

# S.B. NO. 1082

JAN 27 2021

---

## 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. This Act is necessary to clarify the definition  
2 of compensation eligible for the purposes of calculating  
3 retirement benefits. This clarification 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~~  
11 ~~for service,~~] base compensation pay rate stated in the  
12 employer's personnel file as reported to the system or the  
13 employee's personnel action report notification or  
14 certification, the right to which accrues on a regular basis in  
15 proportion to the service performed; [~~recurring differentials,~~]  
16 and elective salary reduction contributions under sections 125,  
17 403(b), and 457(b) of the Internal Revenue Code of 1986, as  
18 amended."

S.B. NO. 1082

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

3 **"§88-21.5 Compensation.** (a) For a member who became a  
4 member before July 1, 2012, unless a different meaning is  
5 plainly required by context, as used in this part,  
6 "compensation" means:

- 7 (1) [~~Normal periodic payments of money for service~~] The  
8 base compensation pay rate stated in the employer's  
9 personnel file as reported to the system or the  
10 employee's personnel action report notification or  
11 certification, the right to which accrues on a regular  
12 basis in proportion to the service performed;
- 13 (2) Overtime, differentials, and supplementary payments;
- 14 (3) Bonuses and lump sum salary supplements; and
- 15 (4) Elective salary reduction contributions under sections  
16 125, 403(b), and 457(b) of the Internal Revenue Code  
17 of 1986, as amended.

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

S.B. NO. 1082

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,~~] The base compensation pay rate stated  
14 in the employer's personnel file as reported to  
15 the system or the employee's personnel action  
16 report notification or certification, the right  
17 to which accrues on an hourly, daily, monthly, or  
18 annual basis;

19 [~~(B) Shortage differentials;~~

20 ~~(C)] (B) Elective salary reduction contributions~~

21 under sections 125, 403(b), and 457(b) of the

22 Internal Revenue Code of 1986, as amended; and



S.B. NO. 1082

**Report Title:**

Employees' Retirement System; Compensation

**Description:**

Amends the definition of compensation for retirement benefits.

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

# SB. NO. 1082

## JUSTIFICATION SHEET

DEPARTMENT: Budget and Finance

TITLE: A BILL FOR AN ACT RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM.

PURPOSE: Clarify the definition of "compensation" for retirement benefit computation purposes to ensure that retirement benefits are computed fairly and equitably for all public employees and to facilitate employer reporting of compensation on a consistent and timelier basis.

MEANS: Amend sections 88-21 and 88-21.5, Hawaii Revised Statutes.

JUSTIFICATION: This bill amends sections 88-21 and 88-21.5 to define "compensation" as the base compensation rate designated by the employee's personnel action report notification or certification. The ERS receives payroll reports from eight separate employers, which include the State of Hawaii and the counties. Currently, the various employers define and report base compensation inconsistently and in order to fairly compute retirement benefits for the employees of all employers the ERS proposes, with this bill, a definition by which all employees' retirement benefits will be computed fairly and equitably.

Impact on the public: None.

Impact on the department and other agencies: Would facilitate employer reporting of compensation on a more consistent and timelier basis. May require additional personnel and payroll review of data for required field definitions.

GENERAL FUND: None.

OTHER FUNDS: For employees with membership dates after June 30, 2012, possible reduction of retirement benefits due to deletion of recurring and shortage differentials.

PPBS PROGRAM  
DESIGNATION: BUF-141/Retirement.

OTHER AFFECTED  
AGENCIES: State and counties.

EFFECTIVE DATE: Upon approval and shall apply to reported transactions after December 31, 2021.