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# A BILL FOR AN ACT

RELATING TO COMPENSATION FOR THE PURPOSES OF THE EMPLOYEES'  
RETIREMENT SYSTEM.

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

1       SECTION 1. The legislature finds that this Act is  
2       necessary to clarify how compensation is calculated for the  
3       purposes of retirement benefits. This Act will ensure that  
4       retirement benefits are computed fairly and equitably for all  
5       public employees and will facilitate employer reporting of  
6       compensation on a consistent and timely basis.

7       SECTION 2. Section 88-21, Hawaii Revised Statutes, is  
8       amended by amending the definition of "base pay" to read as  
9       follows:

10       ""Base pay" means the normal periodic payments of money for  
11       service, as set forth in the employee's personnel action report,  
12       the right to which accrues on a regular basis in proportion to  
13       the service performed; [~~recurring differentials,~~] and elective  
14       salary reduction contributions under sections 125, 403(b), and  
15       457(b) of the Internal Revenue Code of 1986, as amended."



SECTION 3. Section 88-21.5, Hawaii Revised Statutes, is amended to read as follows:

**"§88-21.5 Compensation.** (a) For a member who became a member before July 1, 2012, unless a different meaning is plainly required by context, as used in this part, "compensation" means:

(1) Normal periodic payments of money for service, as set forth in the employee's personnel action report, the right to which accrues on a regular basis in proportion to the service performed;

(2) Overtime, differentials, and supplementary payments;

(3) Bonuses and lump sum salary supplements; and

(4) Elective salary reduction contributions under sections 125, 403(b), and 457(b) of the Internal Revenue Code of 1986, as amended.

Bonuses and lump sum salary supplements shall be deemed earned when payable; provided that bonuses or lump sum salary supplements in excess of one-twelfth of compensation for the twelve months prior to the month in which the bonus or lump sum salary supplement is payable, exclusive of overtime, bonuses, and lump sum salary supplements, shall be deemed earned:



1 (1) During the period agreed-upon by the employer and  
2 employee, but in any event over a period of not less  
3 than twelve months; or

4 (2) In the absence of an agreement between the employer  
5 and the employee, over the twelve months prior to the  
6 date on which the bonus or lump sum salary supplement  
7 is payable.

8 (b) For a member who becomes a member after June 30, 2012,  
9 unless a different meaning is plainly required by context,  
10 "compensation" as used in this part:

11 (1) Means:

12 (A) The normal periodic payments of money for  
13 service, as set forth in the employee's personnel  
14 action report, the right to which accrues on an  
15 hourly, daily, monthly, or annual basis;

16 (B) Shortage differentials;

17 (C) Elective salary reduction contributions under  
18 sections 125, 403(b), and 457(b) of the Internal  
19 Revenue Code of 1986, as amended; and

20 (D) Twelve-month differentials for employees of the  
21 department of education; and



(2) Shall not include any other additional or extra payments to an employee or officer, including overtime, supplementary payments, bonuses, lump sum salary supplements, allowances, or differentials, including differentials for shortage categories, stand-by duty, temporary unusual work hazards, compression differentials, or temporary differentials~~[, except for those expressly authorized pursuant to subsection (b)(1)(B), (b)(1)(C), and (b)(1)(D)]~~."

SECTION 4. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 5. This Act shall take effect on July 1, 2050.



**Report Title:**

Employees' Retirement System; Compensation

**Description:**

Clarifies how compensation is calculated for the purposes of retirement benefits. Effective 7/1/2050. (SD2)

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

