-4P to the payer of your pension or annuity payments.

OMB No. 1545-0074

2026

Step 1: Enter Personal Information

(a) First name and middle initial | Last name | (b) **Social security number**

Address

City or town, state, and ZIP code

(c) ☐ **Single** or **Married filing separately**

☐ **Married filing jointly** or **Qualifying surviving spouse**

☐ **Head of household** (Check only if you're unmarried and pay more than half the costs of keeping up a home for yourself and a qualifying individual.)

Caution: To claim certain credits or deductions on your tax return, you (and/or your spouse if married filing jointly) are required to have a social security number valid for employment. See page 2 for more information.

TIP: Consider using the estimator at *www.irs.gov/W4App* to determine the most accurate withholding for the rest of the year if you: are completing this form after the beginning of the year; expect to receive your payments only part of the year; or have changes during the year in your marital status, number of pensions/jobs for you (and/or your spouse if married filing jointly), dependents, other income (not from jobs or pension/annuity payments), deductions, or credits. Have your most recent payment statements/pay stubs from this year available when using the estimator. At the beginning of next year, use the estimator again to recheck your withholding.

Complete Steps 2–4 ONLY if they apply to you; otherwise, skip to Step 5. See pages 2 and 3 for more information on each step, when to use the estimator at *www.irs.gov/W4App*, and how to elect to have no federal income tax withheld (if permitted).

Step 2: Income From a Job and/or Multiple Pensions/ Annuities (Including a Spouse's Job/Pension/ Annuity)

Complete this step if you (1) have income from a job or more than one pension/annuity, or (2) are married filing jointly and your spouse receives income from a job or a pension/annuity. **See page 2 for examples on how to complete Step 2.**

Do **only one** of the following.

(a) Use the estimator at *www.irs.gov/W4App* for the most accurate withholding for this step (and Steps 3–4). If you or your spouse have self-employment income, use this option; **or**

(b) Complete the items below.

(i) If you (and/or your spouse) have one or more jobs, then enter the total taxable annual pay from all jobs, plus any income entered on Form W-4, Step 4(a), for the jobs, minus the deductions entered on Form W-4, Step 4(b), for the jobs. Otherwise, enter "-0-" . . $

(ii) If you (and/or your spouse) have any other pensions/annuities that pay less annually than this pension/annuity, then enter the total annual taxable payments from all lower-paying pensions/annuities. Otherwise, enter "-0-" . . . . $

(iii) Add the amounts from items (i) and (ii) and enter the **total** here . . . . $

TIP: To be accurate, submit a new Form W-4P for all other pensions/annuities if you haven't updated your withholding since 2021 or this is a new pension/annuity that pays less than the other(s). Submit a new Form W-4 for your job(s) if you have not updated your withholding since 2019.

Complete Steps 3–4(b) on this form only if (b)(i) is blank **and** this pension/annuity pays the most annually. Otherwise, do not complete Steps 3–4(b) on this form.

Step 3: Claim Dependent and Other Credits

If your total income will be $200,000 or less ($400,000 or less if married filing jointly):

(a) Multiply the number of qualifying children under age 17 by $2,200 . . . . **3(a)** $

(b) Multiply the number of other dependents by $500 . . . . **3(b)** $

(c) Add other credits, such as foreign tax credit and education tax credits. Enter the total here . . . . **3(c)** $

Add the amounts from Steps 3(a), 3(b), and 3(c). Enter the total here . . . . **3** $

Step 4: Other Adjustments

(a) Other income (not from jobs or pension/annuity payments). If you want tax withheld on other income you expect this year that won't have withholding, enter the amount of other income here. This may include interest, taxable social security, and dividends . **4(a)** $

(b) Deductions. Use the Deductions Worksheet on page 4 to determine the amount of deductions you may claim, which will reduce your withholding. (If you skip this line, your withholding will be based on the standard deduction.) Enter the result here . . **4(b)** $

(c) Extra withholding. Enter any additional tax you want withheld from **each payment** . **4(c)** $

No withholding: I request that no withholding be withheld from my payments. See *Choosing not to have income tax withheld* on page 2 . . . . ☐

Step 5: Sign Here

Your signature (This form is not valid unless you sign it.) | **Date**

☐ Power of Attorney Agent | Retirement Date: | Retirement No: | Phone No:

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Future developments. For the latest information about any future developments related to Form W-4P, such as legislation enacted after it was published, go to *www.irs.gov/FormW4P*.

Purpose of form. Complete Form W-4P to have payers withhold the correct amount of federal income tax from your periodic pension, annuity (including commercial annuities), profit-sharing and stock bonus plan, or IRA payments. Federal income tax withholding applies to the taxable part of these payments. Periodic payments are made in installments at regular intervals (for example, annually, quarterly, or monthly) over a period of more than 1 year. Don't use Form W-4P for a nonperiodic payment (note that distributions from an IRA that are payable on demand are treated as nonperiodic payments) or an eligible rollover distribution (including a lump-sum pension payment). Instead, use Form W-4R, Withholding Certificate for Nonperiodic Payments and Eligible Rollover Distributions, for these payments/distributions. For more information on withholding, see Pub. 505, Tax Withholding and Estimated Tax.

Choosing not to have income tax withheld. You can choose not to have federal income tax withheld from your payments by checking the box in the *No withholding* section. Then, complete Steps 1(a), 1(b), and 5. Generally, if you are a U.S. citizen or a resident alien, you are not permitted to elect not to have federal income tax withheld on payments to be delivered outside the United States and its territories.

Caution: If you have too little tax withheld, you will generally owe tax when you file your tax return and may owe a penalty unless you make timely payments of estimated tax. If too much tax is withheld, you will generally be due a refund when you file your tax return. If your tax situation changes, or you chose not to have federal income tax withheld and you now want withholding, you should submit a new Form W-4P.

When to use the estimator. Consider using the estimator at *www.irs.gov/W4App* if you:

1. Are submitting this form after the beginning of the year;

2. Have social security, dividend, capital gain, or business income, or are subject to the Additional Medicare Tax or Net Investment Income Tax;

3. Receive these payments or pension and annuity payments for only part of the year; or

4. Have changes during the year in your marital status, number of pensions/jobs for you (and/or your spouse if married filing jointly), number of dependents, or changes in your deductions or credits.

TIP: Have your most recent payment statements/pay stubs from this year available when using the estimator to account for federal income tax that has already been withheld this year. At the beginning of next year, use the estimator again to recheck your withholding.

Self-employment. Generally, you will owe both income and self-employment taxes on any self-employment income you (or you and your spouse) receive. If you do not have a job and want to pay these taxes through withholding from your payments, use the estimator at *www.irs.gov/W4App* to figure the amount to have withheld.

Payments to nonresident aliens and foreign estates. Do not use Form W-4P. See Pub. 515, Withholding of Tax on Nonresident Aliens and Foreign Entities, and Pub. 519, U.S. Tax Guide for Aliens, for more information.

Tax relief for victims of terrorist attacks. If your disability payments for injuries incurred as a direct result of a terrorist attack are not taxable, check the box in the *No withholding* section. See Pub. 3920, Tax Relief for Victims of Terrorist Attacks, for more details.

Specific Instructions

Submit a **separate Form W-4P** for each pension, annuity, or other periodic payments you receive.

Step 1(c). Check your anticipated filing status. This will determine the standard deduction and tax rates used to compute your withholding.

Step 2. Use this step if you have at least one of the following: income from a job, income from more than one pension/annuity, and/or a spouse (if married filing jointly) that receives income from a job/pension/annuity. The following examples will assist you in completing Step 2(b).

Example 1. Taylor, a single filer, is completing Form W-4P for a pension that pays $50,000 a year. Taylor also has a job that pays $25,000 a year. Taylor has no other pensions or annuities. Taylor will enter $25,000 in Step 2(b)(i) and in Step 2(b)(iii).

If Taylor also has $1,000 of interest income, which she entered on Form W-4, Step 4(a), then she will instead enter $26,000 in Step 2(b)(i) and in Step 2(b)(iii). She will make no entries in Step 4(a) on this Form W-4P.

Example 2. Casey, a single filer, is completing Form W-4P for a pension that pays $50,000 a year. Casey does not have a job, but receives another pension for $25,000 a year (which pays less annually than the $50,000 pension). Casey will enter $25,000 in Step 2(b)(ii) and in Step 2(b)(iii).

If Casey also has $1,000 of interest income, then he will enter $1,000 in Step 4(a) of this Form W-4P.

