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# 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 89E-3, Hawaii Revised Statutes, is  
2 amended as follows:  
3           1. By amending subsection (a) to read:  
4           "(a) Notwithstanding section 88-99 or any other law to the  
5 contrary, the employees' retirement system may provide,  
6 regardless of whether the actuarial value of the system's assets  
7 is one hundred per cent of the system's actuarial accrued  
8 liability, the benefits authorized under this section. Any  
9 employee who receives official notification that the employee's  
10 position is being abolished or who is directly affected by a  
11 reduction-in-force or workforce restructuring plan, including  
12 privatization, proposed by an agency may elect, if the employee  
13 is eligible to receive benefits from the employees' retirement  
14 system and meets any of the criteria specified in subsection  
15 (c), the special retirement benefit provided by this section in  
16 lieu of exercising any reduction-in-force rights under chapter  
17 89 [~~and in lieu of receiving any severance benefits under~~



1 ~~section 89E-2~~]. To receive the special retirement benefit  
2 offered under this section, the employee shall comply with the  
3 application and time frame requirements specified in subsection  
4 (b)."

5 2. By amending subsection (e) to read:

6 "(e) The head of the agency shall transmit a list of  
7 employees who elected and received the special retirement  
8 benefit to the board of trustees of the employees' retirement  
9 system not less than thirty days but not more than one hundred  
10 fifty days prior to the employee's retirement date. The head of  
11 the agency shall certify that the employees on the list have in  
12 fact selected the special retirement benefit in lieu of  
13 ~~[receiving the severance benefit under section 89E-2 and]~~  
14 exercising any reduction-in-force rights under chapter 89."

15 SECTION 2. Section 89E-4, Hawaii Revised Statutes, is  
16 amended to read as follows:

17 "[+]§89E-4[+] **Restrictions.** No ~~[severance benefit or]~~  
18 special retirement benefit under this chapter shall be payable  
19 to an employee discharged for lawful disciplinary reasons or for  
20 reasons other than a reduction-in-force or workforce  
21 restructuring plan."



1 SECTION 3. Section 89E-5, Hawaii Revised Statutes, is  
2 amended to read as follows:

3 "[+]§89E-5[+] **Reemployment.** Any employee who has received  
4 [~~either a severance benefit or~~] a special retirement benefit  
5 under this chapter and returns to public service within two  
6 years as an employee or contractor shall repay [~~the severance~~  
7 ~~benefit or~~] the special retirement benefit to [~~the State or~~] the  
8 employees' retirement system[~~, as the case may be,~~] within  
9 thirty days of reemployment with a public employer."

10 SECTION 4. Section 89E-6, Hawaii Revised Statutes, is  
11 amended to read as follows:

12 "[+]§89E-6[+] **Payments; lapse of unexpended funds.** After  
13 payments of all costs associated with the [~~severance benefits~~  
14 ~~and~~] special retirement benefits, the public employer's  
15 remaining payroll balances shall not be expended for any purpose  
16 and shall be lapsed into the appropriate fund."

17 SECTION 5. Section 89E-7, Hawaii Revised Statutes, is  
18 amended to read as follows:

19 "[+]§89E-7[+] **Reporting requirements; reduction in**  
20 **personnel counts.** The head of the agency that provided benefits  
21 under this chapter shall:



1 (1) Transmit a report of every position identified for  
 2 abolishment and vacated under this chapter to the  
 3 directors of finance and human resources development,  
 4 who shall abolish these positions from the appropriate  
 5 budget and personnel files. The governor shall report  
 6 this information to the legislature no later than  
 7 twenty days prior to the convening of each regular  
 8 session beginning with the regular session of 2017;

9 (2) Reduce its personnel count by every position  
 10 identified for abolishment and vacated under this  
 11 chapter, whether the former incumbent vacated the  
 12 position as a result of accepting a [~~severance benefit~~  
 13 ~~or~~] special retirement benefit authorized under this  
 14 chapter or of exercising reduction-in-force rights;  
 15 and

16 (3) Transmit a list that includes each employee who  
 17 received benefits under this chapter and the benefit  
 18 received by the employee to the directors of finance  
 19 and human resources development."

