

JAN 23 2025

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
18 an estimated four additional months and would require an

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1 increase in employer contribution rates of less than a quarter
2 per cent.

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 impacts to the employees' retirement system's
11 unfunded liability and projected full funding period, as well as
12 to employer contributions.

13 Notwithstanding section 88-99, Hawaii Revised Statutes, the
14 purposes of this Act are to:

15 (1) Reduce the minimum number of years of credited service
16 qualified Tier 2 members must have to be eligible for
17 vested benefit status for service retirement allowance
18 purposes from ten years to five years; and

19 (2) Increase employer contributions to offset the
20 liability produced by the vesting changes.

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

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

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

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

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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[-];

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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, 2027, or returns to service
8 after June 30, 2027, the former member shall become a
9 member in the same manner and under the same
10 conditions as anyone first entering service; provided
11 that the former member may obtain membership service
12 credit in the manner provided by applicable law for
13 credited 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
22 contributions for the service the member had when the

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

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1 (5) If a former member who has fewer than five years of
2 credited service and who did not withdraw the former
3 member's accumulated contributions returns to service
4 and remains in service as of July 1, 2027, or returns
5 to service after June 30, 2027, and who returns to
6 service within four full calendar years after the year
7 in which the former member left service, the former
8 member shall again become a member in the same manner
9 and under the same conditions as anyone first entering
10 service, except that the member shall be credited with
11 service credit for the service the member had when the
12 member terminated employment:

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

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

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

20 (1) By amending subsections (a) and (b) to read as
21 follows:

22 "(a) ~~[Any]~~ Notwithstanding section 88-99, any member who:

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- 1 (1) Became a member before July 1, 2012, and has at least
2 five years of credited service and has attained age
3 fifty-five;
- 4 (2) Became a member before July 1, 2012, and has at least
5 twenty-five years of credited service;
- 6 (3) Has at least ten years of credited service, which
7 includes service as a judge before July 1, 1999, an
8 elective officer, or a legislative officer;
- 9 (4) Becomes a member after June 30, 2012, and has at least
10 ten years of credited service and has attained age
11 sixty; [~~or~~]
- 12 (5) Becomes a member after June 30, 2012, and has at least
13 twenty-five years of credited service and has attained
14 age fifty-five[~~7~~]; or
- 15 (6) Becomes a member after June 30, 2012, and who is in
16 service as of July 1, 2027, or who returns to service
17 or becomes a member after June 30, 2027, and has at
18 least five years of credited service and has attained
19 the age of sixty,
- 20 shall become eligible to receive a retirement allowance after
21 the member has terminated service.

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1 (b) Any member who first earned credited service as a
2 judge after June 30, 1999, but before July 1, 2012, and who has
3 at least five years of credited service and has attained age
4 fifty-five or has at least twenty-five years of credited service
5 shall become eligible to receive a retirement allowance after
6 the member has terminated service. Any member who first earned
7 credited service as a judge after June 30, 2012, and has at
8 least ten years of credited service and has attained age sixty,
9 or has at least twenty-five years of credited service and has
10 attained age fifty-five, shall be eligible to receive a
11 retirement allowance after the member has terminated service.
12 Any member who first earned credited service as a judge after
13 June 30, 2012, and who is in service as of July 1, 2027, or
14 thereafter, and has at least five years of credited service and
15 has attained age sixty, shall be eligible to receive a
16 retirement allowance after the member has terminated service."

17 (2) By amending subsection (f) to read as follows:

18 "(f) A member's right to the member's accrued retirement
19 benefit is nonforfeitable upon the attainment of normal
20 retirement age and the completion of the requisite years of
21 credited service.

22 For the purpose of this subsection:

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

2 "Requisite years of credited service" means five years for
3 class A and B members who became members before July 1, 2012[~~7~~
4 ~~and~~]; ten years for class A and B members who became members
5 after June 30, 2012[~~-~~]; and five years for class A and B members
6 who became members after June 30, 2012, and who are in service
7 as of July 1, 2027, or who returned to service or became a
8 member after June 30, 2027."

