

JAN 26 2011

A BILL FOR AN ACT

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Section 88-45, Hawaii Revised Statutes, is
2 amended to read as follows:
3 "**§88-45 Employee contributions.** After June 30, 1988, each
4 class A and class B member shall contribute seven and eight-
5 tenths per cent of the member's compensation to the annuity
6 savings fund; provided that after June 30, 1989, all
7 firefighters, police officers, corrections officers,
8 investigators of the departments of the prosecuting attorney and
9 of the attorney general, narcotics enforcement investigators,
10 water safety officers not making the election under section
11 88-271, and public safety investigations staff investigators
12 shall contribute twelve and two-tenths per cent of their
13 compensation to the annuity savings fund for service in that
14 capacity[-]; provided further that each class A and class B
15 member who becomes a member after June 30, 2012, shall
16 contribute nine and eight-tenths per cent of the member's
17 compensation to the annuity savings fund; provided further that
18 all firefighters, police officers, corrections officers,



1 investigators of the departments of the prosecuting attorney and
2 of the attorney general, narcotics enforcement investigators,
3 and public safety investigations staff investigators who become
4 members after June 30, 2012, shall contribute fourteen and two-
5 tenths per cent of their compensation to the annuity savings
6 fund for service in that capacity."

7 SECTION 2. Section 88-62, Hawaii Revised Statutes, is
8 amended to read as follows:

9 "§88-62 Return to service of a former member. (a) For
10 members who became members before July 1, 2012:

11 (1) If a former member who has less than five years of
12 credited service and who has been out of service for a
13 period of four full calendar years or more after the
14 year in which the former member left service, or if a
15 former member who withdrew the former member's
16 accumulated contributions returns to service, the
17 former member shall become a member in the same manner
18 and under the same conditions as anyone first entering
19 service; however, the former member may obtain
20 membership service credit in the manner provided by
21 applicable law for credited service that was forfeited
22 by the member upon termination of the member's



1 previous membership. If the member did not withdraw
2 the former member's accumulated contributions prior to
3 the former member's return to service, the accumulated
4 contributions shall be returned to the member as part
5 of the process of enrolling the member in the system
6 if the member's accumulated contributions are \$1,000
7 or less at the time of distribution. If the
8 accumulated contributions for the service the member
9 had when the member previously terminated employment
10 are greater than \$1,000 and the member does not make
11 written application, prior to or contemporaneously
12 with the member's return to service, for return of the
13 accumulated contributions, the member may not withdraw
14 the member's accumulated contributions, except as
15 provided by section 88-96 or 88-341, until the member
16 retires or attains age sixty-two. The member shall
17 not be entitled to service credit by reason of the
18 system's retention of the member's accumulated
19 contributions for the service the member had when the
20 member previously terminated employment. To be
21 eligible for any benefit, the member shall fulfill the
22 membership service requirements for the benefit



1 through membership service after again becoming a
2 member, in addition to meeting any other eligibility
3 requirement established for the benefit; provided that
4 the membership service requirement shall be exclusive
5 of any former service acquired in accordance with
6 section 88-59 or any other section in part II, VII, or
7 VIII.

8 ~~[(b)]~~ (2) If a former member with less than five years of
9 credited service and who did not withdraw the former
10 member's accumulated contributions returns to service
11 within four full calendar years after the year in
12 which the former member left service, the former
13 member shall again become a member in the same manner
14 and under the same conditions as anyone first entering
15 service, except that the member shall be credited with
16 service credit for the service the member had when the
17 member terminated employment and:

18 ~~[(1)]~~ (A) If the member returns to service as a class A or
19 class B member, the member's new and previous
20 accumulated contributions shall be combined; or



1 ~~[-(2)]~~ (B) If the member returns to service after June 30,
2 2006, as a class H member, section 88-321(b)
3 shall apply.

4 ~~[-(e)]~~ (3) If a former member with five or more years of
5 credited service who did not withdraw ~~[his]~~ the former
6 member's contributions returns to service, [his] the
7 former members' status shall be in accordance with
8 the provisions described in section 88-97.

9 (b) For members who become members after June 30, 2012:

10 (1) If a former member who has less than ten years of
11 credited service and who has been out of service for a
12 period of four full calendar years or more after the
13 year in which the former member left service, or if a
14 former member who withdrew the former member's
15 accumulated contributions returns to service, the
16 former member shall become a member in the same manner
17 and under the same conditions as anyone first entering
18 service; however, the former member may obtain
19 membership service credit in the manner provided by
20 applicable law for credited service that was forfeited
21 by the member upon termination of the member's
22 previous membership. If the member did not withdraw



1 the former member's accumulated contributions prior to
2 the former member's return to service, the accumulated
3 contributions shall be returned to the member as part
4 of the process of enrolling the member in the system
5 if the member's accumulated contributions are \$1,000
6 or less at the time of distribution. If the
7 accumulated contributions for the service the member
8 had when the member previously terminated employment
9 are greater than \$1,000 and the member does not make
10 written application, prior to or contemporaneously
11 with the member's return to service, for return of the
12 accumulated contributions, the member may not withdraw
13 the member's accumulated contributions, except as
14 provided by section 88-96 or 88-341, until the member
15 retires or attains age sixty-five. The member shall
16 not be entitled to service credit by reason of the
17 system's retention of the member's accumulated
18 contributions for the service the member had when the
19 member previously terminated employment. To be
20 eligible for any benefit, the member shall fulfill the
21 membership service requirements for the benefit
22 through membership service after again becoming a



1 member, in addition to meeting any other eligibility
2 requirement established for the benefit; provided that
3 the membership service requirement shall be exclusive
4 of any former service acquired in accordance with
5 section 88-59 or any other section in part II, VII, or
6 VIII.

7 (2) If a former member with less than ten years of
8 credited service and who did not withdraw the former
9 member's accumulated contributions returns to service
10 within four full calendar years after the year in
11 which the former member left service, the former
12 member shall again become a member in the same manner
13 and under the same conditions as anyone first entering
14 service, except that the member shall be credited with
15 service credit for the service the member had when the
16 member terminated employment and:

17 (A) If the member returns to service as a class A or
18 class B member, the member's new and previous
19 accumulated contributions shall be combined; or

20 (B) If the member returns to service as a class H
21 member, section 88-321(b) shall apply.



