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SYSTEM

## Upgrade of Non-Contributory to Hybrid Service Using 403(b) Funds

The Employees' Retirement System (ERS) recently sent Hybrid upgrade informational packets to eligible ERS members. These informational packets outline a one-time option to upgrade non-contributory service credit to Hybrid credit. ERS members, who met specific criteria, may choose to increase their retirement benefit by purchasing an upgrade of their non-contributory service credits. ERS members eligible to participate in the upgrade program include those who:

- were an actively employed ERS member on June 30, 2006;
- made an election to transfer to the Hybrid Plan, effective July 1, 2006;
- had non-contributory service before July 1, 2006; and
- were an actively employed ERS member on December 31, 2008.

### Some important points to remember:

- Members may elect to upgrade non-contributory service from October 1, 2009 through April 3, 2010.
- Members may choose various ways to pay for upgrades:
  - Direct Trustee-to-Trustee transfer of funds from their 403(b) Tax-Deferred Annuity (TDA) service provider or the 457 Island Savings Plan. This option is available only to active employees.
  - Direct Rollover of funds from their 403(b) TDA service provider or the 457 Island Savings Plan. This option is available to former employees, active employees aged 59-1/2 or older, or active employees with investment companies unable to process a trustee-to-trustee transfer of funds.
  - Rollover in the form of a direct transfer from certain types of IRAs.
  - Personal check, cashier's check or money order.
  - A combination of the above.
- You may choose to upgrade some or all of your non-contributory service.
- Please review the section on tax considerations beginning on page 9 of your ERS Hybrid Plan Upgrade Program Decision Guide for important information related to State of Hawai'i Income Tax consequences for transfers and rollovers.
- All upgrade payments must be received before September 30, 2010 or your retirement date, whichever is earlier. The ERS advises that envelopes postmarked on September 30<sup>th</sup> will not be accepted.
- Funds received will be used to upgrade identified months of service. The ERS advises that should insufficient funds be received for the number of months you elected to upgrade, only the months paid for will be upgraded.

### Things to do:

- Review the ERS decision guide and information packet.
- If you find discrepancies in your personal information or months of service, submit a correction form to the ERS by February 1, 2010. Unless the ERS corrects the discrepancy, you may be unable to upgrade the months in question. The ERS correction form is available from the Hybrid upgrade secure website under the Key Documents link.
- It is recommended that you discuss your upgrade options with your financial advisor. They may provide additional information that may assist you with solidifying a plan of action.
- If you need assistance or have questions related to the upgrade information or program:

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- The Hybrid Upgrade call center is available toll-free at 877-544-4505 (Representatives are available Monday to Friday, 7:45 a.m. to 4:30 p.m. and Saturday, 7:45 a.m. to noon. The call center will be closed on all State holidays; Friday, Nov. 27, 2009; Saturday, Nov. 28, 2009; Saturday, Dec. 26, 2009; and Saturday, Jan. 2, 2010.)
- Logon to the secure hybrid upgrade website at: [www.ERSHybridUpgrade.com](http://www.ERSHybridUpgrade.com) using your Username and Password, located on the bottom of page 1 of Your Personal Hybrid Plan Upgrade Program Statement.
- Remember to make your upgrade election by April 3, 2010 via the secure website or by calling the toll-free number above.
- All upgrade payments must be received before September 30, 2010 or your date of retirement, whichever is earlier.

**403(b) Tax-Deferred Annuity Procedure**

- Ensure you have sufficient funds to cover the upgrade cost.
  - Discuss minimum account balances, if any, with your financial advisor. Some providers may automatically close your account and forward the entire amount to the ERS if a minimum account balance is not maintained.
  - Keep in mind that the ERS will only accept the exact amount of funds equivalent to the number of months you plan to upgrade. If the funds received by ERS is greater than your upgrade cost, the check may be returned. This may delay your upgrade processing or deny you the ability to upgrade your non-contributory service credit.
- Request a transfer/rollover form from your service provider or financial advisor. It is important to advise your provider that you need the form to transfer or rollover 403(b) funds to purchase permissive service credits.
- Make your upgrade election via the secure website ([www.ERSHybridUpgrade.com](http://www.ERSHybridUpgrade.com)) or by contacting the call center toll-free at 877-544-4505.
  - Declare what type of funds you will use to pay for your upgrade.
  - Print the confirmation form, ERS Remittance Document(s) and the Fax Transmittal Form(s).
- Complete the transfer/rollover form and submit it with the ERS Remittance Document and ERS – Hybrid Plan Upgrade Fax Transmittal Form to:
  - Office of Human Resources, 2440 Campus Road, Administrative Services Building 2, Honolulu HI 96822.
  - Remember to include a self-addressed stamped envelope to return the documents to your financial advisor, service provider or yourself.
- The Office of Human Resources (OHR) will review and approve your transfer/rollover form. All documents will be returned in the envelope provided. OHR will also include a copy of the ERS Letter of Acceptance to facilitate the transfer or rollover process. If you have questions related to your 403(b) transfer processing, call 956-8643 or email [uh-tda-l@hawaii.edu](mailto:uh-tda-l@hawaii.edu).
- Plan to allow one month for the funds to reach the ERS. Plan accordingly as the funds must be received before your date of retirement or September 30, 2010, whichever is earlier.
- If you plan to retire at the end of December 2009, we strongly suggest that you submit the documents to transfer funds prior to November 30, 2009. Be advised that increased mail volume during the holiday season may delay the delivery of your documents and funds.

**Do You Plan To Also Use Other Funds For Your Upgrade?**

- To transfer funds from the State's 457 program: Contact the Island Savings Plan for information at 1-888-712-5642 and select Option #2 for the Honolulu Office.
- To use other funds, contact your financial advisor or plan administrator for information and guidance.