
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. The legislature finds that this Act is
2 necessary to clarify the definition of compensation for the
3 purpose of calculating retirement benefits for public officers
4 and employees. The clarification will ensure that retirement
5 benefits are computed fairly and equitably for all public
6 employees as well as facilitate employer reporting of
7 compensation on a consistent and timely basis.

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

11 "Base pay" means the normal periodic payments of money for
12 service, as set forth in the employee's personnel action report,
13 the right to which accrues on a regular basis in proportion to
14 the service performed; recurring differentials; and elective
15 salary reduction contributions under sections 125, 403(b), and
16 457(b) of the Internal Revenue Code of 1986, as amended."



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, as set
8 forth in the employee's personnel action report, the
9 right to which accrues on a regular basis in
10 proportion to the service performed;
- 11 (2) Overtime, differentials, and supplementary payments;
- 12 (3) Bonuses and lump sum salary supplements; and
- 13 (4) Elective salary reduction contributions under sections
14 125, 403(b), and 457(b) of the Internal Revenue Code
15 of 1986, as amended.

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



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

10 SECTION 4. New statutory material is underscored.

11 SECTION 5. This Act shall take effect upon its approval
12 and shall apply to personnel and payroll reported after
13 December 31, 2021.



Report Title:

Employees' Retirement System; Compensation

Description:

Amends the definition of compensation for the purpose of calculating retirement benefits for public officers and employees. Applies to personnel and payroll reported after 12/31/2021. (SD1)

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