Example 3. Sam, a single filer, is completing Form W-4P for a pension that pays $50,000 a year. Sam does not have a job, but receives another pension for $75,000 a year (which pays more annually than the $50,000 pension). Sam will not enter any amounts in Step 2.

If Sam also has $1,000 of interest income, she won't enter that amount on this Form W-4P because she entered the $1,000 on the Form W-4P for the higher paying $75,000 pension.

Example 4. Alex, a single filer, is completing Form W-4P for a pension that pays $50,000 a year. Alex also has a job that pays $25,000 a year and another pension that pays $20,000 a year. Alex will enter $25,000 in Step 2(b)(i), $20,000 in Step 2(b)(ii), and $45,000 in Step 2(b)(iii).

If Alex also has $1,000 of interest income, which he entered on Form W-4, Step 4(a), he will instead enter $26,000 in Step 2(b)(i), leave Step 2(b)(ii) unchanged, and enter $46,000 in Step 2(b)(iii). He will make no entries in Step 4(a) of this Form W-4P.

If you are married filing jointly, the entries described above do not change if your spouse is the one who has the job or the other pension/annuity instead of you.

CAUTION ***Multiple sources of pensions/annuities or jobs.*** *If you (or if married filing jointly, you and/or your spouse) have a job(s), do NOT complete Steps 3 through 4(b) on Form W-4P. Instead, complete Steps 3 through 4(b) on the Form W-4 for the job. If you (or if married filing jointly, you and your spouse) do not have a job, complete Steps 3 through 4(b) on Form W-4P for* ***only*** *the pension/annuity that pays the most annually. Leave those steps blank for the other pensions/annuities.*

CAUTION ***Social security number and other requirements for credits and deductions.*** *You (and/or your spouse if married filing jointly) must have the required social security number to claim certain credits and deductions. For additional eligibility requirements for these credits and deductions, see Pub. 501, Dependents, Standard Deduction, and Filing Information.*

Specific Instructions *(continued)*

Step 3. This step provides instructions for determining the amount of the child tax credit and the credit for other dependents that you may be able to claim when you file your tax return. To qualify for the child tax credit, the child must be under age 17 as of December 31, must be your dependent who generally lives with you for more than half the year, and must have the required social security number. You may be able to claim a credit for other dependents for whom a child tax credit can't be claimed, such as an older child or a qualifying relative.

For additional eligibility requirements for these credits, see Pub. 501, Dependents, Standard Deduction, and Filing Information. You can also include **other tax credits** for which you are eligible in this step, such as the foreign tax credit and the education tax credits. Including these credits will increase your payments and reduce the amount of any refund you may receive when you file your tax return.

Step 4.

Step 4(a). Enter in this step the total of your other estimated income for the year, if any. You shouldn't include amounts from any job(s) or pension/annuity payments. If you complete Step 4(a), you likely won't have to make estimated tax payments for that income. If you prefer to pay estimated tax rather than having tax on other income withheld from your pension, see Form 1040-ES, Estimated Tax for Individuals.

Step 4(b). Enter in this step the amount from the Deductions Worksheet, line 17, if you expect to claim deductions other than the basic standard deduction on your 2026 tax return and want to reduce your withholding to account for these deductions. This includes itemized deductions, the additional standard deduction for those 65 and over, and other deductions such as for qualified tips, overtime compensation, and passenger vehicle loan interest; student loan interest; IRAs; and seniors.

Step 4(c). Enter in this step any additional tax you want withheld from **each payment**. Entering an amount here will reduce your payments and will either increase your refund or reduce any amount of tax that you owe when you file your tax return.

Note: If you don't give Form W-4P to your payer, you don't provide an SSN, or the IRS notifies the payer that you gave an incorrect SSN, then the payer will withhold tax from your payments as if your filing status is single with no adjustments in Steps 2 through 4. For payments that began before 2026, your current withholding election (or your default rate) remains in effect unless you submit a new Form W-4P.

Privacy Act and Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to provide this information only if you want to (a) request federal income tax withholding from pension or annuity payments based on your filing status and adjustments; (b) request additional federal income tax withholding from your pension or annuity payments; (c) choose not to have federal income tax withheld, when permitted; or (d) change a previous Form W-4P. To do any of the aforementioned, you are required by sections 3405(e) and 6109 and their regulations to provide the information requested on this form. Failure to provide this information may result in inaccurate withholding on your payment(s). Failure to provide a properly completed form will result in your being treated as a single person with no other entries on the form; providing fraudulent information may subject you to penalties.

Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation, and to cities, states, the District of Columbia, and U.S. commonwealths and territories for use in administering their tax laws. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The average time and expenses required to complete and file this form will vary depending on individual circumstances. For estimated averages, see the instructions for your income tax return.

If you have suggestions for making this form simpler, we would be happy to hear from you. See the instructions for your income tax return.

Step 4(b)—Deductions Worksheet *(Keep for your records.)*

See the Instructions for Schedule 1-A (Form 1040) for more information about whether you qualify for the deductions on lines 1a, 1b, 1c, 3a, and 3b.

1	Deductions for qualified tips, overtime compensation, and passenger vehicle loan interest.		
a	**Qualified tips.** If your total income is less than $150,000 ($300,000 if married filing jointly), enter an estimate of your qualified tips up to $25,000	1a	$
b	**Qualified overtime compensation.** If your total income is less than $150,000 ($300,000 if married filing jointly), enter an estimate of your qualified overtime compensation up to $12,500 ($25,000 if married filing jointly) of the “and-a-half” portion of time-and-a-half compensation	1b	$
c	**Qualified passenger vehicle loan interest.** If your total income is less than $100,000 ($200,000 if married filing jointly), enter an estimate of your qualified passenger vehicle loan interest up to $10,000	1c	$
2	Add lines 1a, 1b, and 1c. Enter the result here	2	$
3	**Seniors age 65 or older.** If your total income is less than $75,000 ($150,000 if married filing jointly):		
a	Enter $6,000 if you are age 65 or older before the end of the year	3a	$
b	Enter $6,000 if your spouse is age 65 or older before the end of the year and has a social security number valid for employment	3b	$
4	Add lines 3a and 3b. Enter the result here	4	$
5	Enter an estimate of your student loan interest, deductible IRA contributions, educator expenses, alimony paid, and certain other adjustments from Schedule 1 (Form 1040), Part II. See Pub. 505 for more information	5	$
6	**Itemized deductions.** Enter an estimate of your 2026 itemized deductions from Schedule A (Form 1040). Such deductions may include qualifying:		
a	**Medical and dental expenses.** Enter expenses in excess of 7.5% (0.075) of your total income	6a	$
b	**State and local taxes.** If your total income is less than $505,000 ($252,500 if married filing separately), enter state and local taxes paid up to $40,400 ($20,200 if married filing separately)	6b	$
c	**Home mortgage interest.** If your mortgage indebtedness is less than $750,000 ($375,000 if married filing separately), enter your home mortgage interest expense (including mortgage insurance premiums)	6c	$
d	**Gifts to charities.** Enter contributions in excess of 0.5% (0.005) of your total income	6d	$
e	**Other itemized deductions.** Enter the amount for other itemized deductions	6e	$
7	Add lines 6a, 6b, 6c, 6d, and 6e. Enter the result here	7	$
8	**Limitation on itemized deductions.**		
a	Enter your total income	8a	$
b	Subtract line 4 from line 8a. If line 4 is greater than line 8a, enter -0- here and on line 10. Skip line 9	8b	$
9	Enter: • $768,700 if you’re married filing jointly or a qualifying surviving spouse • $640,600 if you’re single or head of household • $384,350 if you’re married filing separately	9	$
10	If line 9 is greater than line 8b, enter the amount from line 7. Otherwise, multiply line 7 by 94% (0.94) and enter the result here	10	$
11	**Standard deduction.** Enter: • $32,200 if you’re married filing jointly or a qualifying surviving spouse • $24,150 if you’re head of household • $16,100 if you’re single or married filing separately	11	$
12	**Additional standard deduction.** If you (or your spouse) are 65 or older. Enter: • $2,050 if you’re single or head of household • $1,650 if you’re married filing separately • $1,650 if you’re a qualifying surviving spouse or you’re married filing jointly and one of you is under age 65 • $3,300 if you’re married filing jointly and both of you are age 65 or older	12	$
13	**Cash gifts to charities.** If you take the standard deduction, enter cash contributions up to $1,000 ($2,000 if married filing jointly)	13	$
14	Add lines 12 and 13. Enter the result here	14	$
15	Add lines 11 and 14. Enter the result here	15	$
16	If line 10 is greater than line 15, subtract line 11 from line 10 and enter the result here. If line 15 is greater than line 10, enter the amount from line 14	16	$
17	Add lines 2, 4, 5, and 16. Enter the result here and in Step 4(b) of Form W-4P	17	$

EMPLOYEES' RETIREMENT SYSTEM
OF THE STATE OF HAWAII
201 Merchant Street, Suite 1400
Honolulu, Hawaii 96813-2980
Phone: (808) 586-1735 or 1-800-468-4644 extension 61735 (neighbor islands)

Clear Form

SPOUSAL/CIVIL UNION PARTNER/RECIPROCAL BENEFICIARY NOTIFICATION FORM

The Employees' Retirement System (ERS) of the State of Hawaii must furnish written notification to a member's spouse, civil union partner, or reciprocal beneficiary regarding a member's retirement.

