
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 employees who became
2 members of the employees' retirement system before July 1, 2012,
3 commonly referred to as "Tier 1 members", are required to have a
4 minimum of five years of credited service to be eligible for
5 vested benefit status, which, among other things, permits a
6 member to receive a retirement allowance upon service
7 retirement. By contrast, employees who become members after
8 June 30, 2012, commonly referred to as "Tier 2 members", are
9 required to have a minimum of ten years of credited service to
10 be eligible for vested benefit status.

11 Although the two-tier member structure has assisted the
12 employees' retirement system in its efforts to achieve full
13 funding of its actuarial accrued liability, actuaries have
14 determined that reducing the minimum number of years of credited
15 service Tier 2 members must have to be eligible for vested
16 benefit status from ten years to five years to match Tier 1
17 members would increase the projected full funding period only by



1 an estimated four additional months and would not require an
2 increase in contribution rates.

3 The legislature also finds that reducing the minimum number
4 of years of credited service Tier 2 members must have to be
5 eligible for vested benefit status from ten years to five years
6 would help State and county employers with the recruitment and
7 retention of qualified employees. Reducing employee turnover
8 and retaining employees on the job longer may also help to
9 reduce employer costs. The legislature further finds that these
10 benefits outweigh the impacts on the employees' retirement
11 systems' unfunded liability and projected full funding period.

12 Notwithstanding section 88-99, Hawaii Revised Statutes, the
13 purpose of this Act is to reduce the minimum number of years of
14 credited service qualified Tier 2 members must have to be
15 eligible for vested benefit status for service retirement
16 allowance purposes from ten years to five years.

17 SECTION 2. Section 88-62, Hawaii Revised Statutes, is
18 amended by amending subsection (b) to read as follows:

19 "(b) [~~For~~] Notwithstanding section 88-99, for members who
20 become members after June 30, 2012:



1 (1) If a former member who has fewer than ten years of
2 credited service and who has been out of service for a
3 period of four full calendar years or more after the
4 year in which the former member left service, or if a
5 former member who withdrew the former member's
6 accumulated contributions returns to service, the
7 former member shall become a member in the same manner
8 and under the same conditions as anyone first entering
9 service; however, the former member may obtain
10 membership service credit in the manner provided by
11 applicable law for credited service that was forfeited
12 by the member upon termination of the member's
13 previous membership. If the member did not withdraw
14 the former member's accumulated contributions prior to
15 the former member's return to service, the accumulated
16 contributions shall be returned to the member as part
17 of the process of enrolling the member in the system
18 if the member's accumulated contributions are \$1,000
19 or less at the time of distribution. If the
20 accumulated contributions for the service the member
21 had when the member previously terminated employment



1 are greater than \$1,000 and the member does not make
2 written application, prior to or contemporaneously
3 with the member's return to service, for return of the
4 accumulated contributions, the member may not withdraw
5 the member's accumulated contributions, except as
6 provided by section 88-96 or 88-341, until the member
7 retires or attains age sixty-two. The member shall
8 not be entitled to service credit by reason of the
9 system's retention of the member's accumulated
10 contributions for the service the member had when the
11 member previously terminated employment. To be
12 eligible for any benefit, the member shall fulfill the
13 membership service requirements for the benefit
14 through membership service after again becoming a
15 member, in addition to meeting any other eligibility
16 requirement established for the benefit; provided that
17 the membership service requirement shall be exclusive
18 of any former service acquired in accordance with
19 section 88-59 or any other section in part II, VII, or
20 VIII;



1 (2) If a former member with fewer than ten years of
 2 credited service and who did not withdraw the former
 3 member's accumulated contributions returns to service
 4 within four full calendar years after the year in
 5 which the former member left service, the former
 6 member shall again become a member in the same manner
 7 and under the same conditions as anyone first entering
 8 service, except that the member shall be credited with
 9 service credit for the service the member had when the
 10 member terminated employment:

- 11 (A) If the member returns to service as a class A or
- 12 class B member, the member's new and previous
- 13 accumulated contributions shall be combined; or
- 14 (B) If the member returns to service as a class H
- 15 member, section 88-321(b) shall apply; ~~and~~

16 (3) If a former member ~~[with ten or more years of credited~~
 17 ~~service who did not withdraw the former member's~~
 18 ~~contributions]~~ who has vested benefit status as
 19 provided in section 88-96(b) returns to service, the
 20 former member's status shall be in accordance with the
 21 provisions described in section 88-97~~[-]~~; and