20 SECTION 6. Section 89E-8, Hawaii Revised Statutes, is  
 21 amended by amending subsection (a) to read as follows:



1           " [†] (a) [†] The departments of human resources development  
2 and budget and finance shall develop and administer guidelines  
3 and time frames with the exclusive representatives of affected  
4 public employees to implement the [~~voluntary severance benefits~~  
5 and] special retirement benefits under this chapter. The  
6 department of human resources development, the department of  
7 labor and industrial relations, the employees' retirement  
8 system, and the Hawaii employer-union health benefits trust fund  
9 shall work cooperatively to ensure that briefings are provided  
10 prior to the implementation of any workforce restructuring plan  
11 to educate the employees whose positions are being abolished or  
12 who are directly affected by a reduction-in-force or workforce  
13 restructuring plan."

14           SECTION 7. Section 89E-10, Hawaii Revised Statutes, is  
15 amended to read as follows:

16           " [†]§89E-10 [†] **Review by employee.** Employees offered a  
17 [~~severance benefit or a~~] special retirement benefit shall be  
18 given sufficient time to make an informed decision from the date  
19 of receiving accurate and complete information about the offer."

20           SECTION 8. Section 89E-2, Hawaii Revised Statutes, is  
21 repealed.



1       , ["~~§89E-2~~ **Voluntary severance benefit.** (a) Any employee  
2 entitled to reduction in force rights under chapter 89 and who  
3 receives official notification that the employee's position is  
4 being abolished or who is directly affected by a reduction in  
5 force or workforce restructuring plan, including privatization,  
6 may elect to receive a voluntary severance benefit provided  
7 under this section in lieu of exercising any reduction in force  
8 rights under chapter 89 and in lieu of receiving any special  
9 retirement benefit under section 89E-3.

10       (b) A one-time lump-sum cash bonus severance benefit shall  
11 be calculated at five per cent of the employee's base salary for  
12 every year of service worked, not to exceed ten years, and shall  
13 not exceed fifty per cent of the employee's annual base salary.

14       For the purposes of this section, "annual base salary"  
15 means an employee's annual salary for the position from which  
16 the employee is to be separated, excluding all other forms of  
17 compensation paid or accrued, whether a bonus, allowance,  
18 differential, or value of leave or compensatory time off  
19 credits. Compensation excluded from base salary includes  
20 shortage category differential, night shift differential,



1 ~~overtime, compensatory time off credits, vacation or sick leave~~  
2 ~~credits, and workers' compensation benefits.~~

3 ~~(c) A severance benefit shall be in addition to any~~  
4 ~~payment owing to the employee upon separation from service,~~  
5 ~~including accumulated unused vacation allowances or compensatory~~  
6 ~~time credits.~~

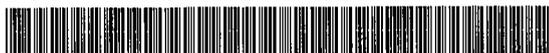
7 ~~(d) All severance benefits paid under this section shall~~  
8 ~~be subject to applicable state income tax laws and rules.~~

9 ~~(e) A severance benefit provided under this section shall~~  
10 ~~not be considered as a part of a discharged employee's salary,~~  
11 ~~service credit, or a cost item as defined in section 89-2 when~~  
12 ~~calculating retirement benefits or sick and vacation leave." ]~~

13 SECTION 9. This Act does not affect rights and duties that  
14 matured, penalties that were incurred, and proceedings that were  
15 begun before its effective date.

16 SECTION 10. Statutory material to be repealed is bracketed  
17 and stricken.

18 SECTION 11. This Act shall take effect on January 7, 2059.



**Report Title:**

Separation Benefits; Voluntary Severance Benefit; Employees' Retirement System; Hawaii Health Systems Corporation

**Description:**

Repeals the voluntary severance benefits option from chapter 89E, HRS. Takes effect 1/7/2059. (SD1)

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