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# A BILL FOR AN ACT

RELATING TO GOVERNMENT.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1 PART I

2 SECTION 1. Section 88-74, Hawaii Revised Statutes, is  
3 amended as follows:

4 1. By amending subsection (d) to read:

5 "(d) If a member, who became a member before July 1, 2012,  
6 has credited service as an elective officer or as a legislative  
7 officer, the member's retirement allowance shall be derived by  
8 adding the allowances computed separately under paragraphs (1),  
9 (2), (3), (4), (5), and (6) as follows:

10 (1) For a member who has credited service as an elective  
11 officer before July 1, 2012, irrespective of age, for  
12 each year of credited service as an elective officer,  
13 three and one-half per cent of the member's average  
14 final compensation as computed under section  
15 88-81(e)(1), in addition to an annuity that is the  
16 actuarial equivalent of the member's accumulated  
17 contributions allocable to the period of service;



- 1           (2) For a member, who first earned credited service as an  
2           elective officer after June 30, 2012, irrespective of  
3           age, for each year of credited service as an elective  
4           officer, three per cent of the member's average final  
5           compensation as computed under section 88-81(e)(1), in  
6           addition to an annuity that is the actuarial  
7           equivalent of the member's accumulated contributions  
8           allocable to the period of service;
- 9           (3) For a member who has credited service as a legislative  
10          officer before July 1, 2012, irrespective of age, for  
11          each year of credited service as a legislative  
12          officer, three and one-half per cent of the member's  
13          average final compensation as computed under section  
14          88-81(e)(2), in addition to an annuity that is the  
15          actuarial equivalent of the member's accumulated  
16          contributions allocable to the period of service;
- 17          (4) For a member who first earned credited service as a  
18          legislative officer after June 30, 2012, irrespective  
19          of age, for each year of credited service as a  
20          legislative officer, three per cent of the member's  
21          average final compensation as computed under section



1 88-81(e)(2), in addition to an annuity that is the  
2 actuarial equivalent of the member's accumulated  
3 contributions allocable to the period of service;

4 (5) If the member has credited service as a judge, the  
5 member's retirement allowance shall be computed on the  
6 following basis:

7 (A) For a member who has credited service as a judge  
8 before July 1, 1999, irrespective of age, for  
9 each year of credited service as a judge, three  
10 and one-half per cent of the member's average  
11 final compensation as computed under section  
12 88-81(e)(3), in addition to an annuity that is  
13 the actuarial equivalent of the member's  
14 accumulated contributions allocable to the period  
15 of service;

16 (B) For a member who first earned credited service as  
17 a judge after June 30, 1999, but before July 1,  
18 2012, and has attained the age of fifty-five, for  
19 each year of credited service as a judge, three  
20 and one-half per cent of the member's average  
21 final compensation as computed under section



1 88-81(e)(3), in addition to an annuity that is  
2 the actuarial equivalent of the member's  
3 accumulated contributions allocable to the period  
4 of service. If the member has not attained age  
5 fifty-five, the member's retirement allowance  
6 shall be computed as though the member had  
7 attained age fifty-five, reduced for age as  
8 provided in subsection (e); and

9 (C) For a member who first earned credited service as  
10 a judge after June 30, 2012, but before July 1,  
11 2025, and has attained the age of sixty, for each  
12 year of credited service as a judge, three per  
13 cent of the member's average final compensation  
14 as computed under section 88-81(e)(3), in  
15 addition to an annuity that is the actuarial  
16 equivalent of the member's accumulated  
17 contributions allocable to the period of service.  
18 If the member has not attained age sixty, the  
19 member's retirement allowance shall be computed  
20 as though the member had attained age sixty,



1 reduced for age as provided in subsection (i);  
2 [~~and~~]  
3 (D) For a member who first earned credited service as  
4 a judge after June 30, 2025, and has attained the  
5 age of sixty, for each year of credited service  
6 as a judge, one and three-fourths per cent of the  
7 member's average final compensation as computed  
8 under section 88-81(e)(3), in addition to an  
9 annuity that is the actuarial equivalent of the  
10 member's accumulated contributions allocable to  
11 the period of service. If the member has not  
12 attained age sixty, the member's retirement  
13 allowance shall be computed as though the member  
14 had attained age sixty, reduced for age as  
15 provided in subsection (i); and  
16 (6) For each year of credited service not included in  
17 paragraph (1), (2), (3), (4), or (5), the average  
18 final compensation as computed under section  
19 88-81(e)(4) shall be multiplied by two per cent for  
20 credited service earned as a class A or class H  
21 member, two and one-half per cent for credited service