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

11 "(a) Any member who ceases to be an employee and who
12 became a member before July 1, 2012, and has fewer than five
13 years of credited service, excluding unused sick leave[~~7~~]; or
14 who becomes a member after June 30, 2012, and has fewer than ten
15 years of credited service, excluding unused sick leave[~~7~~]; or
16 who becomes a member after June 30, 2012, and who is in service
17 as of July 1, 2027, or who returns to service after June 30,
18 2027, and has fewer than five years of credited service,
19 excluding unused sick leave; or who becomes a member after June
20 30, 2027, and has fewer than five years of credited service,
21 excluding unused sick leave, shall, upon application to the
22 board, be paid all of the member's accumulated contributions and

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

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

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

10 Regular interest shall be credited to the former employee's
11 account until the former employee's accumulated contributions
12 are returned to the former employee; provided that the former
13 employee's membership shall not continue after the fourth full
14 year following the calendar year in which the individual's
15 employment terminates. Upon termination of the former
16 employee's membership, the former employee's credited service
17 shall be forfeited and, if the former employee's accumulated
18 contributions are \$1,000 or less at the time of distribution,
19 the system shall return the former employee's contributions to
20 the former employee. If the former employee does not become an
21 employee again and if the former employee's accumulated
22 contributions have not been withdrawn by the former employee or

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

6 (b) Any member who ceases to be an employee and who became
7 a member before July 1, 2012, and has more than five years of
8 credited service, excluding unused sick leave[7]; or who becomes
9 a member after June 30, 2012, and has more than ten years of
10 credited service, excluding unused sick leave[7]; or who becomes
11 a member after June 30, 2012, and who is in service as of July
12 1, 2027, or who returns to service after June 30, 2027, and has
13 more than five years of credited service, excluding unused sick
14 leave; or who becomes a member after June 30, 2027, and has more
15 than five years of credited service, excluding unused sick
16 leave, shall, upon application to the board, be paid all of the
17 member's accumulated contributions and thereupon the former
18 employee's membership shall terminate and all credited service
19 shall be forfeited; provided that a member shall not be paid the
20 member's accumulated contributions:

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

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

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

17 SECTION 5. Section 88-122, Hawaii Revised Statutes, is
18 amended by amending subsection (e) to read as follows:

19 "(e) Commencing with fiscal year 2005-2006 and each
20 subsequent fiscal year until fiscal year 2007-2008, the employer
21 contributions for normal cost and accrued liability for each of
22 the two groups of employees in subsection (a) shall be based on

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1 fifteen and three-fourths per cent of the member's compensation
2 for police officers, firefighters, and corrections officers and
3 thirteen and three-fourths per cent of the member's compensation
4 for all other employees. Commencing with fiscal year 2008-2009
5 and each subsequent fiscal year until fiscal year 2011-2012, the
6 employer contributions for normal cost and accrued liability for
7 each of the two groups of employees in subsection (a) shall be
8 based on nineteen and seven-tenths per cent of the member's
9 compensation for police officers, firefighters, and corrections
10 officers and fifteen per cent of the member's compensation for
11 all other employees. In fiscal year 2012-2013, the employer
12 contributions for normal cost and accrued liability for each of
13 the two groups of employees in subsection (a) shall be based on
14 twenty-two per cent of the member's compensation for police
15 officers, firefighters, and corrections officers and fifteen and
16 one-half per cent of the member's compensation for all other
17 employees. In fiscal year 2013-2014, the employer contributions
18 for normal cost and accrued liability for each of the two groups
19 of employees in subsection (a) shall be based on twenty-three
20 per cent of the member's compensation for police officers,
21 firefighters, and corrections officers and sixteen per cent of
22 the member's compensation for all other employees. In fiscal

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1 year 2014-2015, the employer contributions for normal cost and
2 accrued liability for each of the two groups of employees in
3 subsection (a) shall be based on twenty-four per cent of the
4 member's compensation for police officers, firefighters, and
5 corrections officers and sixteen and one-half per cent of the
6 member's compensation for all other employees. Commencing with
7 fiscal year 2015-2016 until fiscal year 2016-2017, the employer
8 contributions for normal cost and accrued liability for each of
9 the two groups of employees in subsection (a) shall be based on
10 twenty-five per cent of the member's compensation for police
11 officers, firefighters, and corrections officers and seventeen
12 per cent of the member's compensation for all other employees.
13 In fiscal year 2017-2018, the employer contributions for normal
14 cost and accrued liability for each of the two groups of
15 employees in subsection (a) shall be based on twenty-eight per
16 cent of the member's compensation for police officers,
17 firefighters, and corrections officers and eighteen per cent of
18 the member's compensation for all other employees. In fiscal
19 year 2018-2019, the employer contributions for normal cost and
20 accrued liability for each of the two groups in subsection (a)
21 shall be based on thirty-one per cent of the member's
22 compensation for police officers, firefighters, and corrections