1 (4) If a former member who has fewer than five years of
2 credited service and who has been out of service for a
3 period of four full calendar years or more after the
4 year in which the former member left service, or if a
5 former member withdrew the former member's accumulated
6 contributions returns to service and remains in
7 service as of July 1, 2025 or returns to service after
8 June 30, 2025, the former member shall become a member
9 in the same manner and under the same conditions as
10 anyone first entering service; provided that the
11 former member may obtain membership service credit in
12 the manner provided by applicable law for credited
13 service that was forfeited by the member upon
14 termination of the member's previous membership. If
15 the member did not withdraw the former member's
16 accumulated contributions prior to the former member's
17 return to service, the accumulated contributions shall
18 be returned to the member as part of the process of
19 enrolling the member in the system if the member's
20 accumulated contributions are \$1,000 or less at the
21 time of distribution. If the accumulated



1 contributions for the service the member had when the
2 member previously terminated employment are greater
3 than \$1,000 and the member does not make written
4 application, prior to or contemporaneously with the
5 member's return to service, for return of the
6 accumulated contributions, the member may not withdraw
7 the member's accumulated contributions, except as
8 provided by section 88-96 or 88-341, until the member
9 retires or attains age sixty-two. The member shall
10 not be entitled to service credit by reason of the
11 system's retention of the member's accumulated
12 contributions for the service the member had when the
13 member previously terminated employment. To be
14 eligible for any benefit, the member shall fulfill the
15 membership service requirements for the benefit
16 through membership service after again becoming a
17 member, in addition to meeting any other eligibility
18 requirement established for the benefit; provided that
19 the membership service requirement shall be exclusive
20 of any former service acquired in accordance with



1 section 88-59 or any other section in part II, VII, or
2 VIII; and

3 (5) If a former member who has fewer than five years of
4 credited service and who did not withdraw the former
5 member's accumulated contributions returns to service
6 and remains in service as of July 1, 2025 or returns
7 to service after June 30, 2025, and who returns to
8 service within four full calendar years after the year
9 in which the former member left service, the former
10 member shall again become a member in the same manner
11 and under the same conditions as anyone first entering
12 service, except that the member shall be credited with
13 service credit for the service the member had when the
14 member terminated employment:

15 (A) If the member returns to service as a class A or
16 class B member, the member's new and previous
17 accumulated contributions shall be combined; or

18 (B) If the member returns to service as a class H
19 member, section 88-321(b) shall apply."

20 SECTION 3. Section 88-73, Hawaii Revised Statutes, is
21 amended as follows:



- 1 1. By amending subsections (a) and (b) to read:
- 2 "(a) [~~Any~~] Notwithstanding section 88-99, any member who:
- 3 (1) Became a member before July 1, 2012, and has at least
- 4 five years of credited service and has attained age
- 5 fifty-five;
- 6 (2) Became a member before July 1, 2012, and has at least
- 7 twenty-five years of credited service;
- 8 (3) Has at least ten years of credited service, which
- 9 includes service as a judge before July 1, 1999, an
- 10 elective officer, or a legislative officer;
- 11 (4) Becomes a member after June 30, 2012, and has at least
- 12 ten years of credited service and has attained age
- 13 sixty; [~~or~~]
- 14 (5) Becomes a member after June 30, 2012, and has at least
- 15 twenty-five years of credited service and has attained
- 16 age fifty-five[~~7~~]; or
- 17 (6) Becomes a member after June 30, 2012, and who is in
- 18 service as of July 1, 2025, or who returns to service
- 19 or becomes a member after June 30, 2025, and has at
- 20 least five years of credited service and has attained
- 21 the age of sixty,



1 shall become eligible to receive a retirement allowance after
2 the member has terminated service.

3 (b) Any member who first earned credited service as a
4 judge after June 30, 1999, but before July 1, 2012, and who has
5 at least five years of credited service and has attained age
6 fifty-five or has at least twenty-five years of credited service
7 shall become eligible to receive a retirement allowance after
8 the member has terminated service. Any member who first earned
9 credited service as a judge after June 30, 2012, and has at
10 least ten years of credited service and has attained age sixty,
11 or has at least twenty-five years of credited service and has
12 attained age fifty-five, shall be eligible to receive a
13 retirement allowance after the member has terminated service.
14 Any member who first earned credited service as a judge after
15 June 30, 2012, and who is in service as of July 1, 2025, or
16 thereafter, and has at least five years of credited service and
17 has attained age sixty, shall be eligible to receive a
18 retirement allowance after the member has terminated service."