1 (3) If a former member with ten or more years of credited
2 service who did not withdraw the former member's
3 contributions returns to service, the former member's
4 status shall be in accordance with the provisions
5 described in section 88-97."

6 SECTION 3. Section 88-73, Hawaii Revised Statutes, is
7 amended by amending subsections (a) and (b) to read as follows:

8 "(a) Any member who:

9 (1) Became a member before July 1, 2012, and has at least
10 five years of credited service and [who] has attained
11 age fifty-five [or any member who];

12 (2) Became a member before July, 2012, and has at least
13 twenty-five years of credited service [or any member
14 who has];

15 (3) Has at least ten years of credited service, which
16 includes service as a judge before July 1, 1999, an
17 elective officer, or a legislative officer[~~r~~];

18 (4) Becomes a member after June 30, 2012, and has at least
19 ten years of credited service and has attained age
20 sixty; or



1 (5) Becomes a member after June 30, 2012, and has at least
2 twenty-five years of credited service and has attained
3 age fifty-five,

4 shall become eligible to receive a retirement allowance after
5 the member has terminated service.

6 (b) Any member who first earned credited service as a
7 judge after June 30, 1999, but before July 1, 2012, and who has
8 at least five years of credited service and has attained age
9 fifty-five or has at least twenty-five years of credited service
10 shall become eligible to receive a retirement allowance after
11 the member has terminated service. Any member who first earned
12 credited service as a judge after June 30, 2012, and has at
13 least ten years of credited service and has attained age sixty
14 or has at least twenty-five years of credited service and has
15 attained age fifty-five shall be eligible to receive a
16 retirement allowance after the member has terminated service."

17 SECTION 4. Section 88-74, Hawaii Revised Statutes, is
18 amended to read as follows:

19 "**§88-74 Allowance on service retirement.** (a) Upon
20 retirement from service, a member shall receive a maximum
21 retirement allowance as [~~follows:~~] provided in this section.



1 ~~[(1)]~~ (b) If ~~[the]~~ a member who became a member before
2 July 1, 2012, has attained age fifty-five, ~~[a]~~ the member's
3 maximum retirement allowance ~~[of]~~ shall be two per cent of the
4 member's average final compensation multiplied by the total
5 number of years of the member's credited service as a class A
6 and B member, excluding any credited service as a judge,
7 elective officer, or legislative officer, plus a retirement
8 allowance of one and one-fourth per cent of the member's average
9 final compensation multiplied by the total number of years of
10 prior credited service as a class C member, plus a retirement
11 allowance of two per cent of the member's average final
12 compensation multiplied by the total number of years of prior
13 credited service as a class H member; provided that:

14 ~~[(A)]~~ (1) After June 30, 1968, if the member has at
15 least ten years of credited service of which the last
16 five or more years prior to retirement is credited
17 service as a firefighter, police officer, or an
18 investigator of the department of the prosecuting
19 attorney;

20 ~~[(B)]~~ (2) After June 30, 1977, if the member has at
21 least ten years of credited service of which the last



1 five or more years prior to retirement is credited
2 service as a corrections officer;

3 [~~C~~] (3) After June 16, 1981, if the member has at
4 least ten years of credited service of which the last
5 five or more years prior to retirement is credited
6 service as an investigator of the department of the
7 attorney general;

8 [~~D~~] (4) After June 30, 1989, if the member has at
9 least ten years of credited service of which the last
10 five or more years prior to retirement is credited
11 service as a narcotics enforcement investigator;

12 [~~E~~] (5) After December 31, 1993, if the member has
13 at least ten years of credited service of which the
14 last five or more years prior to retirement is
15 credited service as a water safety officer;

16 [~~F~~] (6) After June 30, 1994, if the member has at
17 least ten years of credited service, of which the last
18 five or more years prior to retirement are credited
19 service as a public safety investigations staff
20 investigator;

21 [~~G~~] (7) After June 30, 2002, if the member:



1 [~~(i)~~] (A) Has at least ten years of credited
2 service as a firefighter;
3 [~~(ii)~~] (B) Is deemed permanently medically
4 disqualified due to a service related disability
5 to be a firefighter by the employer's physician;
6 and
7 [~~(iii)~~] (C) Continues employment in a class A or
8 B position other than a firefighter; and
9 [~~(H)~~] (8) After June 30, 2004, if the member:
10 [~~(i)~~] (A) Has at least ten years of credited
11 service as a police officer;
12 [~~(ii)~~] (B) Is deemed permanently medically
13 disqualified due to a service related disability
14 to be a police officer by the employer's
15 physician; and
16 [~~(iii)~~] (C) Continues employment in a class A or
17 B position other than a police officer;
18 then for each year of service as a firefighter, police officer,
19 corrections officer, investigator of the department of the
20 prosecuting attorney, investigator of the department of the
21 attorney general, narcotics enforcement investigator, water
22 safety officer, or public safety investigations staff



1 investigator, the retirement allowance shall be two and one-half
2 per cent of the member's average final compensation. The
3 maximum retirement allowance for those members shall not exceed
4 eighty per cent of the member's average final compensation. If
5 the member has not attained age fifty-five, the member's
6 retirement allowance shall be computed as though the member had
7 attained age fifty-five, reduced for age as provided in
8 subsection [~~(b)~~] (e).