1           earned as a class B member, and one and one-quarter  
2           per cent for credited service earned as a class C  
3           member. If the member has not attained age fifty-  
4           five, the member's retirement allowance shall be  
5           computed as though the member had attained age fifty-  
6           five, reduced for age as provided in subsection (e).  
7 The total retirement allowance shall not exceed seventy-five per  
8 cent of the member's highest average final compensation  
9 calculated under section 88-81(e)(1), (2), (3), or (4). If the  
10 allowance exceeds this limit, it shall be adjusted by reducing  
11 any annuity accrued under paragraphs (1), (2), (3), (4), and (5)  
12 and the portion of the accumulated contributions specified in  
13 these paragraphs in excess of the requirements of the reduced  
14 annuity shall be returned to the member upon the member's  
15 retirement or paid to the member's designated beneficiary upon  
16 the member's death while in service or while on authorized leave  
17 without pay. If a member has service credit as an elective  
18 officer or as a legislative officer in addition to service  
19 credit as a judge, then the retirement benefit calculation  
20 contained in this subsection shall supersede the formula  
21 contained in subsection (c)."



1           2. By amending subsection (f) to read:  
2           "(f) If a member, who becomes a member after June 30,  
3 2012, has attained age sixty, the member's maximum retirement  
4 allowance shall be one and three-fourths per cent of the  
5 member's average final compensation multiplied by the total  
6 number of years of the member's credited service as a class A  
7 and class B member, excluding any credited service as a judge,  
8 elective officer, or legislative officer, plus a retirement  
9 allowance of one and one-fourth per cent of the member's average  
10 final compensation multiplied by the total number of years of  
11 prior credited service as a class C member, plus a retirement  
12 allowance of one and three-fourths per cent of the member's  
13 average final compensation multiplied by the total number of  
14 years of prior credited service as a class H member; provided  
15 that:

16           (1) If the member has at least ten years of credited  
17 service of which the last five or more years prior to  
18 retirement is credited service as a firefighter,  
19 police officer, or an investigator of the department  
20 of the prosecuting attorney;



- 1           (2) If the member has at least ten years of credited  
2           service of which the last five or more years prior to  
3           retirement is credited service as a corrections  
4           officer;
- 5           (3) If the member has at least ten years of credited  
6           service of which the last five or more years prior to  
7           retirement is credited service as an investigator of  
8           the department of the attorney general;
- 9           (4) If the member has at least ten years of credited  
10          service of which the last five or more years prior to  
11          retirement is credited service as a narcotics  
12          enforcement investigator;
- 13          (5) If the member has at least ten years of credited  
14          service, of which the last five or more years prior to  
15          retirement is credited service as a law enforcement  
16          investigations staff investigator;
- 17          (6) If the member:
  - 18                (A) Has at least ten years of credited service as a  
19                firefighter;



1 (B) Is deemed permanently medically disqualified due  
2 to a service related disability to be a  
3 firefighter by the employer's physician; and  
4 (C) Continues employment in a class A or class B  
5 position other than a firefighter; and  
6 (7) If the member:  
7 (A) Has at least ten years of credited service as a  
8 police officer;  
9 (B) Is deemed permanently medically disqualified due  
10 to a service related disability to be a police  
11 officer by the employer's physician; and  
12 (C) Continues employment in a class A or class B  
13 position other than a police officer,  
14 then for each year of service as a firefighter, police officer,  
15 corrections officer, sheriffs and deputies, investigator of the  
16 department of the prosecuting attorney, investigator of the  
17 department of the attorney general, narcotics enforcement  
18 investigator, or law enforcement investigations staff  
19 investigator, the retirement allowance shall be two and  
20 one-fourth per cent of the member's average final compensation.  
21 The maximum retirement allowance for those members shall not



1 exceed eighty per cent of the member's average final  
2 compensation. If the member has not attained age sixty, the  
3 member's retirement allowance shall be computed as though the  
4 member had attained age sixty, reduced for age as provided in  
5 subsection (i)."

