

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. The purpose of this Act is to change the
2 formula for crediting unused sick leave when a public employee
3 retires or leaves government service. The legislature finds
4 that this Act is necessary to reduce the public employers'
5 contributions to the Employees' Retirement System of the State
6 of Hawaii.

7 SECTION 2. Section 88-63, Hawaii Revised Statutes, is
8 amended to read as follows:

9 "[~~†~~]**§88-63**[~~†~~] **Credit for unused sick leave.** (a) This
10 subsection applies to public employees who became members of the
11 system before July 1, 2021.

12 A public employee, to whom this subsection applies, who
13 retires or leaves government service in good standing with sixty
14 days or more of unused sick leave shall be entitled to
15 additional service credit in the [~~retirement~~] system as follows:

16 (1) An employee with sixty days of unused sick leave to
17 the employee's credit shall have the employee's years
18 of service increased by three months for the purpose

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1 of computing the employee's retirement allowance[-];

2 and

3 (2) For each additional twenty days or major fraction
4 thereof of unused sick leave in excess of sixty days
5 that the employee has to the employee's credit the
6 employee shall have the employee's years of service
7 increased by one month for the purpose of computing
8 the employee's retirement allowance.

9 (b) This subsection applies to public employees who become
10 members of the system after June 30, 2021.

11 A public employee, to whom this subsection applies, who
12 retires or leaves government service in good standing with any
13 unused sick leave shall be entitled to additional service credit
14 in the system as follows:

15 (1) An employee with one-hundred twenty days of unused
16 sick leave to the employee's credit shall have the
17 employee's years of service increased by three months
18 for the purpose of computing the employee's retirement
19 allowance; and

20 (2) For each additional forty days or major fraction
21 thereof of unused sick leave that the employee has to
22 the employee's credit, the employee shall have the

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1 employee's years of service increased by one month for
2 the purpose of computing the employee's retirement
3 allowance.

4 (c) The allowance on service retirement of section 88-74
5 and the service benefit limitation therein shall not apply to
6 retirement allowances [~~which~~] that exceed such limitations by
7 virtue of the application of this section in the computation of
8 retirement allowances and no reduction in such retirement
9 allowances shall be made on account of such limitations."

10 SECTION 3. Statutory material to be repealed is bracketed
11 and stricken. New statutory material is underscored.

12 SECTION 4. This Act, upon its approval, shall take effect
13 on July 1, 2021.

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INTRODUCED BY: *Ann M. Hill*

BY REQUEST

S.B. NO. 1090

Report Title:

Employees' Retirement System; Unused Sick Leave Credit for Public Employees

Description:

Changes the formula for crediting unused sick leave to retirement benefits for public employees who become members of the Employees' Retirement System after June 30, 2021.

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

JUSTIFICATION SHEET

DEPARTMENT: Budget and Finance

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

PURPOSE: To improve the funded status of the Employees' Retirement System of the State of Hawaii ("ERS") and to reduce public employer contributions by changing the formula used to credit unused sick leave toward retirement benefits for public employees who become members of the ERS after June 30, 2021.

MEANS: Amend section 88-63, Hawaii Revised Statutes.

JUSTIFICATION: Currently, members of the ERS who retire or leave government service with sixty or more days of accumulated unused sick leave receive one month of service credit for retirement benefit purposes for every twenty days of accumulated unused sick leave. These members receive additional retirement benefits because of the additional service credit, but do not make any contributions for the additional retirement benefits. The additional costs of providing retirement benefits based on accumulated unused sick leave are borne by the ERS and, ultimately, by the public employers. The current unfunded liability of the ERS is over \$14 billion. The projected period for the system to become fully funded is 26 years.

This bill will reduce by one-half the amount of retirement service credited for accumulated sick leave for public employees who join the ERS after June 30, 2021. This reduction will help to reduce the unfunded liability of the ERS and will also help to keep employer contribution costs from escalating. Further, although the amount of

service credited for accumulated sick leave will be reduced, affected public employees will still have an incentive to preserve their sick leave.

Impact on the public: None.

Impact on the department and other agencies:

ERS pension benefits due to unused sick leave credit are supported by the contributions of state and county public employers. Reducing this benefit will eventually result in lower employer contributions.

GENERAL FUND: See above.

OTHER FUNDS: See above.

PPBS PROGRAM
DESIGNATION: BUF-141/Retirement.

OTHER AFFECTED
AGENCIES: All state and county public employers.

EFFECTIVE DATE: July 1, 2021.