In order to comply with this requirement, you must provide the ERS with information relating to relationship status. This form must be returned to our office prior to your retirement date; otherwise, your initial pension check may be delayed.

(Circle one)
Relationship Status: Married Civil Union Partner Reciprocal Beneficiary Single

If you circled married, civil union partner, or reciprocal beneficiary, you must also provide the name and mailing address of your spouse, civil union partner, or reciprocal beneficiary.

(Please print)
NAME: ______________________________
(Name of Spouse/Civil Union Partner/Reciprocal Beneficiary)

MAILING ADDRESS: ______________________________

____

____

I understand that:

- Notification can be waived if I selected option 2 or 3 (or combination thereof) or option A or B, <u>and</u> designated my spouse/civil union partner/reciprocal beneficiary as the primary beneficiary.
- My option selection shall not take effect unless I furnish the proper information.
- The ERS will rely on the information I have provided and will not be liable for any false statements.

Signature: ______________________________ SSN: ______________________

Print Name: ______________________________ Retirement Date: ______________

☐ **Representative:** If signing as Powers of Attorney (POA) Agent(s), Guardian, or Conservator, please check the box; and submit a copy of the document authorizing you to act in this capacity.

FEATURES OF RETIREMENT PLAN OPTIONS

<table>
<tr><th>HYBRID</th><th>CONTRIBUTORY</th><th>NONCONTRIBUTORY</th></tr>
<tr><td colspan="2">Maximum Allowance
The highest lifetime pension for the retiree and in the event of death, the designated beneficiary will be paid the difference between the value of the retiree’s contributions at the time of retirement and the retirement allowance paid prior to death.</td><td>Maximum Allowance
The highest lifetime allowance and in the event of death, there is no further benefit payable.</td></tr>
<tr><td colspan="2">Option One
A reduced lifetime pension for the retiree and in the event of death, the designated beneficiary will be paid the difference between the initial insurance reserve and the retirement allowance paid prior to death.</td><td>Option A
A reduced lifetime pension for the retiree and in the event of death, the designated beneficiary will be paid one-half of the monthly allowance plus any cumulative post retirement increases for life. Should the designated beneficiary predecease the retiree, the retiree’s reduced pension converts to the Maximum Allowance. Another beneficiary cannot be named and all payments will terminate upon the death of the retiree.</td></tr>
<tr><td colspan="2">Option Two (100% Survivor)
A reduced lifetime pension for the retiree and in the event of death, the designated beneficiary will be paid the same monthly allowance plus any cumulative post retirement increases for life. Should the designated beneficiary predecease the retiree, the retiree’s reduced pension converts to the Maximum Allowance. Another beneficiary cannot be named and all payments will terminate upon the death of the retiree.</td><td>Option B
A reduced lifetime pension for the retiree and in the event of death, the designated beneficiary will be paid the same monthly allowance plus any cumulative post retirement increases for life. Should the designated beneficiary predecease the retiree, the retiree’s reduced pension converts to the Maximum Allowance. Another beneficiary cannot be named and all payments will terminate upon the death of the retiree.</td></tr>
<tr><td colspan="2">Option Three (50% Survivor)
A reduced lifetime pension for the retiree and in the event of death, the designated beneficiary will be paid one-half of the monthly allowance plus any cumulative post retirement increases for life. Should the designated beneficiary predecease the retiree, the retiree’s reduced pension converts to the Maximum
Allowance. Another beneficiary cannot be named and all payments will terminate upon the death of the retiree.</td><td>Option C
A reduced lifetime allowance for the retiree and in the event of death within 10 years of retirement, the designated beneficiary is paid the same monthly allowance plus any cumulative post-retirement increases only for the balance of the 10 year period. Should the designated beneficiary predecease the retiree, another beneficiary can be named.</td></tr>
<tr><td colspan="2">Option Five
A refund of all accumulated contributions (including interest) as well as a reduced lifetime monthly pension provided by the government’s contributions. In the event of death, there are no beneficiary benefits.</td><td rowspan="3"></td></tr>
<tr><th>HYBRID</th><th>CONTRIBUTORY</th></tr>
<tr><td>Option Four (Five & Maximum)
Withdrawal of the nontaxable pre-1987 contributions or 50% of the accumulated contributions, and a reduced lifetime monthly pension. As in the case of the Maximum Allowance, in the event of the retirant’s death, the designated beneficiary will be paid the difference between the value of the retiree’s contributions at the time of retirement and the retirement allowance paid prior to death.</td><td>Option Four (Five & Maximum)
Withdrawal of the nontaxable pre-1987 contributions, or 50%, or 75% of the accumulated contributions, and a reduced lifetime monthly pension. As in the case of the Maximum Allowance, in the event of the retirant’s death, the designated beneficiary will be paid the difference between the value of the retiree’s contributions at the time of retirement and the retirement allowance paid prior to death.</td></tr>
</table>

1/2017

FEATURES OF RETIREMENT PLAN OPTIONS

HYBRID	CONTRIBUTORY
Option Four (Five & One)	**Option Four (Five & One)**
Withdrawal of the nontaxable pre-1987 contributions or 50% of the accumulated contributions, and a reduced lifetime monthly pension. As in the case of Option One, in the event of the retiree's death, the designated beneficiary will be paid the difference between the initial reserve and the retirement allowance paid prior to death.	Withdrawal of the nontaxable pre-1987 contributions, or 50%, or 75% of the accumulated contributions, and a reduced lifetime monthly pension. As in the case of Option One, in the event of the retiree's death, the designated beneficiary will be paid the difference between the initial reserve and the retirement allowance paid prior to death.
Option Four (Five & Two) (100% Survivor)	**Option Four (Five & Two) (100% Survivor)**
Withdrawal of the nontaxable pre-1987 contributions or 50% of the accumulated contributions, and a reduced lifetime monthly pension. As in the case of Option Two, in the event of the retiree's death, the designated beneficiary will be paid the same monthly allowance plus any cumulative post retirement increases for life. Should the designated beneficiary predecease the retiree, the retiree's reduced pension converts to the corresponding Option Four variation of the Maximum Allowance with the same refund amount. Another beneficiary cannon be named and all payments will terminate upon the death of the retiree.	Withdrawal of the nontaxable pre-1987 contributions, or 50%, or 75% of the accumulated contributions, and a reduced lifetime monthly pension. As in the case of Option Two, in the event of the retiree's death, the designated beneficiary will be paid the same monthly allowance plus any cumulative post retirement increases for life. Should the designated beneficiary predecease the retiree, the retiree's reduced pension converts to the corresponding Option Four variation of the Maximum Allowance with the same refund amount. Another beneficiary cannot be named and all payments will terminate upon the death of the retiree.
Option Four (Five & Three) (50% Survivor)	**Option Four (Five & Three) (50% Survivor)**
Withdrawal of the nontaxable pre-1987 contributions or 50% of the accumulated contributions, and a reduced lifetime monthly pension. As in the case of Option Three, in the event of the retiree's death, the designated beneficiary will be paid one-half of the monthly allowance and any cumulative post retirement increases for life. Should the designated beneficiary predecease the retiree, the retiree's reduced pension converts to the corresponding Option Four variation of the Maximum Allowance with the same refund amount. Another beneficiary cannot be named and all payments will terminate upon the death of the retiree.	Withdrawal of the nontaxable pre-1987 contributions, or 50%, or 75% of the accumulated contributions, and a reduced lifetime monthly pension. As in the case of Option Three, in the event of the retiree's death, the designated beneficiary will be paid one-half of the monthly allowance and any cumulative post retirement increases for life. Should the designated beneficiary predecease the retiree, the retiree's reduced pension converts to the corresponding Option Four variation of the Maximum Allowance with the same refund amount. Another beneficiary cannot be named and all payments will terminate upon the death of the retiree.