9 [~~(2)~~] (c) If [~~the~~] a member who became a member prior to
10 July 1, 2012, has credited service as a judge, the member's
11 retirement allowance shall be computed on the following basis:

12 [~~(A)~~] (1) For a member who has credited service as a
13 judge before July 1, 1999, irrespective of age, for
14 each year of credited service as a judge, three and
15 one-half per cent of the member's average final
16 compensation in addition to an annuity that is the
17 actuarial equivalent of the member's accumulated
18 contributions allocable to the period of service;

19 [and]

20 [~~(B)~~] (2) For a member who first earned credited
21 service as a judge after June 30, 1999, for each year
22 of credited service as a judge, three and one-half per



1 cent of the member's average final compensation in
2 addition to an annuity that is the actuarial
3 equivalent of the member's accumulated contributions
4 allocable to the period of service. If the member has
5 not attained age fifty-five, the member's retirement
6 allowance shall be computed as though the member had
7 attained age fifty-five, reduced for age as provided
8 in subsection ~~[(b); or]~~ (e);

9 (3) For a member who first earned credited service as a
10 judge after June 30, 2012, for each year of credited
11 service as a judge, three per cent of the member's
12 average final compensation in addition to an annuity
13 that is the actuarial equivalent of the member's
14 accumulated contributions allocable to the period of
15 service. If the member has not attained age sixty,
16 the member's retirement allowance shall be computed as
17 though the member had attained age sixty, reduced for
18 age as provided in subsection (i);

19 ~~[(c)]~~ (4) For a judge with other credited service, as
20 provided in ~~[paragraph (1). If]~~ subsection (b);
21 provided that if the member has not attained age
22 fifty-five, the member's retirement allowance shall be



1 computed as though the member had attained age fifty-
2 five, reduced for age as provided in subsection ~~[(b)]~~,
3 ~~or~~ (e); and

4 ~~[(D)]~~ (5) For a judge with credited service as an
5 elective officer or as a legislative officer, as
6 provided in ~~[paragraph (3)]~~ section (d).

7 No allowance shall exceed seventy-five per cent of the member's
8 average final compensation. If the allowance exceeds this
9 limit, it shall be adjusted by reducing the annuity included in
10 ~~[subparagraphs (A) and (B)]~~ paragraphs (1), (2), and (3) and the
11 portion of the accumulated contributions specified in ~~[the~~
12 ~~subparagraphs]~~ paragraphs (1), (2), and (3) in excess of the
13 requirements of the reduced annuity shall be returned to the
14 member upon the member's retirement or paid to the member's
15 designated beneficiary upon the member's death while in service
16 or while on authorized leave without pay. The allowance for
17 judges under this paragraph, together with the retirement
18 allowance provided by the federal government for similar
19 service, shall in no case exceed seventy-five per cent of the
20 member's average final compensation~~[, or]~~.

21 ~~[(3)]~~ (d) If ~~[the]~~ a member who became a member before
22 July 1, 2012, has credited service as an elective officer or as



1 a legislative officer, the member's retirement allowance shall
2 be derived by adding the allowances computed separately under
3 [~~subparagraphs (A), (B), (C), and (D)~~] paragraphs (1), (2), (3),
4 (4), (5), and (6) as follows:

5 ~~[(A)]~~ (1) ~~[Irrespective]~~ For a member who has
6 credited service as an elective officer before July 1,
7 2012, irrespective of age, for each year of credited
8 service as an elective officer, three and one-half per
9 cent of the member's average final compensation as
10 computed under section 88-81(e) (1), in addition to an
11 annuity that is the actuarial equivalent of the
12 member's accumulated contributions allocable to the
13 period of service; [and]

14 (2) For a member who first earned credited service as an
15 elective officer after June 30, 2012, irrespective of
16 age, for each year of credited service as an elective
17 officer, three per cent of the member's average final
18 compensation as computed under section 88-81(e) (1), in
19 addition to an annuity that is the actuarial
20 equivalent of the member's accumulated contributions
21 allocable to the period of service;



1 ~~[(B)]~~ (3) ~~[Irrespective]~~ For a member who has
2 credited service as a legislative officer before
3 July 1, 2012, irrespective of age, for each year of
4 credited service as a legislative officer, three and
5 one-half per cent of the member's average final
6 compensation as computed under section 88-81(e)(2), in
7 addition to an annuity that is the actuarial
8 equivalent of the member's accumulated contributions
9 allocable to the period of service;

10 (4) For a member who first earned credited service as a
11 legislative officer after June 30, 2012, irrespective
12 of age, for each year of credited service as a
13 legislative officer, three per cent of the member's
14 average final compensation as computed under section
15 88-81(e)(2), in addition to an annuity that is the
16 actuarial equivalent of the member's accumulated
17 contributions allocable to the period of service;

18 ~~[(C)]~~ (5) If the member has credited service as a
19 judge, the member's retirement allowance shall be
20 computed on the following basis:

21 ~~[(i)]~~ (A) For a member who has credited service
22 as a judge before July 1, 1999, irrespective of



1 age, for each year of credited service as a
2 judge, three and one-half per cent of the
3 member's average final compensation as computed
4 under section 88-81(e) (3), in addition to an
5 annuity that is the actuarial equivalent of the
6 member's accumulated contributions allocable to
7 the period of service; and
8 [~~(i)~~] (B) For a member who first earned
9 credited service as a judge after June 30, 1999,
10 but before July 1, 2012, and has attained the age
11 of fifty-five, for each year of credited service
12 as a judge, three and one-half per cent of the
13 member's average final compensation as computed
14 under section 88-81(e) (3), in addition to an
15 annuity that is the actuarial equivalent of the
16 member's accumulated contributions allocable to
17 the period of service. If the member has not
18 attained age fifty-five, the member's retirement
19 allowance shall be computed as though the member
20 had attained age fifty-five, reduced for age as
21 provided in subsection (b); and



1 (C) For a member who first earned credited service as
2 a judge after June 30, 2012, and has attained the
3 age of fifty-five, for each year of credited
4 service as a judge, three per cent of the
5 member's average final compensation as computed
6 under section 88-81(e)(3), in addition to an
7 annuity that is the actuarial equivalent of the
8 member's accumulated contributions allocable to
9 the period of service. If the member has not
10 attained age fifty-five, the member's retirement
11 allowance shall be computed as though the member
12 had attained age fifty, reduced for age as
13 provided in subsection (e);

14 ~~[(D)]~~ (6) For each year of credited service not
15 included in [subparagraph (A), (B), or (C),] paragraph
16 (1), (2), (3), (4), or (5) the average final
17 compensation as computed under section 88-81(e)(4)
18 shall be multiplied by two per cent for credited
19 service earned as a class A or class H member, two and
20 one-half per cent for credited service earned as a
21 class B member, and one and one-quarter per cent for
22 credited service earned as a class C member. If the



1 member has not attained age fifty-five, the member's
2 retirement allowance shall be computed as though the
3 member had attained age fifty-five, reduced for age as
4 provided in subsection ~~[(b)-]~~ (e).