19 2. By amending subsection (f) to read:

20 "(f) A member's right to the member's accrued retirement
21 benefit is nonforfeitable upon the attainment of normal



1 retirement age and the completion of the requisite years of
2 credited service.

3 For the purpose of this subsection:

4 "Normal retirement age" means age sixty-five.

5 "Requisite years of credited service" means five years for
6 class A and B members who became members before July 1, 2012[~~7~~];
7 ~~[and]~~ ten years for class A and B members who became members
8 after June 30, 2012[~~7~~]; and five years for class A and B members
9 who became members after June 30, 2012 and who are in service as
10 of July 1, 2025 or who returned to service or became a member
11 after June 30, 2025."

12 SECTION 4. Section 88-96, Hawaii Revised Statutes, is
13 amended by amending subsections (a) and (b) to read as follows:

14 "(a) Any member who ceases to be an employee and who
15 became a member before July 1, 2012, and has fewer than five
16 years of credited service, excluding unused sick leave[~~7~~]; or
17 who becomes a member after June 30, 2012, and has fewer than ten
18 years of credited service, excluding unused sick leave[~~7~~]; or
19 who becomes a member after June 30, 2012, and who is in service
20 as of July 1, 2025 or who returns to service after June 30,
21 2025, and has fewer than five years of credited service,



1 excluding unused sick leave; or who becomes a member after June
2 30, 2025 and has fewer than five years of credited service,
3 excluding unused sick leave, shall, upon application to the
4 board, be paid all of the member's accumulated contributions and
5 the member's membership shall thereupon terminate and all
6 credited service shall be forfeited; provided that a member
7 shall not be paid the member's accumulated contributions:

8 (1) If the member becomes an employee again within fifteen
9 calendar days from the date the member ceased to be an
10 employee; or

11 (2) If, at the time the application for return of
12 accumulated contributions is received by the board,
13 the member has become an employee again.

14 Regular interest shall be credited to the former employee's
15 account until the former employee's accumulated contributions
16 are returned to the former employee; provided that the former
17 employee's membership shall not continue after the fourth full
18 year following the calendar year in which the individual's
19 employment terminates. Upon termination of the former
20 employee's membership, the former employee's credited service
21 shall be forfeited and, if the former employee's accumulated



1 contributions are \$1,000 or less at the time of distribution,
2 the system shall return the former employee's contributions to
3 the former employee. If the former employee does not become an
4 employee again and if the former employee's accumulated
5 contributions have not been withdrawn by the former employee or
6 previously returned by the system to the former employee, the
7 system shall return the former employee's accumulated
8 contributions to the former employee as soon as possible after
9 the later of: (A) the former employee attaining age sixty-two;
10 or (B) the termination of the former employee's membership.

11 (b) Any member who ceases to be an employee and who became
12 a member before July 1, 2012, and has more than five years of
13 credited service, excluding unused sick leave[~~7~~]; or who becomes
14 a member after June 30, 2012, and has more than ten years of
15 credited service, excluding unused sick leave[~~7~~]; or who becomes
16 a member after June 30, 2012, and who is in service as of
17 July 1, 2025 or who returns to service after June 30, 2025, and
18 has more than five years of credited service, excluding unused
19 sick leave; or who becomes a member after June 30, 2025 and has
20 more than five years of credited service, excluding unused sick
21 leave, shall, upon application to the board, be paid all of the



1 member's accumulated contributions and thereupon the former
2 employee's membership shall terminate and all credited service
3 shall be forfeited; provided that a member shall not be paid the
4 member's accumulated contributions:

5 (1) If the member becomes an employee again within fifteen
6 calendar days from the date the member ceased to be an
7 employee; or

8 (2) If, at the time the application for return of
9 accumulated contributions is received by the board,
10 the member has become an employee again.

11 If the contributions are not withdrawn by the former
12 employee within four calendar years following the calendar year
13 in which the former employee's employment terminates, the former
14 employee shall have established vested benefit status and shall
15 be eligible for the service retirement benefit in effect at the
16 time of the former employee's retirement, payable in accordance
17 with this chapter; provided that if the former employee
18 withdraws the former employee's accumulated contributions, the
19 former employee's vested benefit status shall terminate and all
20 credited service shall be forfeited."