6 PART II

7 SECTION 2. The legislature finds that employees who became  
8 members of the employees' retirement system before July 1, 2012,  
9 commonly referred to as "Tier 1 members", are required to have a  
10 minimum of five years of credited service to be eligible for  
11 vested benefit status, which, among other things, permits a  
12 member to receive a retirement allowance upon service  
13 retirement. By contrast, employees who become members after  
14 June 30, 2012, commonly referred to as "Tier 2 members", are  
15 required to have a minimum of ten years of credited service to  
16 be eligible for vested benefit status.

17 Although the two-tier member structure has assisted the  
18 employees' retirement system in its efforts to achieve full  
19 funding of its actuarial accrued liability, actuaries have  
20 determined that reducing the minimum number of years of credited  
21 service Tier 2 members must have to be eligible for vested



1 benefit status from ten years to five years to match Tier 1  
2 members would increase the projected full funding period only by  
3 an estimated four additional months and would require an  
4 increase in employer contribution rates of less than a quarter  
5 per cent.

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

16 Notwithstanding section 88-99, Hawaii Revised Statutes, the  
17 purpose of this part is to:

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



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

3           SECTION 3. Section 88-62, Hawaii Revised Statutes, is  
4 amended by amending subsection (b) to read as follows:

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

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



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



1 requirement established for the benefit; provided that  
2 the membership service requirement shall be exclusive  
3 of any former service acquired in accordance with  
4 section 88-59 or any other section in part II, VII, or  
5 VIII;

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

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

19 (B) If the member returns to service as a class H  
20 member, section 88-321(b) shall apply; ~~and~~



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

7 (4) If a former member who has fewer than five years of  
8 credited service and who has been out of service for a  
9 period of four full calendar years or more after the  
10 year in which the former member left service, or if a  
11 former member withdrew the former member's accumulated  
12 contributions returns to service and remains in  
13 service as of July 1, 2027, or returns to service  
14 after June 30, 2027, the former member shall become a  
15 member in the same manner and under the same  
16 conditions as anyone first entering service; provided  
17 that the former member may obtain membership service  
18 credit in the manner provided by applicable law for  
19 credited service that was forfeited by the member upon  
20 termination of the member's previous membership. If  
21 the member did not withdraw the former member's



1 accumulated contributions before the former member's  
2 return to service, the accumulated contributions shall  
3 be returned to the member as part of the process of  
4 enrolling the member in the system if the member's  
5 accumulated contributions are \$1,000 or less at the  
6 time of distribution. If the accumulated  
7 contributions for the service the member had when the  
8 member previously terminated employment are greater  
9 than \$1,000 and the member does not make written  
10 application, before or contemporaneously with the  
11 member's return to service, for return of the  
12 accumulated contributions, the member may not withdraw  
13 the member's accumulated contributions, except as  
14 provided by section 88-96 or 88-341, until the member  
15 retires or attains age sixty-two. The member shall  
16 not be entitled to service credit by reason of the  
17 system's retention of the member's accumulated  
18 contributions for the service the member had when the  
19 member previously terminated employment. To be  
20 eligible for any benefit, the member shall fulfill the  
21 membership service requirements for the benefit



1 through membership service after again becoming a  
2 member, in addition to meeting any other eligibility  
3 requirement established for the benefit; provided that  
4 the membership service requirement shall be exclusive  
5 of any former service acquired in accordance with  
6 section 88-59 or any other section in part II, VII, or  
7 VIII; and

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



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

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

6           SECTION 4. Section 88-73, Hawaii Revised Statutes, is  
7 amended as follows:

8           1. By amending subsections (a) and (b) to read:

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

10           (1) Became a member before July 1, 2012, and has at least  
11           five years of credited service and has attained age  
12           fifty-five;

13           (2) Became a member before July 1, 2012, and has at least  
14           twenty-five years of credited service;

15           (3) Has at least ten years of credited service, which  
16           includes service as a judge before July 1, 1999, an  
17           elective officer, or a legislative officer;

18           (4) Becomes a member after June 30, 2012, and has at least  
19           ten years of credited service and has attained age  
20           sixty; ~~[or]~~



1 (5) Becomes a member after June 30, 2012, and has at least  
2 twenty-five years of credited service and has attained  
3 age fifty-five[7]; or

4 (6) 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,

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

11 (b) Any member who first earned credited service as a  
12 judge after June 30, 1999, but before July 1, 2012, and who has  
13 at least five years of credited service and has attained age  
14 fifty-five or has at least twenty-five years of credited service  
15 shall become eligible to receive a retirement allowance after  
16 the member has terminated service. Any member who first earned  
17 credited service as a judge after June 30, 2012, and has at  
18 least ten years of credited service and has attained age sixty  
19 or has at least twenty-five years of credited service and has  
20 attained age fifty-five shall be eligible to receive a  
21 retirement allowance after the member has terminated service.