5 The total retirement allowance shall not exceed seventy-five per
6 cent of the member's highest average final compensation
7 calculated under section 88-81(e) (1), (2), (3), or (4). If the
8 allowance exceeds this limit, it shall be adjusted by reducing
9 any annuity accrued under ~~[subparagraphs (A), (B), and (C)]~~
10 paragraph (1), (2), (3), (4), and (5) and the portion of the
11 accumulated contributions specified in these ~~[subparagraphs]~~
12 paragraphs in excess of the requirements of the reduced annuity
13 shall be returned to the member upon the member's retirement or
14 paid to the member's designated beneficiary upon the member's
15 death while in service or while on authorized leave without pay.
16 If a member has service credit as an elective officer or as a
17 legislative officer in addition to service credit as a judge,
18 then the retirement benefit calculation contained in this
19 ~~[paragraph]~~ subsection shall supersede the formula contained in
20 ~~[paragraph (2)-]~~ subsection (c).

21 ~~[(b)-]~~ (e) Except as provided in ~~[subsection (a)-]~~
22 subsections (b), (c), and (d), if a member who became a member



1 before July 1, 2012, has not attained age fifty-five at the date
2 of retirement, the member's retirement allowance shall be
3 reduced, for each month the member's age at the date of
4 retirement is below age fifty-five, as follows:

5 (1) 0.4166 per cent for each month below age fifty-five
6 and above age forty-nine and eleven months; plus

7 (2) 0.3333 per cent for each month below age fifty and
8 above age forty-four and eleven months; plus

9 (3) 0.2500 per cent for each month below age forty-five
10 and above age thirty-nine and eleven months; plus

11 (4) 0.1666 per cent for each month below age forty;

12 provided that no reduction shall be made if the member has at
13 least twenty-five years of credited service as a firefighter,
14 police officer, corrections officer, investigator of the
15 department of the prosecuting attorney, investigator of the
16 department of the attorney general, narcotics enforcement
17 investigator, public safety investigations staff investigator,
18 sewer worker, or water safety officer, of which the last five or
19 more years prior to retirement is credited service in these
20 capacities.

21 (f) If a member, who became a member after June 30, 2012,
22 has attained age sixty, the member's maximum retirement



1 allowance shall be one and three-quarters per cent of the
2 member's average final compensation multiplied by the total
3 number of years of the member's credited service as a class A
4 and B member, excluding any credited service as a judge,
5 elective officer, or legislative officer, plus a retirement
6 allowance of one and one-fourth per cent of the member's average
7 final compensation multiplied by the total number of years of
8 prior credited service as a class C member, plus a retirement
9 allowance of one and three-quarters per cent of the member's
10 average final compensation multiplied by the total number of
11 years of prior credited service as a class H member; provided
12 that:

- 13 (1) If the member has at least ten years of credited
14 service of which the last five or more years prior to
15 retirement is credited service as a firefighter,
16 police officer, or an investigator of the department
17 of the prosecuting attorney;
- 18 (2) If the member has at least ten years of credited
19 service of which the last five or more years prior to
20 retirement is credited service as a corrections
21 officer;



- 1 (3) If the member has at least ten years of credited
2 service of which the last five or more years prior to
3 retirement is credited service as an investigator of
4 the department of the attorney general;
- 5 (4) If the member has at least ten years of credited
6 service of which the last five or more years prior to
7 retirement is credited service as a narcotics
8 enforcement investigator;
- 9 (5) If the member has at least ten years of credited
10 service of which the last five or more years prior to
11 retirement is credited service as a water safety
12 officer;
- 13 (6) If the member has at least ten years of credited
14 service, of which the last five or more years prior to
15 retirement are credited service as a public safety
16 investigations staff investigator;
- 17 (7) If the member:
- 18 (A) Has at least ten years of credited service as a
19 firefighter;
- 20 (B) Is deemed permanently medically disqualified due
21 to a service related disability to be a
22 firefighter by the employer's physician; and



1 (C) Continues employment in a class A or B position
2 other than a firefighter; and

3 (8) If the member:

4 (A) Has at least ten years of credited service as a
5 police officer;

6 (B) Is deemed permanently medically disqualified due
7 to a service related disability to be a police
8 officer by the employer's physician; and

9 (C) Continues employment in a class A or B position
10 other than a police officer;

11 then for each year of service as a firefighter, police officer,
12 corrections officer, investigator of the department of the
13 prosecuting attorney, investigator of the department of the
14 attorney general, narcotics enforcement investigator, water
15 safety officer, or public safety investigations staff
16 investigator, the retirement allowance shall be two and one-
17 quarter per cent of the member's average final compensation.

18 The maximum retirement allowance for those members shall not
19 exceed eighty per cent of the member's average final
20 compensation. If the member has not attained age sixty, the
21 member's retirement allowance shall be computed as though the



1 member had attained age sixty, reduced for age as provided in
2 subsection (i).

3 (g) If a member who became a member after June 30, 2012,
4 has credited service as a judge, the member's retirement
5 allowance shall be computed on the following basis:

6 (1) For each year of credited service as a judge, three
7 per cent of the member's average final compensation in
8 addition to an annuity that is the actuarial
9 equivalent of the member's accumulated contributions
10 allocable to the period of service. If the member has
11 not attained age sixty, the member's retirement
12 allowance shall be computed as though the member had
13 attained age sixty, reduced for age as provided in
14 subsection (i);

15 (2) For a judge with other credited service, as provided
16 in paragraph (f) or (h), as applicable. If the member
17 has not attained age sixty, the member's retirement
18 allowance shall be computed as though the member had
19 attained age sixty, reduced for age as provided in
20 subsection (i); and



1 (3) For a judge with credited service as an elective
2 officer or as a legislative officer, as provided in
3 subsection (h).