1 SECTION 5. Section 88-331, Hawaii Revised Statutes, is
2 amended as follows:

3 1. By amending subsection (a) to read:

4 "(a) [A] Notwithstanding section 88-99, a class H member
5 who:

6 (1) Became a member before July 1, 2012, has at least five
7 years of credited service, and has attained age sixty-
8 two;

9 (2) Became a member before July 1, 2012, has at least
10 thirty years of credited service, and has attained the
11 age of fifty-five; [~~or~~]

12 (3) Becomes a member after June 30, 2012, has at least ten
13 years of credited service, and has attained age sixty-
14 five; [~~or~~]

15 (4) Becomes a member after June 30, 2012, has at least
16 thirty years of credited service, and has attained age
17 sixty[~~7~~]; or

18 (5) Becomes a member after June 30, 2012, and who is in
19 service as of July 1, 2025, or who returns to service
20 or becomes a member after June 30, 2025, and has at



1 least five years of credited service and has attained
2 the age of sixty-five,
3 shall become eligible to receive a retirement allowance after
4 the member has terminated service."

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

6 "(f) A member's right to the member's accrued retirement
7 benefit is nonforfeitable upon the attainment of normal
8 retirement age and the completion of the requisite years of
9 credited service.

10 For the purpose of this subsection:

11 "Normal retirement age" means age sixty-five.

12 "Requisite years of credited service" means five years for
13 class H members who became members before July 1, 2012~~[, and]~~;
14 ten years for class H members who became members after June 30,
15 2012~~[,]~~; and five years for class H members who became members
16 after June 30, 2012, and who are in service as of July 1, 2025,
17 or who returned to service or became a member after June 30,
18 2025."

19 SECTION 6. Section 88-338, Hawaii Revised Statutes, is
20 amended by amending subsection (a) to read as follows:



1 "(a) Upon receipt by the system of proper proof of a class
2 H member's death occurring in service or while on authorized
3 leave without pay and if no pension is payable under section 88-
4 339, there shall be paid to the member's designated beneficiary
5 an ordinary death benefit as follows:

6 (1) The member's accumulated contributions shall be paid
7 to the member's designated beneficiary if:

8 (A) The member became a member before July 1, 2012,
9 and had less than five years of credited service
10 at the time of death; [~~or~~]

11 (B) The member became a member after June 30, 2012,
12 and had less than ten years of credited service
13 at the time of death; or

14 (C) The member became a member after June 30, 2012,
15 and was in service as of July 1, 2025, or who
16 returned to service or became a member after
17 June 30, 2025, and had less than five years of
18 credited service at the time of death;

19 (2) An amount equal to the member's hypothetical account
20 balance shall be paid to the member's designated
21 beneficiary if:



- 1 (A) The member became a member before July 1, 2012,
2 and had five or more years of credited service at
3 the time of death; [~~or~~]
- 4 (B) The member became a member after June 30, 2012,
5 and had ten or more years of credited service at
6 the time of death; or
- 7 (C) The member became a member after June 30, 2012,
8 and was in service as of July 1, 2025, or who
9 returned to service or became a member after
10 June 30, 2025, and had five or more years of
11 credited service at the time of death;
- 12 (3) If the member had ten or more years of credited
13 service at the time of death, the member's designated
14 beneficiary may elect to receive in lieu of any other
15 payment provided in this section, the allowance that
16 would have been payable as if the member had retired
17 on the first day of a month following the member's
18 death, except for the month of December when
19 retirement on the first or last day of the month shall
20 be allowed. Benefits payable under this paragraph
21 shall be calculated under option 3 of section 88-83



1 and computed on the basis of section 88-332, unreduced
2 for age; or

3 (4) If the member was eligible for service retirement at
4 the time of death, the member's designated beneficiary
5 may elect to receive in lieu of any other payment
6 provided in this section, the allowance that would
7 have been payable as if the member had retired on the
8 first day of a month following the member's death,
9 except for the month of December when retirement on
10 the first or last day of the month shall be allowed.
11 Benefits payable under this paragraph shall be
12 calculated under option 2 of section 88-83 and
13 computed on the basis of section 88-332."