1 Any member who first earned credited service as a judge after  
2 June 30, 2012, and who is in service as of July 1, 2027, or  
3 thereafter, and has at least five years of credited service and  
4 has attained age sixty, shall be eligible to receive a  
5 retirement allowance after the member has terminated service."

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

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

11 For the purpose of this subsection:

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

13 "Requisite years of credited service" means five years for  
14 class A and B members who became members before July 1, 2012,  
15 and ten years for class A and B members who became members after  
16 June 30, 2012[+]; and five years for class A and B members who  
17 became members after June 30, 2012, and who are in service as of  
18 July 1, 2027, or who returned to service or became a member  
19 after June 30, 2027."

20 SECTION 5. Section 88-96, Hawaii Revised Statutes, is  
21 amended by amending subsections (a) and (b) to read as follows:



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

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

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



1 Regular interest shall be credited to the former employee's  
2 account until the former employee's accumulated contributions  
3 are returned to the former employee; provided that the former  
4 employee's membership shall not continue after the fourth full  
5 year following the calendar year in which the individual's  
6 employment terminates. Upon termination of the former  
7 employee's membership, the former employee's credited service  
8 shall be forfeited and, if the former employee's accumulated  
9 contributions are \$1,000 or less at the time of distribution,  
10 the system shall return the former employee's contributions to  
11 the former employee. If the former employee does not become an  
12 employee again and if the former employee's accumulated  
13 contributions have not been withdrawn by the former employee or  
14 previously returned by the system to the former employee, the  
15 system shall return the former employee's accumulated  
16 contributions to the former employee as soon as possible after  
17 the later of: (A) the former employee attaining age sixty-two;  
18 or (B) the termination of the former employee's membership.

19 (b) Any member who ceases to be an employee and who became  
20 a member before July 1, 2012, and has more than five years of  
21 credited service, excluding unused sick leave[~~7~~]; or who becomes



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

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

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

19 If the contributions are not withdrawn by the former  
20 employee within four calendar years following the calendar year  
21 in which the former employee's employment terminates, the former



1 employee shall have established vested benefit status and shall  
2 be eligible for the service retirement benefit in effect at the  
3 time of the former employee's retirement, payable in accordance  
4 with this chapter; provided that, if the former employee  
5 withdraws the former employee's accumulated contributions, the  
6 former employee's vested benefit status shall terminate and all  
7 credited service shall be forfeited."

8 SECTION 6. Section 88-122, Hawaii Revised Statutes, is  
9 amended by amending subsection (e) to read as follows:

10 "(e) Commencing with fiscal year 2005-2006 and each  
11 subsequent fiscal year until fiscal year 2007-2008, 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 fifteen and three-fourths per cent of the member's compensation  
15 for police officers, firefighters, and corrections officers and  
16 thirteen and three-fourths per cent of the member's compensation  
17 for all other employees. Commencing with fiscal year 2008-2009  
18 and each subsequent fiscal year until fiscal year 2011-2012, the  
19 employer contributions for normal cost and accrued liability for  
20 each of the two groups of employees in subsection (a) shall be  
21 based on nineteen and seven-tenths per cent of the member's



1 compensation for police officers, firefighters, and corrections  
2 officers and fifteen per cent of the member's compensation for  
3 all other employees. In fiscal year 2012-2013, the employer  
4 contributions for normal cost and accrued liability for each of  
5 the two groups of employees in subsection (a) shall be based on  
6 twenty-two per cent of the member's compensation for police  
7 officers, firefighters, and corrections officers and fifteen and  
8 one-half per cent of the member's compensation for all other  
9 employees. In fiscal year 2013-2014, the employer contributions  
10 for normal cost and accrued liability for each of the two groups  
11 of employees in subsection (a) shall be based on twenty-three  
12 per cent of the member's compensation for police officers,  
13 firefighters, and corrections officers and sixteen per cent of  
14 the member's compensation for all other employees. In fiscal  
15 year 2014-2015, the employer contributions for normal cost and  
16 accrued liability for each of the two groups of employees in  
17 subsection (a) shall be based on twenty-four per cent of the  
18 member's compensation for police officers, firefighters, and  
19 corrections officers and sixteen and one-half per cent of the  
20 member's compensation for all other employees. Commencing with  
21 fiscal year 2015-2016 until fiscal year 2016-2017, the employer



