PRE-TAX TRANSPORTATION BENEFIT PILOT PROGRAM

The Pre-Tax Transportation Benefit Pilot Program ("PTBP" or "Program") is being offered to eligible Oahu employees of the State Executive Branch. This is a tax savings benefit program which is authorized under the Federal Transportation Equity Act for the 21st Century, Section 132(f) of the Internal Revenue Code (IRC). This Act allows employees to pay for qualified transportation expenses before federal, State and FICA taxes are computed.

Please read this flyer carefully so that you can determine the Program’s effect on your retirement, social security, deferred compensation, and tax-sheltered annuity benefits.

WHAT QUALIFIED TRANSPORTATION EXPENSES ARE INCLUDED IN THE PROGRAM?

• Bus Passes for TheBus;
• TheHandi-Van service; and
• vRide (fka Vanpool Hawaii) fees

WHO’S ELIGIBLE TO PARTICIPATE?

Employees of the State Executive Branch (excluding the DOE) who are eligible to participate in the State of Hawaii’s Employees’ Retirement System, who live and work on Oahu, and who do not have parking in a State-controlled lot with a parking payroll deduction (for those who would like to enroll in the Program for bus passes and Handi-Van services). If you would like to enroll in the Program for Handi-Van services, you must also possess a current Handi-Van identification Card issued by TheBus.

HOW DOES THE PROGRAM WORK?

You may authorize your employer to have your designated transportation expenses deducted from your paycheck(s) on a pre-tax basis. This means you will save money on your bus pass, Handi-Van or vRide expenses. A single recurring monthly payroll deduction will be made before federal, State and FICA taxes are withheld.

The single monthly deductions will occur on the 20th of each month.

Your employer will purchase a regular bus pass, Handi-Van fare coupons or vouchers redeemable with vRide and distribute it to you on a monthly basis.

For Senior and Disability Annual Bus Passes: A one-time deduction will be made and which is authorized under the Program when obtaining your annual bus pass, will be purchased and distributed to you.

Your bus pass, Handi-Van fare coupons or vouchers are for your use only and cannot be used by your spouse, dependents, or others.

HOW MUCH WILL I SAVE?

The savings for each employee will vary depending on your tax bracket, but the following provides an example of how this benefit works:

Based on an annual salary of $24,000*

<table>
<thead>
<tr>
<th>Salary</th>
<th>Pre-Tax</th>
<th>After-Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>$24,000.00</td>
<td>$24,000.00</td>
<td></td>
</tr>
<tr>
<td>Taxable Income</td>
<td>23,280.00</td>
<td>24,000.00</td>
</tr>
<tr>
<td>Federal Tax</td>
<td>1,483.20</td>
<td>1,555.20</td>
</tr>
<tr>
<td>State Tax</td>
<td>1,009.92</td>
<td>1,056.00</td>
</tr>
<tr>
<td>FICA Tax</td>
<td>1,761.04</td>
<td>1,836.00</td>
</tr>
<tr>
<td>After-Tax Deduction</td>
<td>-0-</td>
<td>-0-</td>
</tr>
<tr>
<td>Deductible Income</td>
<td>19,005.84</td>
<td>18,832.80</td>
</tr>
<tr>
<td>Tax Savings Per Year</td>
<td>$173.04</td>
<td></td>
</tr>
</tbody>
</table>

*Claiming married and no exemptions

For more information about the Program, contact your Department Coordinator or visit the DHRD website: http://dhrd.hawaii.gov/state-employees/employee-benefits/

For vRide participants:

vRide participants may submit a completed Enrollment Form to your Department Coordinator any time during the year. Vouchers, redeemable with vRide, for your vanpool, will be purchased and issued to you provided a valid payroll deduction can be made from your paycheck.

You can obtain more information about joining a vanpool with vRide by calling 596-VANS(8267) or visiting the vRide website at: http://www.vride.com

Payroll deductions and issuance of monthly bus passes, Handi-Van fare coupons and vouchers for vRide will automatically continue until you cancel your enrollment in the Program.

MAY I CANCEL MY ENROLLMENT ANYTIME DURING THE YEAR?

Yes, but please keep in mind that you may not re-enroll (bus passes) during this plan year, unless you have a qualifying event to allow re-enrollment (refer to the Program Participant Guide for qualifying events).

To cancel, you must submit a “State of Hawaii Pre-Tax Transportation Benefit Pilot Program Employee Cancellation Form” to your Department Coordinator, who must receive it no less than 35 days prior to the month for which cancellation is to be effective.

WILL MY RETIREMENT, SOCIAL SECURITY, DEFERRED COMPENSATION OR TAX-SHELTERED ANNUITY PLAN BENEFITS BE AFFECTED?

The Program will not affect your State Employees’ Retirement System (ERS) Plan benefits

Participation in the Program may affect your Deferred Compensation Plan, or Tax-Sheltered Annuity (TSA) Plan contributions, if your contributions are based on a percentage of your salary, rather than a fixed dollar amount.

Your Social Security benefits may be slightly reduced because your Social Security benefits and taxes will be calculated on your reduced salary amount.

For more information, contact your Department Coordinator or visit the DHRD website: http://dhrd.hawaii.gov/state-employees/employee-benefits/

Note: This Informational Flyer is only a brief summary of the Program. The provisions in the “Policy Guidelines and Procedures for the Pre-Tax Transportation Benefit Pilot Program” constitute the official explanation of the Program and its benefits, and control over the contents of this Informational Flyer.

Revised April 1, 2014