BENEFITS PAYABLE IF DEATH OCCURS AFTER FILING A RETIREMENT APPLICATION OR WITHIN THE FIRST YEAR OF RETIREMENT

Should death occur after filing an application or within the first year of retirement, the designated beneficiary may elect to receive the survivor benefit for the option selected by the member or the ordinary death benefit.

Note: The retirement option can be changed PRIOR to the retirement date. No changes to the option are allowed AFTER the date of retirement.

11/2020

Choosing the Best Retirement Option for You

Every family's financial circumstances differ, so we recommend that you consider the following factors when selecting the option that is best for you.

A. Monthly Income

- Can you live on your pension income?
- Do you have any other source of income besides your pension (e.g., Social Security, investment income or a part-time job or business)?

B. Death Benefits

- Do you need to provide for someone after your death (e.g., spouse, dependent children, parents or siblings)? Will there be adequate income for your spouse if you die first? Will your beneficiary be protected for your lifetime regardless which option you choose?
- What is your current health status?
- If you have a serious illness, consider survivor options.
- (Contributory or Hybrid Plan members) If you are a younger member in good health, Option 1 may not be appropriate because of the likelihood that you will outlive the insurance reserve (approximately 10 to 13 years). However, if your beneficiary is older than you are or is not in good health, Option 1 provides flexibility in allowing changes in your beneficiary designation if your beneficiary predeceases you after you retire.
- For survivor options, the younger the beneficiary the lower the monthly pension.
- If your spouse has his/her own pension benefit, can he/she survive without your monthly pension if you should die first?
- Do you have sufficient life insurance if you choose an option without any death benefits? Are you still insurable considering your age and health?
- The Employees' Retirement System provides benefits if your death occurs within the first year of retirement.

C. Refund of Contributions (Hybrid and Contributory plan members only)

- The more you withdraw, the less your monthly pension will be.
- Do you want/need a lump sum refund of your contributions?
- Do you want to take advantage of the nontaxable feature?
- Are you willing to pay the additional federal taxes if you withdraw more than your nontaxable portion? If not, consider a rollover of your refund into an IRA account or qualified employer plan.
- Will you be in a higher tax bracket with the additional taxable contributions added to your current salary (in the year you retire)?
- If a taxable refund option is selected, the estimated initial taxable refund payment or rollover amount is the balance in your account at the time the payment is made. The final balance of the taxable refund will be made or rolled over to your IRA account or qualified employer plan when your pension is finalized.
- Do you have long range plans for your refund? Can you manage your investments wisely (or would you rather leave your contributions in for a higher monthly pension and leave the investment risks to the ERS)?

D. Post Retirement Increases

- You will receive an increase of 2.5% (membership dates prior to July 1, 2012) or 1.5% (membership dates after June 30, 2012) each July 1 starting with the calendar year after your retirement date.
- This increase is based on your original monthly pension and is not compounded.
- The higher your monthly pension, the higher your post retirement increase in dollars.

Important Notice

RULE AFFECTING 100% JOINT & SURVIVOR RETIREMENT OPTIONS WITH NON-SPOUSE BENEFICIARY

The ERS was required by federal law to adopt a rule (Hawaii Administrative Rule § 6-28-8) that affects the retirement allowance options that are available if an ERS member designates a beneficiary who is not the member's spouse. If the age difference between the member and the non-spouse beneficiary exceeds the federal limit for 100% joint and survivor annuities, the member may not select Option 2 or Option 4 (5&2) under the Contributory and Hybrid plans or Option B under the Noncontributory plan.

The age difference for the purpose of the federal limit is determined first by calculating the number of years by which the age of the member in the calendar year of retirement is greater than the age of the beneficiary in that calendar year. Then, if the member is younger than age 70, the age difference is reduced by the number of years the member is below age 70 in the calendar year of retirement. If the adjusted age difference is more than ten years, the member may not select a retirement allowance option that provides a non-spouse beneficiary with lifetime benefits upon the member's death at 100% of the amount that the member was receiving.

Examples:

#1

Retirement Year:	2042	
Member Birthdate:	3/1/1982	60 (age in 2042)
Beneficiary Birthdate:	8/5/2012	-30 (age in 2042)
	Age difference	30 years
	Less (member age under 70)	-10
	Adjusted age difference	20 years

Since the adjusted age difference is more than 10 years: Member may not elect to receive retirement benefits under any of the 100% survivor options (Contributory and Hybrid plan Options 2 or 4 (5&2), or Noncontributory plan Option B).

#2

Retirement Year:	2042	
Member Birthdate:	5/1/1987	55 (age in 2042)
Beneficiary Birthdate:	1/5/2012	-30 (age in 2042)
	Age difference	25 years
	Less (member age under 70)	-15
	Adjusted age difference	10 years

Since the adjusted age difference does not exceed 10 years: Member may elect to receive retirement benefits under the 100% survivor option(s) for the plan to which Member belongs (Options 2 or 4 (5&2), if Member is in the Contributory or Hybrid plan. Option B, if Member is in the Noncontributory plan).

Employees' Retirement System (ERS)
RETIRANT RETURNING TO WORK

If you are an ERS retirant considering returning to State or County employment, please review and consider the following information:

Position Type	**Required Break**	**Impact to Pension**	**Notes**
Non ERS Membership	6 months	None. Pension will continue if employed after the required break fulfilled.	Examples of positions: Temporary, less than 50% FTE, substitute teaching, etc.
Difficult to Fill or Labor Shortage	12 months	None. Pension will continue if employed after the required break fulfilled.	These positions must meet the criteria designated by the Director of Human Resource or Human Resource Management Chief Executive of the appropriate jurisdiction. In addition, an annual report detailing the employment of the number of retirants in these difficult to fill or labor shortage positions must be submitted to the Legislature.
ERS Membership	n/a	Pension suspended until employment ends.	Retirants will be re-enrolled in their previous retirement plan. Additional benefits accrued under re-employment will be "tacked-on" to the previous pension. Note: Pensions with benefit limitations still apply to this employment period.

State employers include, and are not limited to, the State executive branch, the University of Hawaii, the Research Corporation at the University of Hawaii, the Hawaii Health Systems Corporation, the Department of Education, the Office of Hawaiian Affairs, the Judiciary, the Legislative branch of the State. County employers include the City and County of Honolulu and the Counties of Hawaii, Kauai, and Maui.

Reference: Hawaii Revised Statutes Section 88-9 (Act 179/SLJ 2010) and Section 88-98

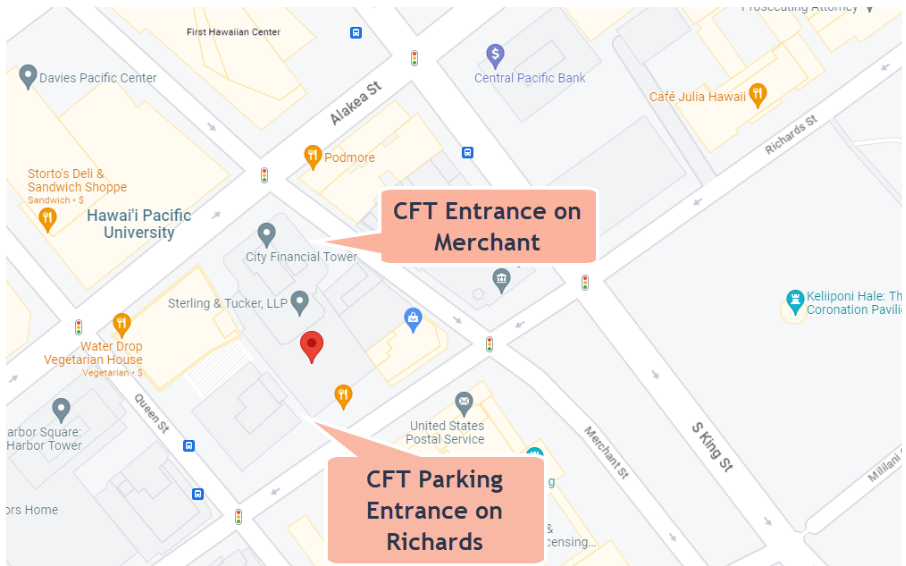
ERS-222
Rev 6/2023

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
EMPLOYEES' RETIREMENT SYSTEM OFFICE LOCATIONS

Below are our office locations on all islands and parking instructions.

The Employees' Retirement System (ERS) Oahu is located in the City Financial Tower (CFT).

OAHU
City Financial Tower
201 Merchant Street, Suite 1400,
Honolulu HI 96813
Phone: (808) 586-1735
Fax: (808) 587-5766
Parking entrance is located on Richards Street (see map on the right and instructions below). Validation is available with the ERS after your appointment.