1 contributions for normal cost and accrued liability for each of  
2 the two groups of employees in subsection (a) shall be based on  
3 twenty-five per cent of the member's compensation for police  
4 officers, firefighters, and corrections officers and seventeen  
5 per cent of the member's compensation for all other employees.  
6 In fiscal year 2017-2018, the employer contributions for normal  
7 cost and accrued liability for each of the two groups of  
8 employees in subsection (a) shall be based on twenty-eight per  
9 cent of the member's compensation for police officers,  
10 firefighters, and corrections officers and eighteen per cent of  
11 the member's compensation for all other employees. In fiscal  
12 year 2018-2019, the employer contributions for normal cost and  
13 accrued liability for each of the two groups in subsection (a)  
14 shall be based on thirty-one per cent of the member's  
15 compensation for police officers, firefighters, and corrections  
16 officers and nineteen per cent of the member's compensation for  
17 all other employees. In fiscal year 2019-2020, the employer  
18 contributions for normal cost and accrued liability for each of  
19 the two groups in subsection (a) shall be based on thirty-six  
20 per cent of the member's compensation for police officers,  
21 firefighters, and corrections officers and twenty-two per cent



1 of the member's compensation for all other employees.  
2 Commencing with fiscal year 2020-2021 and each subsequent fiscal  
3 year, the employer contributions for normal cost and accrued  
4 liability for each of the two groups in subsection (a) shall be  
5 based on forty-one per cent of the member's compensation for  
6 police officers, firefighters, and corrections officers and  
7 twenty-four per cent of the member's compensation for all other  
8 employees. Commencing with fiscal year 2025-2026 and each  
9 subsequent fiscal year, the employer contributions for normal  
10 cost and accrued liability for each of the two groups in  
11 subsection (a) shall be based on forty-one and nineteen  
12 hundredths per cent of the member's compensation for police  
13 officers, firefighters, and corrections officers and twenty-four  
14 and nineteen hundredths per cent of the member's compensation  
15 for all other employees. The contribution rates shall amortize  
16 the total unfunded accrued liability of the entire plan over a  
17 period not to exceed the maximum funding period.

18 The contribution rates shall be subject to adjustment:

- 19 (1) If the actual period required to amortize the unfunded  
20 accrued liability exceeds the maximum funding period;  
21 (2) If there is no unfunded accrued liability; or



1 (3) Based on the actuarial investigation conducted in  
2 accordance with section 88-105."

3 SECTION 7. Section 88-331, Hawaii Revised Statutes, is  
4 amended as follows:

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

6 "(a) [~~A~~] Notwithstanding section 88-99, a class H member  
7 who:

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

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

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

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

20 (5) Becomes a member after June 30, 2012, and who is in  
21 service as of July 1, 2027, or who returns to service



1           or becomes a member after June 30, 2027, and has at  
2           least five years of credited service and has attained  
3           the age of sixty-five,

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

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

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

11           For the purpose of this subsection:

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

13           "Requisite years of credited service" means five years for  
14 class H members who became members before July 1, 2012~~[and]~~;  
15 ten years for class H members who became members after June 30,  
16 2012~~[and]~~; and five years for class H members who became members  
17 after June 30, 2012, and who are in service as of July 1, 2027,  
18 or who returned to service or became a member after June 30,  
19 2027."

20           SECTION 8. Section 88-338, Hawaii Revised Statutes, is  
21 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  
4 88-339, there shall be paid to the member's designated  
5 beneficiary 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, 2027, or who  
16 returned to service or became a member after  
17 June 30, 2027, 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, 2027, or who  
9 returned to service or became a member after  
10 June 30, 2027, 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 9. 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, 2027, or who returns to service or becomes a  
2 member after June 30, 2027, 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 who  
8 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 five or more 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:





1 SECTION 11. Statutory material to be repealed is bracketed  
2 and stricken. New statutory material is underscored.

3 SECTION 12. This Act shall take effect upon its approval.



**Report Title:**

ERS; Judges; Retirement Allowance; Tier 2 Employees; Credited Service; Benefits; Employer Contributions

**Description:**

Sets the retirement allowance for a member who first earns credited service as a judge after 6/30/2025, to 1.75 per cent of the judge's average final compensation for each year of credited service as a judge. 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. (SD2)

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