14 SECTION 7. Section 88-341, Hawaii Revised Statutes, is
15 amended by amending subsections (a) and (b) to read as follows:

16 "(a) Any class H member who ceases to be an employee and
17 who became a member before July 1, 2012, and has fewer than five
18 years of credited service, excluding unused sick leave[~~7~~]; or
19 who becomes a member after June 30, 2012, and has fewer than ten
20 years of credited service, excluding unused sick leave[~~7~~]; or
21 who becomes a member after June 30, 2012, and who is in service



1 as of July 1, 2025, or who returns to service or becomes a
2 member after June 30, 2025, and has fewer than five years of
3 credited service, excluding unused sick leave, shall, upon
4 application to the board, be paid all of the former employee's
5 accumulated contributions, and the former employee's membership
6 shall thereupon terminate and all credited service shall be
7 forfeited; provided that an individual shall not be paid the
8 individual's accumulated contributions if either:

- 9 (1) The individual becomes an employee again within
10 fifteen calendar days from the date the individual
11 ceased to be an employee; or
12 (2) At the time the application for return of accumulated
13 contributions is received by the board, the individual
14 has become an employee again.

15 Regular interest shall be credited to the former employee's
16 account until the former employee's accumulated contributions
17 are withdrawn; provided that the former employee's membership
18 shall not continue after the fourth full year following the
19 calendar year in which the individual's employment terminates.
20 If the former employee does not become an employee again and has
21 not withdrawn the former employee's accumulated contributions,



1 the system shall return the former employee's accumulated
2 contributions to the former employee as soon as possible after
3 the later of: (A) the former employee attaining age sixty-two;
4 or (B) the termination of the former employee's membership.

5 (b) Any class H member who ceases to be an employee and
6 who became a member before July 1, 2012, and has more than five
7 years of credited service, excluding unused sick leave[7]; or
8 who becomes a member after June 30, 2012, and has more than ten
9 years of credited service, excluding unused sick leave[7]; or
10 who becomes a member after June 30, 2012, and who is in service
11 as of July 1, 2025 or who returns to service or becomes a member
12 after June 30, 2025, and has more than five years of credited
13 service, excluding unused sick leave, shall, upon application to
14 the board, be paid an amount equal to the former employee's
15 hypothetical account balance and the former employee's
16 membership shall thereupon terminate and all credited service
17 shall be forfeited; provided that the individual shall not be
18 paid the individual's hypothetical account balance if either:
19 (1) The individual becomes an employee again within
20 fifteen calendar days from the date the individual
21 ceased to be an employee; or



1 (2) At the time the application for payment of the
2 individual's hypothetical account balance is received
3 by the board, the individual has become an employee
4 again.

5 If the contributions are not withdrawn by the former
6 employee after the individual's employment terminates, the
7 former employee shall have vested benefit status and shall be
8 eligible for the service retirement benefit in effect at the
9 time of the former employee's retirement, payable in accordance
10 with this chapter."

11 SECTION 8. In accordance with section 9 of article VII of
12 the Hawaii State Constitution and sections 37-91 and 37-93,
13 Hawaii Revised Statutes, the legislature has determined that the
14 appropriations contained in Act 164, Regular Session of 2023,
15 and this Act will cause the state general fund expenditure
16 ceiling for fiscal year 2024-2025 to be exceeded by
17 \$ or per cent. This current declaration takes
18 into account general fund appropriations authorized for fiscal
19 year 2024-2025 in Act 164, Regular Session of 2023, and this Act
20 only. The reasons for exceeding the general fund expenditure
21 ceiling are that:



1 (1) The appropriation made in this Act is necessary to
2 serve the public interest; and

3 (2) The appropriation made in this Act meets the needs
4 addressed by this Act.

5 SECTION 9. There is appropriated out of the general
6 revenues of the State of Hawaii the sum of \$9,800,000 or so much
7 thereof as may be necessary for fiscal year 2024-2025 for
8 investments of the employees' retirement system.

9 The sum appropriated shall be expended by the employees'
10 retirement system for the purposes of this Act.

11 SECTION 10. This Act does not affect the rights, duties,
12 and obligations that matured or were vested, or proceedings that
13 were begun, before its effective date, including but not limited
14 to, any membership that was terminated, credited service that
15 was forfeited, retirement that was finalized, or benefits which
16 were paid.

17 SECTION 11. Statutory material to be repealed is bracketed
18 and stricken. New statutory material is underscored.

19 SECTION 12. This Act shall take effect on July 1, 2050;
20 provided that section 8 shall take effect on July 1, 2024.



Report Title:

ERS; Credited Service; Benefits; Expenditure Ceiling;
Appropriation

Description:

Reduces from ten years to five years, the minimum number of years of credited service qualified Tier 2 Employees' Retirement System members must have to be eligible for vested benefit status for service retirement allowance purposes from ten years to five years. Appropriates funds for investments of the ERS. Declares that the general fund expenditure ceiling is exceeded. Takes effect 7/1/2050. (SD1)

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

