

# UNIVERSITY OF HAWAI'I

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Office of Human Resources

June 8, 2005

TO: Interim President McClain  
Vice Presidents  
Chancellors  
Executive Administrator & Secretary of the Board Regents

FROM: Edward Yuen   
System Director of Human Resources

SUBJECT: **NON-TAX QUALIFIED PENSION BENEFITS**

Federal tax law limits the amount of compensation that may be taken into account in calculating tax-qualified plan benefits paid by the Employees' Retirement System (ERS) of the State of Hawai'i. In 1996, the federal tax limit was \$150,000. The limit has increased to \$205,000 for determination periods beginning in 2004. The Hawai'i Legislature established a non-tax qualified pension plan in 2004 to provide benefits to members of the ERS who received compensation prior to June 30, 2004 in excess of the federal tax limits. Such individuals have been or will be contacted directly by the ERS.

The purpose of this memorandum is to inform you that this new compensation limit for retirement benefits potentially affects all of our highly compensated employees, if not presently then possibly in future years. Therefore, we are requesting your assistance in informing your employees, as well as applicants for employment, that their retirement benefits from the ERS are capped by the federal limit on compensation for pension benefits. A similar notice has been placed on the OHR website.

Thank you for your assistance in this matter. Should you have any questions, please contact me.