4 No allowance shall exceed seventy-five per cent of the member's
5 average final compensation. If the allowance exceeds this
6 limit, it shall be adjusted by reducing the annuity included in
7 paragraph (1) and the portion of the accumulated contributions
8 specified in paragraph (1) in excess of the requirements of the
9 reduced annuity shall be returned to the member upon the
10 member's retirement or paid to the member's designated
11 beneficiary upon the member's death while in service or while on
12 authorized leave without pay. The allowance for judges under
13 this subsection, together with the retirement allowance provided
14 by the federal government for similar service, shall in no case
15 exceed seventy-five per cent of the member's average final
16 compensation.

17 (h) If a member who becomes a member after June 30, 2012,
18 has credited service as an elective officer or as a legislative
19 officer, the member's retirement allowance shall be derived by
20 adding the allowances computed separately under paragraphs (1),
21 (2), (3), and (4) as follows:



- 1 (1) Irrespective of age, for each year of credited service
2 as an elective officer, three per cent of the member's
3 average final compensation as computed under section
4 88-81(f)(1), in addition to an annuity that is the
5 actuarial equivalent of the member's accumulated
6 contributions allocable to the period of service;
- 7 (2) Irrespective of age, for each year of credited service
8 as a legislative officer, three per cent of the
9 member's average final compensation as computed under
10 section 88-81(f)(2), in addition to an annuity that is
11 the actuarial equivalent of the member's accumulated
12 contributions allocable to the period of service;
- 13 (3) Irrespective of age, for each year of credited service
14 as a judge, three per cent of the member's average
15 final compensation as computed under section 88-
16 81(f)(3), in addition to an annuity that is the
17 actuarial equivalent of the member's accumulated
18 contributions allocable to the period of service; and
- 19 (4) For each year of credited service not included in
20 paragraph (1), (2), or (3), the average final
21 compensation as computed under section 88-81(f)(4)
22 shall be multiplied by one and three-quarters per cent



1 for credited service earned as a class A or class H
2 member, two and one-quarter per cent for credited
3 service earned as a class B member, and one and one-
4 quarter per cent for credited service earned as a
5 class C member. If the member has not attained age
6 sixty, the member's retirement allowance shall be
7 computed as though the member had attained age sixty,
8 reduced for age as provided in subsection (i).

9 The total retirement allowance shall not exceed seventy-five per
10 cent of the member's highest average final compensation
11 calculated under section 88-81(f)(1), (2), (3), or (4). If the
12 allowance exceeds this limit, it shall be adjusted by reducing
13 any annuity accrued under paragraphs (1), (2), and (3) and the
14 portion of the accumulated contributions specified in these
15 subparagraphs in excess of the requirements of the reduced
16 annuity shall be returned to the member upon the member's
17 retirement or paid to the member's designated beneficiary upon
18 the member's death while in service or while on authorized leave
19 without pay. If a member has service credit as an elective
20 officer or as a legislative officer in addition to service
21 credit as a judge, then the retirement benefit calculation



1 contained in this subsection shall supersede the formula
2 contained in subsection (g).

3 (i) Except as provided in subsections (f), (g), and (h),
4 if a member, who becomes a member after June 30, 2012, has not
5 attained age sixty at the date of retirement, the member's
6 retirement allowance shall be reduced, for each month the
7 member's age at the date of retirement is below age sixty, as
8 follows:

- 9 (1) 0.4166 per cent for each month below age sixty and
10 above age fifty-four and eleven months; plus
- 11 (2) 0.3333 per cent for each month below age fifty-five
12 and above age forty-nine and eleven months; plus
- 13 (3) 0.2500 per cent for each month below age fifty and
14 above age forty-four and eleven months; plus
- 15 (4) 0.1666 per cent for each month below age forty-five;
16 provided that no reduction shall be made if the member has at
17 least twenty-five years of credited service as a firefighter,
18 police officer, corrections officer, investigator of the
19 department of the prosecuting attorney, investigator of the
20 department of the attorney general, narcotics enforcement
21 investigator, public safety investigations staff investigator,
22 sewer worker, water safety officer, or emergency medical



1 technician, of which the last five or more years prior to
2 retirement is credited service in these capacities, and has
3 attained the age of fifty-five."

4 SECTION 5. Section 88-74.6, Hawaii Revised Statutes, is
5 amended to read as follows:

6 "§88-74.6 **Unreduced allowance on service retirement; when**
7 **applicable.** In addition to those positions identified in
8 section [~~88-74(b)~~] 88-74(e) and notwithstanding any law in this
9 part that requires a member to attain age fifty-five to qualify
10 for an unreduced service retirement allowance, if [~~the~~] a member
11 who became a member before July 1, 2012, has at least [~~thirty~~]:

- 12 (1) Thirty years of credited service through June 30,
13 2003; [~~twenty-nine~~]
- 14 (2) Twenty-nine years of credited service on or after July
15 1, 2004; [~~twenty-eight~~]
- 16 (3) Twenty-eight years of credited service on or after
17 July 1, 2005; [~~twenty-seven~~]
- 18 (4) Twenty-seven years of credited service on or after
19 July 1, 2006; [~~twenty-six~~]
- 20 (5) Twenty-six years of credited service on or after July
21 1, 2007; [~~and twenty-five~~]; or



1 (6) Twenty-five years of credited service on or after July
2 1, 2008,
3 as an emergency medical technician, of which the last five or
4 more years prior to retirement is credited service in that
5 capacity, then upon retirement and irrespective of age, that
6 member's service retirement allowance shall not be reduced for
7 actuarial purposes."

8 SECTION 6. Section 88-81, Hawaii Revised Statutes, is
9 amended to read as follows:

10 "**§88-81 Average final compensation.** (a) Average final
11 compensation is the average annual compensation pay or salary
12 upon which a member has made contributions as required by parts
13 II, VII, and VIII of this chapter.