<u>DRIVING INSTRUCTIONS FROM THE WEST</u>

- Take H-201 East.
- Take Exit 21B Punchbowl Street. Keep right to take Punchbowl Street ramp and merge onto Punchbowl Street.
- Turn right onto South Beretania Street. Stay in far left lane.
- Take first left onto Richards Street, which is a one-way street going towards the ocean. Stay in left lane. Cross Hotel Street. Stay in far right lane.
- Cross King Street then Merchant Street
- Parking entrance to our building - CFT will be on the right hand side past the CFT Loading Dock, across from the US Post Office on Richards Street.

<u>DRIVING INSTRUCTIONS FROM THE EAST</u>

- Take H1 West.
- Take exit 22 Vineyard Boulevard.
- Take first left onto Punchbowl Street. Stay in far right lane.
- Turn right onto South Beretania Street. Stay in far left lane.
- Take first left onto Richards Street, which is a one-way street going towards the ocean. Stay in left lane. Cross Hotel Street. Stay in far right lane.
- Cross King Street then Merchant Street.
- Parking entrance to our building - CFT will be on the right hand side past the CFT Loading Dock, across from the US Post Office on Richards Street.

<u>PARKING INSTRUCTIONS:</u>

- Enter the CFT parking garage and park on Level P3.
- Take the parking elevator down to the lobby and take the building elevator to ERS on the 14th floor.

See reverse side for Neighbor Island locations

HAWAII
Hilo Lagoon Centre (Lobby Level)
101 Aupuni Street, Suite 208
Hilo, Hawaii 96720
Phone: (808) 974-4077
Fax: (808) 974-4078

PARKING:

- "Visitors & Customer Only" parking spaces available

MAUI
State Office Building #1
54 S. High Street, Room 218
Wailuku, Hawaii 96793
Phone: (808) 984-8181
Fax: (808) 984-8183

PARKING:

- 2 hour free parking on Wells Street, Main Street, and High Street; or
- Metered parking available

KAUAI
Lihue State Office Building
3060 Eiwa Street, Room 302
Lihue, Hawaii 96766
Phone: (808) 274-3010
Fax: (808) 241-3193

PARKING:

- Metered parking available

ERS-123B
Rev 12/2022

EMPLOYEES' RETIREMENT SYSTEM
201 Merchant Street, Suite 1400
Honolulu, Hawaii 96813-2980

DIRECT ROLLOVER OPTIONS
(For use by Contributory and Hybrid Plan Members)

Name: ______________________ S. S. No.: ____–____–____ Retirement Date: ____________

The following chart is provided for your use in retirement planning.

Estimated Taxable Portion of Eligible Rollover Payment		Estimated Nontaxable Portion of Eligible Rollover Payment	
1) Pre-Tax Contributions	$________	1) After-Tax Contributions	$________
2) Regular Interest on Pre-Tax and After-Tax Contributions	+ ________		
3) Total	=$________	2) Total	=$________

SELECT ONLY ONE OF THE FOLLOWING:

1. ☐ NO DIRECT ROLLOVER
I do not want to do a direct rollover of any portion of my eligible rollover payment. Please pay the entire amount to me. By federal law, at least 20% of the taxable portion that is not directly rolled over must be withheld for federal income taxes. Use the enclosed Form W-4R and return it with this ERS-123B only if you would like a withholding greater than 20%. (Note: 20% will be withheld if no Form W-4R is received or if the percentage is less than 20%.)

2. ☐ FULL DIRECT ROLLOVER (Including After-Tax Contributions)
I want to do a direct rollover of the entire eligible rollover payment to the institution listed below.

3. ☐ PARTIAL DIRECT ROLLOVER
Please pay directly to me $__________of the amount that I am eligible to roll over. I want to directly roll over to the institution listed below the remaining balance of my eligible rollover payment.
By federal law, at least 20% of the taxable portion that is not directly rolled over must be withheld for federal income taxes. Use the enclosed Form W-4R and return it with this ERS-123B only if you would like a withholding greater than 20%. (Note: 20% will be withheld if no Form W-4R is received or if the percentage is less than 20%.)

Read and Initial Regarding Making a Direct Rollover of After-Tax Contributions

_______ I understand and acknowledge that if I am doing a direct rollover including after-tax contributions, the receiving qualified plan (which may not include a governmental section 457(b) plan), must separately account for the after-tax contributions rolled over. I have confirmed with the administrator of the receiving qualified plan that the receiving plan will separately account for the after-tax contributions.

Qualified Retirement Plan or IRA to Which Direct Rollover Will Be Made:

Institution Name ______________________________

Address 1 ______________________________

Address 2 ______________________________

Address 3 ______________________________

City ______________________________

State ______________________ **Zip** __________

Phone Number ______________________________

Acct No ______________________________

Select Plan Type (from the following):

☐ **Traditional IRA** ☐ **Roth IRA**

☐ **Qualified Employer Plan-(QEP)**

If a QEP, is this a governmental section 457(b) plan? ☐ **YES** ☐ **No**

The direct rollover check will be mailed to the institution shown above. I understand that I must return this form before my retirement date in order for the ERS to complete the direct rollover as part of my retirement.

______________________ ______________________ ______________________
Signature Date Phone

☐ **Representative:** If signing as Powers of Attorney Agent(s), Guardian, or Conservator, please check the box; and submit a copy of the document authorizing you to act in this capacity.

Employees' Retirement System
of the State of Hawaii

Internal Revenue Service (IRS) Form W-4R
Withholding Certificate for Nonperiodic Payments and Eligible Rollover Distributions
Frequently Asked Questions (FAQ)

The IRS released Form W-4R (*Withholding Certificate for Nonperiodic Payments and Eligible Rollover Distributions*) which is a new form used to assign a withholding rate for nonperiodic and eligible rollover payments, used by the Employees' Retirement System (ERS) as of January 1, 2025.

Form W-4R includes instructions from the IRS on how to complete the form. The ERS does not offer tax advice nor is the ERS responsible for information entered on Form W-4R. Consult a tax professional to discuss the impact of tax withholdings on your benefit payment. For more information, visit the IRS website: irs.gov.

1. Why did I receive the Form W-4R?
Form W-4R is required to be sent by the ERS for any nonperiodic payment or eligible rollover distributions. Do not use Form W-4R for monthly payments or for payments to nonresident aliens and foreign estates. See IRS Publication 515 *Withholding of Tax on Nonresident Aliens and Foreign Entities* and Publication 519 *U.S. Tax Guide for Aliens* for more information.

2. Is my payment nonperiodic or an eligible rollover distribution?
The ERS will be informing you whether your payment is nonperiodic or rollover eligible.

Generally, if you are sent a form with an option to elect a full or partial rollover, then a part, or all, of your disbursement is eligible to be rolled over. Please see the ERS Notice 402(f) Special Tax Notice Regarding Rollover Options for more information on rollover eligible payments and taxes.

Certain corrective payments, payments to a successor, and required minimum distributions are not rollover eligible and are considered nonperiodic payments.

Form W-4R should not be used to designate withholdings for monthly annuity payments. Instead, please use Form W-4P Withholding Certificate for Periodic Pension or Annuity Payments available from the ERS.

3. Is Form W-4R required?
No, Form W-4R should not be submitted for the default withholding to be applied. A Form W-4R should only be submitted if you are electing to have a withholding amount different than the default for your payment.

4. What is the default withholding amount for my payment?
For rollover eligible distributions, the mandatory minimum withholding is 20% of the taxable gross of the amount that is <u>not</u> directly rolled over to another qualified plan. You should only be submitting Form W-4R if you want more than the mandatory minimum 20% default to be withheld from your payment, and not less.

For nonresident aliens, 30% must be withheld for federal income taxes, unless you can claim an exception. Do not use Form W-4R to claim an exception. Instead, use IRS Form W-8BEN which may be obtained with instructions from the IRS website: irs.gov.

For nonperiodic payments, the default withholding is 10%. If submitting Form W-4R, you should input a withholding rate that is different from the 10% default by entering a withholding from 0% to 100% in line 2.

5. What amount should I have withheld from my payment?
The IRS provides default withholding rates depending on your payment type, which the ERS will inform you of. Beyond this, the ERS does not offer tax advice. Please refer to the instructions on Form W-4R or consult a tax professional to discuss the impact of tax withholdings on your benefit payment.

6. Can I mail, email, or fax copies of my Form W-4R to the ERS?
No, emailed, faxed, or paper reproductions of the Form W-4R are not valid. The ERS will only process a non-default withholding from your rollover eligible payment when a valid Form W-4R containing an original signature is received in our offices.

