

LINDA LINGLE
GOVERNOR



STATE OF HAWAII
EMPLOYEES' RETIREMENT SYSTEM

October 29, 2009

To: IRA Trustees and Custodians

From: David Shimabukuro
Administrator

A handwritten signature in black ink, appearing to read "David Shimabukuro".

Subject: Letter of Acceptance for the Hybrid Plan Upgrade Program

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 Section 401(a) plans (including profit-sharing and 401(k) plans), Section 403(a) qualified annuities, Section 403(b) tax sheltered annuities, governmental Section 457(b) deferred compensation plans, and certain individual retirement accounts and annuities (IRAs), including traditional IRAs, SEP IRAs, rollover or conduit IRAs, and deemed IRAs under qualified employer plans.

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 rollover by "direct transfer" from a traditional IRA, a SEP IRA, a rollover or conduit IRA, and a deemed IRA under a qualified employer plan;
4. A rollover by "direct transfer" from an IRA is a check from the trustee or custodian of the distributing IRA made payable to the Employees' Retirement System of the State of Hawaii for the benefit of ("FBO") <the Member's name>; and



Employees' Retirement System
of the State of Hawaii

5. The ERS will not accept transfers or rollovers of after-tax amounts.

Should you have any questions, please contact Mr. Darrick Tokuda at (808) 586-1722 or email at 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.