14 (b) The average final compensation of members shall be
15 calculated as follows:

16 (1) For employees who become members [~~prior to~~] before
17 January 1, 1971:

18 (A) During the member's five highest paid years of
19 credited service, including vacation pay, or the
20 three highest paid years of credited service
21 excluding vacation pay, whichever is greater; or



- 1 (B) If the member has less than three years of
2 credited service, during the member's actual
3 years of credited service.
- 4 (2) For employees who become members [~~on or after~~
5 January 1, 1971] after December 31, 1970, but before
6 July 1, 2012:
- 7 (A) During the member's three highest paid years of
8 credited service, excluding vacation pay; or
- 9 (B) If the member has less than three years of
10 credited service, during the member's actual
11 years of credited service.
- 12 (3) For employees who become members after June 30, 2012:
- 13 (A) During the member's five highest paid years of
14 credited service, excluding vacation pay; or
- 15 (B) If the member has less than five years of
16 credited service, during the member's actual
17 years of credited service.
- 18 (c) In computing the compensation of a judge, the
19 compensation paid to the judge by the United States as well as
20 by the Territory shall be included.
- 21 (d) For service rendered as a member of the legislature
22 from and after November 5, 1968, the actual annual salary of a



1 member shall be the only amount used for determining the
2 member's average final compensation. For service rendered as a
3 member of the legislature prior to November 5, 1968, and after
4 admission of this State into the Union, the annual compensation
5 of a member shall be computed, for the purpose of determining
6 the member's average final compensation, as follows: during a
7 year in which a general session was held, it shall be deemed to
8 have been an amount equal to four times the salary of a member
9 of the legislature for a general session; and during a year in
10 which a budget session was held, it shall be deemed to have been
11 an amount equal to six times the salary of a member of the
12 legislature for a budget session. For service rendered as a
13 member of the legislature prior to the admission of this State
14 into the Union, the annual compensation of a member shall be
15 deemed to have been four times the salary of a member of the
16 legislature for a regular session for each year during the
17 member's term of office.

18 (e) If a member who became a member before July 1, 2012,
19 has credited service rendered as an elective officer or as a
20 legislative officer, the member's average final compensation
21 shall be computed separately for each category of service as
22 follows:



- 1 (1) For the three highest paid years of credited service
2 as an elective officer, or if the member has less than
3 three years of credited service in that capacity, then
4 the member's actual years of credited service;
- 5 (2) For the three highest paid years of credited service
6 as a legislative officer, or if the member has less
7 than three years of credited service in that capacity,
8 then the member's actual years of credited service;
- 9 (3) For the three highest paid years of credited service
10 as a judge, or if the member has less than three years
11 of credited service in that capacity, then the
12 member's actual years of credited service; and
- 13 (4) For the three highest paid years of credited service
14 not included in paragraph (1), (2), or (3), or if the
15 member has less than three years of credited service
16 in that capacity, then the member's actual years of
17 credited service.
- 18 (f) If a member who became a member after June 30, 2012,
19 has credited service rendered as an elective officer or as a
20 legislative officer, the member's average final compensation
21 shall be computed separately for each category of service as
22 follows:



- 1 (1) For the five highest paid years of credited service as
2 an elective officer, or if the member has less than
3 five years of credited service in that capacity; then
4 the member's actual years of credited service;
- 5 (2) For the five highest paid years of credited service as
6 a legislative officer, or if the member has less than
7 five years of credited service in that capacity, then
8 the member's actual years of credited service;
- 9 (3) For the five highest paid years of credited service as
10 a judge, or if the member has less than three years of
11 credited service in that capacity, then the member's
12 actual years of credited service; and
- 13 (4) For the five highest paid years of credited service
14 not included in paragraph (1), (2), or (3), or if the
15 member has less than five years of credited service in
16 that capacity, then the member's actual years of
17 credited service."

18 SECTION 7. Section 88-90, Hawaii Revised Statutes, is
19 amended to read as follows:

20 "**§88-90 Post retirement allowances.** (a) There shall be
21 payable to each person receiving any pension, annuity or
22 retirement allowance, a post retirement allowance which shall



1 consist of an amount equivalent to one and one-half per cent of
2 the monthly pension, annuity or retirement allowance as
3 originally computed, approved and paid. This benefit shall be
4 added to the monthly pension, annuity or retirement allowance on
5 the first day of July in each year following June 30, 1961, as
6 follows:

7 (1) To each person receiving a pension, annuity or
8 retirement allowance on June 30, 1961, payment of the
9 benefit shall commence on July 1, 1961, except that
10 after June 30, 1963, the monthly benefits payable
11 under this subsection shall be computed and paid on
12 the basis of the number of years that has elapsed
13 since the person entitled thereto first became the
14 recipient of the pension, annuity or retirement
15 allowance from which the benefit is derived.

16 (2) To each person first receiving a pension, annuity or
17 retirement allowance after June 30, 1961, payment of
18 the benefit shall commence on the first of July
19 following the calendar year in which the payment of
20 the pension, annuity or retirement allowance is
21 effective.



1 (b) After June 30, 1970, the post retirement allowance
2 shall consist of an amount equivalent to two and one-half per
3 cent of the monthly pension, annuity or retirement allowance as
4 originally computed and paid. This benefit shall be payable on
5 the first day of July in each year following June 30, 1970, as
6 follows:

7 (1) To each person, who on June 30, 1970, was receiving a
8 post retirement allowance as described under
9 subsection (a) hereof, payment of the benefit shall
10 commence on July 1, 1970.

11 (2) To each person first receiving a pension, annuity or
12 retirement allowance after December 31, 1968, payment
13 of the benefit shall commence on the first day of July
14 following the calendar year in which the payment of
15 the pension, annuity or retirement allowance is
16 effective.

17 (c) Notwithstanding the provisions of subsections (a) and
18 (b), for employees who become members after June 30, 2012, and
19 for any person who receives a monthly pension, annuity, or
20 retirement allowance as a beneficiary or survivor of the
21 employee, the post-retirement allowance shall consist of an
22 amount equivalent to one and one half per cent of the monthly



1 pension, annuity, or retirement allowance as originally computed
2 and paid. Payment of the benefit shall commence on the first
3 day of July following the calendar year in which the payment of
4 the pension, annuity, or retirement allowance is effective."