7. What steps are required to be completed if submitting Form W-4R?
The required steps are Step One (a & b) for personal information, Step 2 to designate a withholding, and a signature. The IRS does not allow electronic signatures on Form W-4R. You should input the actual total withholding percentage you want deducted on line 2 (which should be an amount different than the default). Submissions for non-default withholdings to be applied require a valid and signed original Form W-4R.

8. Am I required to provide my full Social Security Number (SSN)?
Yes, the IRS requires a full and correct SSN for Form W-4R to be considered valid.

9. What happens if I do not provide a valid tax withholding preference?
The ERS is required to withhold taxes according to the default for the payment type.

10. How will I know how much was withheld from my payment?
You will receive a mailed statement from the ERS reflecting the gross, net, and withholding amounts for any new direct deposit payments.

Please return this page to ERS. Include the retirement date and phone number on the bottom of the page.

Form **W-4R**

Department of the Treasury
Internal Revenue Service

Withholding Certificate for Nonperiodic Payments and Eligible Rollover Distributions

Give Form W-4R to the payer of your retirement payments.

OMB No. 1545-0074

2026

1a First name and middle initial	Last name	**1b Social security number**
Address		
City or town, state, and ZIP code		

Your withholding rate is determined by the type of payment you will receive.

- For nonperiodic payments, the default withholding rate is 10%. You can choose to have a different rate by entering a rate between 0% and 100% on line 2. Generally, you can't choose less than 10% for payments to be delivered outside the United States and its territories.
- For an eligible rollover distribution, the default withholding rate is 20%. You can choose a rate greater than 20% by entering the rate on line 2. You may not choose a rate less than 20%.

See page 2 for more information.

2 Complete this line if you would like a rate of withholding that is different from the default withholding rate. See the instructions on page 2 and the Marginal Rate Tables below for additional information. Enter the rate as a whole number (no decimals) . . . . **2** %

Sign Here

Your signature (This form is not valid unless you sign it.) **Date**

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Future developments. For the latest information about any future developments related to Form W-4R, such as legislation enacted after it was published, go to *www.irs.gov/FormW4R*.

Purpose of form. Complete Form W-4R to have payers withhold the correct amount of federal income tax from your nonperiodic payment or eligible rollover distribution from an employer retirement plan, annuity (including a commercial annuity), or individual retirement arrangement (IRA). See page 2 for the rules and options that are available for each type of payment. Don't use Form W-4R for periodic payments (payments made in installments at regular intervals over a period of more than 1 year) from these plans or arrangements. Instead, use Form W-4P, Withholding Certificate for Periodic Pension or Annuity Payments. For more information on withholding, see Pub. 505, Tax Withholding and Estimated Tax.

Caution: If you have too little tax withheld, you will generally owe tax when you file your tax return and may owe a penalty unless you make timely payments of estimated tax. If too much tax is withheld, you will generally be due a refund when you file your tax return. Your withholding choice (or an election not to have withholding on a nonperiodic payment) will generally apply to any future payment from the same plan or IRA. Submit a new Form W-4R if you want to change your election.

2026 Marginal Rate Tables

You may use these tables to help you select the appropriate withholding rate for this payment or distribution. Add your income from all sources and use the column that matches your filing status to find the corresponding rate of withholding. See page 2 for more information on how to use this table.

Single or Married filing separately		**Married filing jointly or Qualifying surviving spouse**		**Head of household**	
Total income over—	**Tax rate for every dollar more**	*Total income over—*	**Tax rate for every dollar more**	*Total income over—*	**Tax rate for every dollar more**
$0	**0%**	$0	**0%**	$0	**0%**
16,100	**10%**	32,200	**10%**	24,150	**10%**
28,500	**12%**	57,000	**12%**	41,850	**12%**
66,500	**22%**	133,000	**22%**	91,600	**22%**
121,800	**24%**	243,600	**24%**	129,850	**24%**
217,875	**32%**	435,750	**32%**	225,900	**32%**
272,325	**35%**	544,650	**35%**	280,350	**35%**
656,700*	**37%**	800,900	**37%**	664,750	**37%**

* If married filing separately, use $400,450 instead for this 37% rate.

☐ Power of Attorney Agent | Retirement Date: | Retirement No: | Phone No:

General Instructions *(continued)*

Nonperiodic payments—10% withholding. Your payer must withhold at a default 10% rate from the taxable amount of nonperiodic payments **unless** you enter a different rate on line 2. Distributions from an IRA that are payable on demand are treated as nonperiodic payments. Note that the default rate of withholding may not be appropriate for your tax situation. You may choose to have no federal income tax withheld by entering "-0-" on line 2. See the specific instructions below for more information. Generally, you are not permitted to elect to have federal income tax withheld at a rate of less than 10% (including "-0-") on any payments to be delivered outside the United States and its territories.

Note: If you don't give Form W-4R to your payer, you don't provide an SSN, or the IRS notifies the payer that you gave an incorrect SSN, then the payer must withhold 10% of the payment for federal income tax and can't honor requests to have a lower (or no) amount withheld. Generally, for payments that began before 2026, your current withholding election (or your default rate) remains in effect unless you submit a Form W-4R.

Eligible rollover distributions—20% withholding. Distributions you receive from qualified retirement plans (for example, 401(k) plans and section 457(b) plans maintained by a governmental employer) or tax-sheltered annuities that are eligible to be rolled over to an IRA or qualified plan are subject to a 20% default rate of withholding on the taxable amount of the distribution. You can't choose withholding at a rate of less than 20% (including "-0-"). Note that the default rate of withholding may be too low for your tax situation. You may choose to enter a rate higher than 20% on line 2. Don't give Form W-4R to your payer unless you want more than 20% withheld.

Note that the following payments are **not** eligible rollover distributions for purposes of these withholding rules:

- Qualifying "hardship" distributions;
- Distributions required by federal law, such as required minimum distributions;
- Distributions from a pension-linked emergency savings account;
- Eligible distributions to a domestic abuse victim;
- Qualified disaster recovery distributions;
- Qualified birth or adoption distributions;
- Qualified long-term care distributions; and
- Emergency personal expense distributions.

See Pub. 505 for details. See also *Nonperiodic payments—10% withholding* above.

Payments to nonresident aliens and foreign estates. Do not use Form W-4R. See Pub. 515, Withholding of Tax on Nonresident Aliens and Foreign Entities, and Pub. 519, U.S. Tax Guide for Aliens, for more information.

Tax relief for victims of terrorist attacks. If your disability payments for injuries incurred as a direct result of a terrorist attack are not taxable, enter "-0-" on line 2. See Pub. 3920, Tax Relief for Victims of Terrorist Attacks, for more details.

Specific Instructions

Line 1b

For an estate, enter the estate's employer identification number (EIN) in the area reserved for "Social security number."

Line 2

More withholding. If you want more than the default rate withheld from your payment, you may enter a higher rate on line 2.

Less withholding (nonperiodic payments only). If permitted, you may enter a lower rate on line 2 (including "-0-") if you want less than the 10% default rate withheld from your payment. If you have already paid, or plan to pay, your tax on this payment through other withholding or estimated tax payments, you may want to enter "-0-".

Suggestion for determining withholding. Consider using the Marginal Rate Tables on page 1 to help you select the appropriate withholding rate for this payment or distribution. The tables are most accurate if the appropriate amount of tax on all other sources of income, deductions, and credits has been paid through other withholding or estimated tax payments. If the appropriate amount of tax on those sources of income has not been paid through other withholding or estimated tax payments, you can pay that tax through withholding on this payment by entering a rate that is greater than the rate in the Marginal Rate Tables.

The marginal tax rate is the rate of tax on each additional dollar of income you receive above a particular amount of income. You can use the table for your filing status as a guide to find a rate of withholding for amounts above the total income level in the table.

To determine the appropriate rate of withholding from the table, do the following. Step 1: Find the rate that corresponds with your total income not including the payment. Step 2: Add your total income and the taxable amount of the payment and find the corresponding rate.

If these two rates are the same, enter that rate on line 2. (See *Example 1* below.)

If the two rates differ, multiply (a) the amount in the lower rate bracket by the rate for that bracket, and (b) the amount in the higher rate bracket by the rate for that bracket. Add these two numbers; this is the expected tax for this payment. To get the rate to have withheld, divide this amount by the taxable amount of the payment. Round up to the next whole number and enter that rate on line 2. (See *Example 2* below.)

If you prefer a simpler approach (but one that may lead to overwithholding), find the rate that corresponds to your total income including the payment and enter that rate on line 2.

