

LINDA LINGLE  
GOVERNOR



**STATE OF HAWAII**  
EMPLOYEES' RETIREMENT SYSTEM

October 29, 2009

**TO:** Tax Shelter Annuities Agents, Tax Deferred Annuities  
Service Providers and Tax Qualified Plan Administrator

**FROM:** David Shimabukuro  
Administrator 

**SUBJECT:** Letter of Acceptance for the Hybrid Plan Program Upgrade

The Employees' Retirement System of the State of Hawaii (ERS) has begun the Hybrid Plan Upgrade Program where members of the ERS are permitted to upgrade their Noncontributory Plan service to Hybrid Plan service. Permissible methods of paying for the upgrade include trustee-to-trustee transfers and direct rollovers from tax-qualified retirement plans, such as a 401(k), 403(a) qualified annuity, 403(b) tax sheltered annuities, governmental 457(b) deferred compensation and certain individual retirement accounts (IRA).

As a result of this program, please be advised of the following:

1. The ERS is a tax-qualified defined benefit pension plan that meets the requirements of section 401(a) of the Internal Revenue Code (the "Code") applicable to governmental plans sponsored by a state;
2. The ERS has implemented a program to permit certain members of the ERS to upgrade service credit previously received under the ERS;
3. The members of the ERS may upgrade their service credit by means of a trustee-to-trustee transfer from a section 403(b) annuity contract or a section 403(b)(7) custodial account in accordance with section 403(b)(13) of the Code and section 1.403(b)-10(b)(4) of the Treasury Regulations;
4. Funds transferred to the ERS in a trustee-to-trustee transfer pursuant to section 403(b)(13) of the Code will be used to purchase "permissive service credit," as defined in section 415(n)(3)(A) of the Code;



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5. The ERS will accept direct rollovers from a 403(b) annuity contract or 403(b)(7) custodial account pursuant to section 403(b)(8) of the Code if and only if the annuity contract or custodial account does not permit trustee-to-trustee transfers pursuant to section 403(b)(13) of the Code; and
6. The ERS will not accept the transfer of after-tax amounts from tax-qualified retirement plans.

Should you have any questions, please contact Mr. Darrick Tokuda at (808) 586-1722 or email at [tokudad@hiers.org](mailto:tokudad@hiers.org).

Your support and assistance to help members upgrade their Noncontributory Plan service and increase their pension benefits will be very much appreciated.