5 SECTION 8. Section 88-96, Hawaii Revised Statutes, is
6 amended by amending subsections (a) and (b) to read as follows:

7 "(a) Any member who ceases to be an employee and who
8 became a member before July 1, 2012, and has fewer than five
9 years of credited service, excluding unused sick leave, or who
10 becomes a member after June 30, 2012, and has fewer than ten
11 year of credited service, excluding sick leave, shall, upon
12 application to the board, [~~shall~~] be paid all of the member's
13 accumulated contributions and the member's membership shall
14 thereupon terminate and all credited service shall be forfeited;
15 provided that a member shall not be paid the member's
16 accumulated contributions:

17 (1) If the member becomes an employee again within fifteen
18 calendar days from the date the member ceased to be an
19 employee; or

20 (2) If, at the time the application for return of
21 accumulated contributions is received by the board,
22 the member has become an employee again.



1 Regular interest shall be credited to the former employee's
2 account until the former employee's accumulated contributions
3 are returned to the former employee; provided that the former
4 employee's membership shall not continue after the fourth full
5 year following the calendar year in which the individual's
6 employment terminates. Upon termination of the former
7 employee's membership, the former employee's credited service
8 shall be forfeited and, if the former employee's accumulated
9 contributions are \$1,000 or less at the time of distribution,
10 the system shall return the former employee's contributions to
11 the former employee. If the former employee does not become an
12 employee again and if the former employee's accumulated
13 contributions have not been withdrawn by the former employee or
14 previously returned by the system to the former employee, the
15 system shall return the former employee's accumulated
16 contributions to the former employee as soon as possible after
17 the former employee attains age sixty-two.

18 (b) Any member [~~having five or more years of credited~~
19 ~~service~~] who ceases to be an employee[~~7~~] and who became a member
20 before July 1, 2012, and has more than five years of credited
21 service, excluding unused sick leave, or who becomes a member
22 after June 30, 2012, and has more than ten years of credited



1 service, excluding sick leave, shall, upon application to the
2 board, [~~shall~~] be paid all of the member's accumulated
3 contributions and thereupon the former employee's membership
4 shall terminate and all credited service shall be forfeited;
5 provided that a member shall not be paid the member's
6 accumulated contributions:

7 (1) If the member becomes an employee again within fifteen
8 calendar days from the date the member ceased to be an
9 employee; or

10 (2) If, at the time the application for return of
11 accumulated contributions is received by the board,
12 the member has become an employee again.

13 If the contributions are not withdrawn by the former employee
14 within four calendar years following the calendar year in which
15 the former employee's employment terminates, the former employee
16 shall have established vested benefit status and shall be
17 eligible for the service retirement benefit in effect at the
18 time of the former employee's retirement, payable in accordance
19 with this chapter; provided that if the former employee
20 withdraws the former employee's accumulated contributions, the
21 former employee's vested benefit status shall terminate and all
22 credited service shall be forfeited."



1 SECTION 9. Section 88-311, Hawaii Revised Statutes, is
2 amended by amending the definition of "hypothetical account
3 balance" to read as follows:

4 "Hypothetical account balance" means:

5 (1) For members who became members before July 1, 2012,

6 the sum of:

7 ~~[(1)]~~ (A) One and one-half times the sum of:

8 ~~[(A)]~~ (i) Employee contributions made, either by the
9 member or on behalf of the member, pursuant
10 to section 88-325; and

11 ~~[(B)]~~ (ii) Accumulated interest at the regular interest
12 rate on the employee contributions; and

13 ~~[(2)]~~ (B) Any employee contributions, including rollovers
14 and contributions used to convert credited service to
15 class H credited service, or used to purchase service,
16 and accumulated interest on the employee contributions
17 at the regular interest rate~~[-]~~; or

18 (2) For members who become members after June 30, 2012,

19 the sum of:

20 (A) One and one-fifth times the sum of:



- 1 (i) Employee contributions made, either by the
- 2 member or on behalf of the member, pursuant
- 3 to section 88-325; and
- 4 (ii) Accumulated interest at the regular interest
- 5 rate on the employee contributions; and
- 6 (B) Any employee contributions, including rollovers
- 7 and contributions used to convert credited
- 8 service to class H credited service, or used to
- 9 purchase service, and accumulated interest on the
- 10 employee contributions at the regular interest
- 11 rate."

12 SECTION 10. Section 88-325, Hawaii Revised Statutes, is

13 amended to read as follows:

14 "[~~§~~88-325~~§~~] **Employee contributions.** (a) Each class H

15 member who became a member before July 1, 2012, shall contribute

16 six per cent of the member's compensation to the annuity savings

17 fund; provided that each sewer worker, water safety officer, and

18 emergency medical technician who became a member before July 1,

19 2012, and is a class H member shall contribute nine and

20 [~~seventy-five one hundredths~~] three-quarters per cent of the

21 member's compensation to the annuity savings fund for service in

22 that capacity.



1 (b) Each class H member who becomes a member after
2 June 30, 2012, shall contribute eight per cent of the member's
3 compensation to the annuity savings fund; provided that each
4 sewer worker, water safety officer, and emergency medical
5 technician who becomes a member after June 30, 2012, and is a
6 class H member shall contribute eleven and three-quarters per
7 cent of the member's compensation to the annuity savings fund
8 for service in that capacity."

9 SECTION 11. Section 88-331, Hawaii Revised Statutes, is
10 amended as follows:

11 1. By amending subsections (a) and (b) to read:

12 "(a) A class H member who:

13 (1) Became a member before July 1, 2012, and has at least
14 five years of credited service and has attained age
15 sixty-two[~~, or a class H member with~~];

16 (2) Became a member before July 1, 2012, and has at least
17 thirty years credited service [~~who~~] and has attained
18 the age of fifty-five;

19 (3) Becomes a member after June 30, 2012, and has at least
20 ten years of credited service and has attained age
21 sixty-five; or



1 (4) Becomes a member after June 30, 2012, and has at least
2 thirty years of credited service and has attained age
3 sixty,
4 shall become eligible to receive a retirement allowance after
5 the member has terminated service.