Examples. Assume the following facts for *Examples 1* and *2*. Your filing status is single. You expect the taxable amount of your payment to be $20,000. Appropriate amounts have been withheld for all other sources of income and any deductions or credits.

Example 1. You expect your total income to be $70,000 without the payment. Step 1: Because your total income without the payment, $70,000, is greater than $66,500 but less than $121,800, the corresponding rate is 22%. Step 2: Because your total income with the payment, $90,000, is greater than $66,500 but less than $121,800, the corresponding rate is 22%. Because these two rates are the same, enter "22" on line 2.

Example 2. You expect your total income to be $60,000 without the payment. Step 1: Because your total income without the payment, $60,000, is greater than $28,500 but less than $66,500, the corresponding rate is 12%. Step 2: Because your total income with the payment, $80,000, is greater than $66,500 but less than $121,800, the corresponding rate is 22%. The two rates differ. $6,500 of the $20,000 payment is in the lower bracket ($66,500 less your total income of $60,000 without the payment), and $13,500 is in the higher bracket ($20,000 less the $6,500 that is in the lower bracket). Multiply $6,500 by 12% to get $780. Multiply $13,500 by 22% to get $2,970. The sum of these two amounts is $3,750. This is the estimated tax on your payment. This amount corresponds to 19% of the $20,000 payment ($3,750 divided by $20,000). Enter “19” on line 2.

Privacy Act and Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to provide this information only if you want to (a) request additional federal income tax withholding from your nonperiodic payment(s) or eligible rollover distribution(s); (b) choose not to have federal income tax withheld from your nonperiodic payment(s), when permitted; or (c) change a previous Form W-4R (or a previous Form W-4P that you completed with respect to your nonperiodic payments or eligible rollover distributions). To do any of the aforementioned, you are required by sections 3405(e) and 6109 and their regulations to provide the information requested on this form. Failure to provide this information may result in inaccurate withholding on your payment(s). Failure to provide a properly completed form will result in your payment(s) being subject to the default rate; providing fraudulent information may subject you to penalties.

Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation, and to cities, states, the District of Columbia, and U.S. commonwealths and territories for use in administering their tax laws. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The average time and expenses required to complete and file this form will vary depending on individual circumstances. For estimated averages, see the instructions for your income tax return.

If you have suggestions for making this form simpler, we would be happy to hear from you. See the instructions for your income tax return.

STATE OF HAWAII
EMPLOYEES' RETIREMENT SYSTEM

SPECIAL TAX NOTICE REGARDING ROLLOVER OPTIONS

You are receiving this notice because all or a portion of a payment you are eligible to receive from the Employees' Retirement System of the State of Hawaii (the "ERS") may be rolled over to an IRA or another qualified retirement plan. This notice is intended to help you decide whether to do such a rollover.

Rules that apply to most payments that are eligible for rollover are described in the "General Information About Rollovers" section. Special rules that only apply in certain circumstances are described in the "Special Rules and Options" section.

GENERAL INFORMATION ABOUT ROLLOVERS

What part of my benefits may I roll over?

Most payments from the ERS are not eligible for rollover. For example, monthly annuity payments and required minimum distributions after age 73 if you were born after December 31, 1950 (age 70-1/2 if you were born before July 1, 1949, or age 72 if you were born between July 1, 1949 and December 31, 1950) are not eligible for rollover. You should complete IRS Form W-4P, "Withholding Certificate for Periodic Pension or Annuity Payments," to elect the federal income tax withholding that will apply to monthly annuity payments.

Generally, the only payments from the ERS that are eligible for rollover are: (1) one-time payments to you or your beneficiary (including an alternate payee) that represent a refund or partial refund of your own contributions (e.g., a refund or partial refund of your accumulated contributions or a distribution of your hypothetical account balance), (2) one-time payments made in connection with ordinary death benefits for Contributory and Hybrid members, and (3) lump-sum death benefits paid to a member's beneficiary as part of retirement Option 1.

The ERS can tell you whether a payment is eligible for rollover.

How can a rollover affect my taxes?

You will be subject to federal income tax on any distribution that you do not roll over. If you are under age 59½ and do not do a rollover, you will also have to pay a 10% additional income tax on early distributions (unless an exception applies). However, if you do a rollover, you will not have to pay tax until you receive payments later, and the 10% additional income tax will not apply if those payments are made after you are age 59½ (or if an exception applies).

Where may I roll over the payment?

You may roll over the payment to either an IRA (an individual retirement account or individual retirement annuity) or an employer plan (a tax-qualified plan, such as a profit-sharing or 401(k) plan, a section 403(b) plan, or a governmental section 457(b) plan) that will accept the rollover. The rules of the IRA or employer plan that holds the rollover will determine your investment options, fees, and rights to payment from the IRA or employer plan (for example, no spousal consent rules apply to IRAs, and IRAs may not provide loans). Further, the amount rolled over will become subject to the tax rules that apply to the IRA or employer plan.

How do I do a rollover?

There are two ways to do a rollover. You can do either a direct rollover or a 60-day rollover.

<u>If you do a direct rollover</u>, the ERS will make the payment directly to your IRA or an employer plan. You should contact the IRA sponsor (usually a financial institution) or the administrator of the employer plan for information on how to do a direct rollover. Also, you must complete the enclosed Form ERS-123B.

<u>If you do not do a direct rollover</u>, you may still do a rollover by making a deposit into an IRA or eligible employer plan that will accept it. Generally, you will have 60 days after you receive the payment to make the deposit. If you do not do a direct rollover, the ERS is required to withhold 20% of the payment for federal income taxes. This means that, in order to roll over the entire payment in a 60-day rollover, you must use other funds to make up for the 20% withheld. If you do not roll over the entire amount of the payment, the portion not rolled over will be taxed and will be subject to the 10% additional income tax on early distributions if you are under age 59½ (unless an exception applies).

If I don't do a rollover, will I have to pay the 10% additional income tax on early distributions?

If you are under age 59½, you will have to pay the 10% additional income tax on early distributions for any payment from the ERS (including amounts withheld for income tax) that you do not roll over, unless one of the exceptions listed below applies. This tax applies to the part of the distribution that you must include in income and is in addition to the regular income tax on the payment not rolled over.

The 10% additional income tax does not apply to the following payments from the ERS:

- Payments made after you separate from service if you will be at least age 55 in the year of the separation.
- Payments that start after you separate from service if paid at least annually in equal or close to equal amounts over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary) (e.g., monthly annuity payments).
- Payments made after you separate from service if you are a qualified public safety employee and you have either: attained age 50 in the year of the separation or earned 25 years of service in the ERS. (Generally, for this purpose, a "qualified public safety employee" is a State or County employee who provides police protection, firefighting services, emergency medical services, corrections officers, and forensic security employees.)
- Payments made due to disability.
- Payments after your death.
- Corrective distributions of contributions that exceed tax law limitations.
- Payments made directly to the federal government to satisfy a federal tax levy.
- Payments made to an alternate payee under a Hawaii domestic relations order (that is treated as a "qualified domestic relations order" for federal income tax purposes).
- Payments up to the amount of your deductible medical expenses (without regard to whether you itemize deductions for the taxable year).
- Payments for certain distributions relating to certain federally declared disasters.
- There is an exception for certain payments made while you are on active duty if you were a member of a reserve component called to duty after September 11, 2001, for more than 179 days.

If I do a rollover to an IRA, will the 10% additional income tax apply to early distributions from the IRA?

If you receive a payment from an IRA when you are under age 59½, you will have to pay the 10% additional income tax on early distributions on the part of the distribution that you must include in income, unless an exception applies. In general, the exceptions to the 10% additional income tax for early distributions from an IRA are the same as the exceptions listed above for early distributions from the ERS. However, there are a few differences for payments from an IRA, including:

- There is no exception for payments after separation from service that are made after age 55 (or after age 50 or 25 years of service if you are a qualified public safety employee).
- The exception for Hawaii domestic relations orders does not apply. However, a special rule applies under which, as part of a divorce or separation agreement, a tax-free transfer may be made directly to an IRA of a spouse or former spouse.
- The exception for payments made at least annually in equal or close to equal amounts over a specified period applies without regard to whether you have had a separation from service.
- There are additional exceptions for (1) payments for qualified higher education expenses, (2) payments up to $10,000 used in a qualified first-time home purchase, and (3) payments for health insurance premiums after you have received unemployment compensation for 12 consecutive weeks (or would have been eligible to receive unemployment compensation but for self-employed status).

Will I owe State income taxes?

