

EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF HAWAII

Notice to Employees re: Federal Tax Limit on Pension Compensation

This notice is to inform you that federal tax law limits the amount of annual compensation that may be used to calculate contributions to and benefits paid from the Employees' Retirement System of the State of Hawaii (the "ERS").

The federal tax limits were first effective with respect to the ERS on July 1, 1996. Since 1996, the limits have been as follows:

<u>Year</u>	<u>Federal Tax Limit on Pension Compensation</u>
1996	\$150,000
1997	\$160,000
1998	\$160,000
1999	\$160,000
2000	\$170,000
2001	\$170,000
2002	\$200,000
2003	\$200,000
2004	\$205,000
2005	\$210,000
2006	\$220,000
2007	\$225,000
2008	\$230,000

The limits are subject to further increase with the cost of living.

If an employee earns in excess of the federal tax limit in a 12-month period, the federal tax limit will apply in two ways: (1) to limit any employee contributions to the ERS, and (2) to limit the benefits payable from the ERS.