6 (b) A class H member who became a member before July 1,
7 2012, and has at least twenty-five years of credited service as
8 a sewer worker or water safety officer, of which the last five
9 or more years prior to retirement is credited service in that
10 capacity, shall become eligible to receive a retirement
11 allowance unreduced for age after the member has terminated
12 service. A class H member who became a member after June 30,
13 2012, and has at least twenty-five years of credited service as
14 a sewer worker or water safety officer, of which the last five
15 or more years prior to retirement is credited service in that
16 capacity, and has attained age fifty-five shall become eligible
17 to receive a retirement allowance unreduced for age after the
18 member has terminated service."

19 2. By amending subsection (d) to read:

20 "(d) If a class H member who became a member before
21 July 1, 2012, has at least twenty-eight years of credited
22 service on or after July 1, 2005; twenty-seven years of credited



1 service on or after July 1, 2006; twenty-six years of credited
2 service on or after July 1, 2007; and twenty-five years of
3 credited service on or after July 1, 2008, as an emergency
4 medical technician, of which the last five or more years prior
5 to retirement is credited service in that capacity, the member
6 shall be eligible to receive a retirement benefit unreduced for
7 age after the member has terminated service. If a class H
8 member who becomes a member after June 30, 2012, has at least
9 twenty-five years of credited service as an emergency medical
10 technician, of which the last five or more years prior to
11 retirement is credited service in that capacity, and has
12 attained age fifty-five, the member shall be eligible to receive
13 a retirement benefit unreduced for age after the member has
14 terminated service."

15 SECTION 12. Section 88-332, Hawaii Revised Statutes, is
16 amended to read as follows:

17 "**§88-332 Service retirement allowance.** (a) Upon
18 retirement from service, a class H member who became a member
19 before July 1, 2012, shall receive a maximum retirement
20 allowance as follows:

21 (1) If the member has met the requirements in section
22 88-331(a), (b), or (d), a maximum retirement allowance



1 of two per cent of the average final compensation
2 multiplied by the number of years of class H credited
3 service, plus a retirement allowance at the rate of
4 one and one-fourth per cent of the member's average
5 final compensation multiplied by the number of years
6 of class C credited service; or

7 (2) If the member has met the requirements in section
8 88-331(c), an early retirement allowance equal to the
9 maximum retirement allowance calculated as provided in
10 paragraph (1), reduced by 0.4166 per cent for each
11 month the member is less than age sixty-two at
12 retirement.

13 (b) Upon retirement from service, a class H member who
14 became a member after June 30, 2012, shall receive a maximum
15 retirement allowance as follows:

16 (1) If the member has met the requirements in section 88-
17 331(a), (b), or (d), a maximum retirement allowance of
18 one and three-quarters per cent of the average final
19 compensation multiplied by the number of years of
20 class H credited service, plus a retirement allowance
21 at the rate of one and one-fourth per cent of the



1 member's average final compensation multiplied by the
2 number of years of class C credited service; or
3 (2) If the member has met the requirements in section
4 88-331(c), an early retirement allowance equal to the
5 maximum retirement allowance calculated as provided in
6 paragraph (1), reduced by 0.4166 per cent for each
7 month the member is less than age sixty-five at
8 retirement."

9 SECTION 13. Section 88-341, Hawaii Revised Statutes, is
10 amended by amending subsections (a) and (b) to read as follows:

11 "(a) Any class H member who ceases to be an employee and
12 who became a member before July 1, 2012, and has fewer than five
13 years of credited service, excluding unused sick leave, or who
14 becomes a member after June 30, 2012, and has fewer than ten
15 years of credited service, excluding unused sick leave, shall,
16 upon application to the board, be paid all of the former
17 employee's accumulated contributions, and the former employee's
18 membership shall thereupon terminate and all credited service
19 shall be forfeited; provided that an individual shall not be
20 paid the individual's accumulated contributions if either:



- 1 (1) The individual becomes an employee again within
2 fifteen calendar days from the date the individual
3 ceased to be an employee; or
- 4 (2) At the time the application for return of accumulated
5 contributions is received by the board, the individual
6 has become an employee again.

7 Regular interest shall be credited to the former employee's
8 account until the former employee's accumulated contributions
9 are withdrawn; provided that the former employee's membership
10 shall not continue after the fourth full year following the
11 calendar year in which the individual's employment terminates.
12 If the former employee does not become an employee again and has
13 not withdrawn the former employee's accumulated contributions,
14 the system shall return the former employee's accumulated
15 contributions to the former employee as soon as possible after
16 the former employee attains age sixty-two.

17 (b) Any class H member [~~having five or more years of~~
18 ~~credited service~~] who ceases to be an employee[~~7~~] and who became
19 a member before July 1, 2012, and has more than five years of
20 credited service, excluding unused sick leave, or who becomes a
21 member after June 30, 2012, and has more than ten years of
22 credited service, excluding sick leave, shall, upon application



1 to the board, [~~shall~~] be paid an amount equal to the former
2 employee's hypothetical account balance and the former
3 employee's membership shall thereupon terminate and all credited
4 service shall be forfeited; provided that the individual shall
5 not be paid the individual's hypothetical account balance if
6 either:

7 (1) The individual becomes an employee again within
8 fifteen calendar days from the date the individual
9 ceased to be an employee; or

10 (2) At the time the application for payment of the
11 individual's hypothetical account balance is received
12 by the board, the individual has become an employee
13 again.

14 If the contributions are not withdrawn by the former
15 employee after the individual's employment terminates, the
16 former employee shall have vested benefit status and shall be
17 eligible for the service retirement benefit in effect at the
18 time of the former employee's retirement, payable in accordance
19 with this chapter."

20 SECTION 14. Statutory material to be repealed is bracketed
21 and stricken. New statutory material is underscored.

22



1 SECTION 15. This Act shall take effect on July 1, 2011.

2

INTRODUCED BY: David Yelje



Report Title:

Employees' Retirement System

Description:

Amends retirement benefits for state and county employees who become members of the employees' retirement system after June 30, 2012.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