As of December 1, 2022, distributions from the ERS are not subject to State of Hawaii income tax. However, the laws affecting the taxation of distributions may change. Please consult with a qualified tax advisor prior to completing your retirement election forms.

If you are a resident of or domiciled in another state, you should consult the tax authorities in that state as to the state income taxation of your pension benefits.

SPECIAL RULES AND OPTIONS

If your payment includes after-tax contributions

After-tax contributions included in a payment are not taxed. If a payment is only part of your benefit, an allocable portion of your after-tax contributions is included in the payment, so you cannot take a payment of only after-tax contributions. However, if you have pre-1987 after-tax contributions maintained in a separate account, a special rule may apply to determine whether the after-tax contributions are included in a payment. In addition, special rules apply when you do a rollover, as described below.

You may roll over to an IRA a payment that includes after-tax contributions through either a direct rollover or a 60-day rollover. You must keep track of the aggregate amount of the after-tax contributions in all of your IRAs (in order to determine your taxable income for later payments from the IRAs). If you do a direct rollover of only a portion of the amount paid from the ERS and at the same time the rest is paid to you, the portion directly rolled over consists first of the amount that would be taxable if not rolled over. For example, assume you are receiving a distribution of $12,000, of which $2,000 is after-tax contributions. In this case, if you directly roll over $10,000 to an IRA that is not a Roth IRA, no amount is taxable because the $2,000 amount not directly rolled over is treated as being after-tax contributions.

If you do a 60-day rollover to an IRA of only a portion of a payment made to you, the after-tax contributions are treated as rolled over last. For example, assume you are receiving a distribution of $12,000, of which $2,000 is after-tax contributions, and no part of the distribution is directly rolled over. In this case, if you roll over $10,000 to an IRA that is not a Roth IRA in a 60-day rollover, no amount is taxable because the $2,000 amount not rolled over is treated as being after-tax contributions.

You may roll over to an employer plan all of a payment that includes after-tax contributions, but only through a direct rollover (and only if the receiving plan separately accounts for after-tax contributions and is not a governmental section 457(b) plan). You can do a 60-day rollover to an employer plan of part of a payment that includes after-tax contributions, but only up to the amount of the payment that would be taxable if not rolled over.

If you miss the 60-day rollover deadline

Generally, the 60-day rollover deadline cannot be extended. However, the IRS has limited authority to waive the deadline under certain extraordinary circumstances, such as when external events prevented you from completing the rollover by the 60-day rollover deadline. Under certain circumstances, you may claim eligibility for a waiver of the 60-day rollover deadline by making a written self-certification. Otherwise, to apply for a waiver from the IRS, you must submit a private letter ruling request to the IRS. Private letter ruling requests require the payment of a nonrefundable user fee. For more information, see IRS Publication 590-A, *Contributions to Individual Retirement Arrangements (IRAs)*.

If you were born on or before January 1, 1936

If you were born on or before January 1, 1936, and receive a lump sum distribution that you do not roll over, special rules for calculating the amount of the tax on the payment might apply to you. For more information, see IRS Publication 575, *Pension and Annuity Income*.

If you roll over your payment to a Roth IRA

If you roll over a payment from the ERS to a Roth IRA, a special rule applies under which the amount of the payment rolled over (reduced by any after-tax amounts) will be taxed. However, the 10% additional income tax on early distributions will not apply (unless you take the amount rolled over out of the Roth IRA within 5 years, counting from January 1 of the year of the rollover).

If you roll over the payment to a Roth IRA, later payments from the Roth IRA that are qualified distributions will not be taxed (including earnings after the rollover). A qualified distribution from a Roth IRA is a payment made after you are age 59½ (or after your death or disability, or as a qualified first-time homebuyer distribution of up to $10,000) and after you have had a Roth IRA for at least 5 years. In applying this 5-year rule, you count from January 1 of the year for which your first contribution was made to a Roth IRA. Payments from the Roth

IRA that are not qualified distributions will be taxed to the extent of earnings after the rollover, including the 10% additional income tax on early distributions (unless an exception applies). You do not have to take required minimum distributions from a Roth IRA during your lifetime. For more information, see IRS Publication 590-A, *Contributions to Individual Retirement Arrangements (IRAs)*, and IRS Publication 590-B, *Distributions from Individual Retirement Arrangements (IRAs)*.

You cannot roll over a payment from the ERS to a designated Roth account in an employer plan.

If you are not an ERS member

Payments after death of the member. If you receive a distribution after the member's death that you do not roll over, the distribution will generally be taxed in the same manner described elsewhere in this notice. However, the 10% additional income tax on early distributions and the special rules for qualified public safety employees do not apply, and the special rule described under the section "If you were born on or before January 1, 1936" applies only if the member was born on or before January 1, 1936.

> **If you are a surviving spouse.** If you receive a payment from the ERS as the surviving spouse of a deceased member, you have the same rollover options that the member would have had, as described elsewhere in this notice. In addition, if you choose to do a rollover to an IRA, you may treat the IRA as your own or as an inherited IRA.
>
> An IRA you treat as your own is treated like any other IRA of yours, so that payments made to you before you are age 59½ will be subject to the 10% additional income tax on early distributions (unless an exception applies) and required minimum distributions from your IRA do not have to start until after you are age 70½ (if you were born before July 1, 1949), age 72 (if you were born between July 1, 1949 and December 31, 1950) or age 73 (if you were born after on or after January 1, 1951).
>
> If you treat the IRA as an inherited IRA, payments from the IRA will not be subject to the 10% additional income tax on early distributions. However, if the member had started taking required minimum distributions, you will have to receive required minimum distributions from the inherited IRA. If the member had not started taking required minimum distributions from the ERS, you will not have to start receiving required minimum distributions from the inherited IRA until the year the member would have been age 70½ (if the member was born before July 1, 1949), age 72 (if the member was born between July 1, 1949 and December 31, 1950) or age 73 (if the member was born on or after January 1, 1951).
>
> **If you are a surviving beneficiary other than a spouse.** If you receive a payment from the ERS because of the member's death and you are a designated beneficiary other than a surviving spouse, you will be able to do a direct rollover to an inherited IRA. This is the only rollover option that you will have. Payments from the inherited IRA will not be subject to the 10% additional income tax on early distributions. You will have to receive required minimum distributions from the inherited IRA.

Payments under a Hawaii domestic relations order. If you are the spouse or former spouse of a member who receives a payment from the ERS under a Hawaii domestic relations order ("HiDRO") that is an eligible rollover distribution, you generally have the same options and the same tax treatment that the member would have (for example, you may roll over the payment to your own IRA or an eligible employer plan that will accept it). Payments under the HiDRO will not be subject to the 10% additional income tax on early distributions.

If you are a nonresident alien

If you are a nonresident alien and you do not do a direct rollover to a U.S. IRA or U.S. employer plan, instead of withholding 20%, the ERS is generally required to withhold 30% of the payment for federal income taxes. If the amount withheld exceeds the amount of tax you owe (as may happen if you do a 60-day rollover), you may request an income tax refund by filing Form 1040NR and attaching your Form 1042-S. See Form W-8BEN for claiming that you are entitled to a reduced rate of withholding under an income tax treaty. For more information, see also IRS Publication 519, *U.S. Tax Guide for Aliens*, and IRS Publication 515, *Withholding of Tax on Nonresident Aliens and Foreign Entities*.

Other special rules

If a payment is one in a series of payments for less than 10 years, your choice whether to make a direct rollover will apply to all later payments in the series (unless you make a different choice for later payments).

If your payments for the year are less than $200, the ERS is not required to allow you to do a direct rollover and is not required to withhold for federal income taxes. However, you may do a 60-day rollover.

You may have special rollover rights if you recently served in the U.S. Armed Forces. For more information on special rollover rights related to the U.S. Armed Forces, see IRS Publication 3, *Armed Forces' Tax Guide*. You also may have special rollover rights if you were affected by a federally declared disaster (or similar event), or if you received a distribution on account of a disaster. For more information on special rollover rights related to disaster relief, see the IRS website at www.irs.gov.

FOR MORE INFORMATION

The ERS encourages you to consult a professional tax advisor before taking a payment from the ERS. Also, you can find more detailed information on the federal tax treatment of payments from employer plans in: IRS Publication 575, *Pension and Annuity Income*; IRS Publication 590-A, *Contributions to Individual Retirement Arrangements (IRAs)*; IRS Publication 590-B, *Distributions from Individual Retirement Arrangements (IRAs)*; and IRS Publication 571, *Tax-Sheltered Annuity Plans (403(b) Plans)*. These publications are available from a local IRS office, on the web at www.irs.gov, or by calling 1-800-TAX-FORM.