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1 officers and nineteen per cent of the member's compensation for
2 all other employees. In fiscal year 2019-2020, the employer
3 contributions for normal cost and accrued liability for each of
4 the two groups in subsection (a) shall be based on thirty-six
5 per cent of the member's compensation for police officers,
6 firefighters, and corrections officers and twenty-two per cent
7 of the member's compensation for all other employees.
8 Commencing with fiscal year 2020-2021 and each subsequent fiscal
9 year, the employer contributions for normal cost and accrued
10 liability for each of the two groups in subsection (a) shall be
11 based on forty-one per cent of the member's compensation for
12 police officers, firefighters, and corrections officers and
13 twenty-four per cent of the member's compensation for all other
14 employees. Commencing with fiscal year 2025-2026 and each
15 subsequent fiscal year, the employer contributions for normal
16 cost and accrued liability for each of the two groups in
17 subsection (a) shall be based on forty-one and nineteen
18 hundredths per cent of the member's compensation for police
19 officers, firefighters, and corrections officers and twenty-four
20 and nineteen hundredths per cent of the member's compensation
21 for all other employees. The contribution rates shall amortize

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1 the total unfunded accrued liability of the entire plan over a
2 period not to exceed the maximum funding period.

3 The contribution rates shall be subject to adjustment:

- 4 (1) If the actual period required to amortize the unfunded
5 accrued liability exceeds the maximum funding period;
6 (2) If there is no unfunded accrued liability; or
7 (3) Based on the actuarial investigation conducted in
8 accordance with section 88-105."

9 SECTION 6. Section 88-331, Hawaii Revised Statutes, is
10 amended as follows:

11 (1) By amending subsection (a) to read as follows:

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

- 14 (1) Became a member before July 1, 2012, has at least five
15 years of credited service, and has attained age sixty-
16 two;
17 (2) Became a member before July 1, 2012, has at least
18 thirty years of credited service, and has attained the
19 age of fifty-five; [~~or~~]
20 (3) Becomes a member after June 30, 2012, has at least ten
21 years of credited service, and has attained age sixty-
22 five; [~~or~~]

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

4 (5) Becomes a member after June 30, 2012, and who is in
5 service as of July 1, 2027, or who returns to service
6 or becomes a member after June 30, 2027, and has at
7 least five years of credited service and has attained
8 the age of sixty-five,

9 shall become eligible to receive a retirement allowance after
10 the member has terminated service."

11 (2) By amending subsection (f) to read as follows:

12 "(f) A member's right to the member's accrued retirement
13 benefit is nonforfeitable upon the attainment of normal
14 retirement age and the completion of the requisite years of
15 credited service.

16 For the purpose of this subsection:

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

18 "Requisite years of credited service" means five years for
19 class H members who became members before July 1, 2012[~~7~~and];
20 ten years for class H members who became members after June 30,
21 2012[~~7~~]; and five years for class H members who became members
22 after June 30, 2012, and who are in service as of July 1, 2027,

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1 or who returned to service or became a member after June 30,
2 2027."

3 SECTION 7. Section 88-338, Hawaii Revised Statutes, is
4 amended by amending subsection (a) to read as follows:

5 "(a) Upon receipt by the system of proper proof of a class
6 H member's death occurring in service or while on authorized
7 leave without pay and if no pension is payable under section 88-
8 339, there shall be paid to the member's designated beneficiary
9 an ordinary death benefit as follows:

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

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

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

18 (C) The member became a member after June 30, 2012,
19 and was in service as of July 1, 2027, or who
20 returned to service or became a member after June
21 30, 2027, and had less than five years of
22 credited service at the time of death;

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- 1 (2) An amount equal to the member's hypothetical account
2 balance shall be paid to the member's designated
3 beneficiary if:
- 4 (A) The member became a member before July 1, 2012,
5 and had five or more years of credited service at
6 the time of death; [~~or~~]
- 7 (B) The member became a member after June 30, 2012,
8 and had ten or more years of credited service at
9 the time of death; or
- 10 (C) The member became a member after June 30, 2012,
11 and was in service as of July 1, 2027, or who
12 returned to service or became a member after June
13 30, 2027, and had five or more years of credited
14 service at the time of death;
- 15 (3) If the member had ten or more years of credited
16 service at the time of death, the member's designated
17 beneficiary may elect to receive in lieu of any other
18 payment provided in this section, the allowance that
19 would have been payable as if the member had retired
20 on the first day of a month following the member's
21 death, except for the month of December when
22 retirement on the first or last day of the month shall

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1 be allowed. Benefits payable under this paragraph
2 shall be calculated under option 3 of section 88-83
3 and computed on the basis of section 88-332, unreduced
4 for age; or

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

16 SECTION 8. Section 88-341, Hawaii Revised Statutes, is
17 amended by amending subsections (a) and (b) to read as follows:

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

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1 who becomes a member after June 30, 2012, and who is in service
2 as of July 1, 2027, or who returns to service or becomes a
3 member after June 30, 2027, and has fewer than five years of
4 credited service, excluding unused sick leave, shall, upon
5 application to the board, be paid all of the former employee's
6 accumulated contributions, and the former employee's membership
7 shall thereupon terminate and all credited service shall be
8 forfeited; provided that an individual shall not be paid the
9 individual's accumulated contributions if either:

10 (1) The individual becomes an employee again within
11 fifteen calendar days from the date the individual
12 ceased to be an employee; or

13 (2) At the time the application for return of accumulated
14 contributions is received by the board, the individual
15 has become an employee again.

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

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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, 2027, or who returns to service or becomes a
12 member after June 30, 2027, and has more than five years of
13 credited service, excluding unused sick leave, shall, upon
14 application to the board, be paid an amount equal to the former
15 employee's hypothetical account balance and the former
16 employee's membership shall thereupon terminate and all credited
17 service shall be forfeited; provided that the individual shall
18 not be paid the individual's hypothetical account balance if
19 either:

20 (1) The individual becomes an employee again within
21 fifteen calendar days from the date the individual
22 ceased to be an employee; or

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Report Title:

ERS; Credited Service; Benefits; Employer Contributions

Description:

Reduces 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. Increases employer contributions to offset the resulting liability.

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: Office of the Governor

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

PURPOSE: To reduce the minimum number of years of credited service qualified Tier 2 Employees' Retirement System (ERS) members must have to be eligible for vested benefits status for service retirement allowance purposes from ten years to five years; and to increase employer contributions to offset the resulting liability.

MEANS: Amend sections 88-62(b), 88-73(a), (b), and (f), 88-96(a) and (b), 88-122(e), 88-331(a) and (f), 88-338(a), and 88-341(a) and (b), Hawaii Revised Statutes.

JUSTIFICATION: State and county governments in Hawaii are experiencing the tough challenges and difficult impacts of job vacancies. Public sector vacancies hamper government's ability to serve the public and impede economic growth.

The number of years to attain credited service to be eligible for vested benefit status for service retirement differs significantly between Tier 1 and Tier 2 ERS members. Reducing the number of years of credited service for qualified Tier 2 ERS members for vested benefits status to match that of Tier 1 ERS members would assist state and county employers in recruiting and retaining qualified employees. Reducing employee turnover and retaining employees on the job longer would also help to reduce employer costs, as well as attract individuals to public service.

Impact on the public: Attracting individuals to state and county positions and recruiting and retaining state and county employees on the job longer would

enhance public service and lessen the need for public assistance as more individuals are employed.

Impact on the department and other agencies:

Besides potentially attracting employees to ERS eligible State and County positions through increased access to retirement benefits, gains in the population of ERS membership resulting from the filling of these positions would be accompanied by an increase in covered payroll. The accompanying increase in contributions could shorten the period in which ERS is projected to reach full funding. The ERS will need to update the Pension Administration System to align benefit processing with the vesting requirement changes. The increase in employer contributions will offset expected impacts to the Pension Accumulation Fund.

GENERAL FUND: None.

OTHER FUNDS: None.

PPBS PROGRAM
DESIGNATION: BUF-141.

OTHER AFFECTED
AGENCIES: Department of Budget and Finance -
Employees' Retirement System.

EFFECTIVE DATE: Upon approval.