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# 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, the system actuaries  
14 have determined that reducing the minimum number of years of  
15 credited service from ten years to five years for Tier 2 members  
16 would increase the projected full funding period only by an



1 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 from ten years to five years for  
5 Tier 2 members would help state and county employers with the  
6 recruitment and retention of qualified employees. Reducing  
7 employee turnover and retaining employees on the job longer may  
8 also help to reduce employer costs. The legislature further  
9 finds that these benefits outweigh the impacts on the employees'  
10 retirement system unfunded liability and projected full funding  
11 period.

12 The purpose of this Act is to reduce from ten years to five  
13 years the minimum number of years of credited service Tier 2  
14 members must have to be eligible for vested benefit status for  
15 service retirement allowance purposes.

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

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

20 (1) If a former member who has fewer than ten years of  
21 credited service and who has been out of service for a



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



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

19 (2) If a former member with fewer than ten years of  
20 credited service and who did not withdraw the former  
21 member's accumulated contributions returns to service



1 within four full calendar years after the year in  
2 which the former member left service, the former  
3 member shall again become a member in the same manner  
4 and under the same conditions as anyone first entering  
5 service, except that the member shall be credited with  
6 service credit for the service the member had when the  
7 member terminated employment:

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

11 (B) If the member returns to service as a class H  
12 member, section 88-321(b) shall apply; [and]

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

19 (4) If a former member who has fewer than five years of  
20 credited service and who has been out of service for a  
21 period of four full calendar years or more after the



1 year in which the former member left service, or if a  
2 former member who withdrew the former member's  
3 accumulated contributions returns to service and  
4 remains in service as of July 1, 2026, or returns to  
5 service after June 30, 2026, the former member shall  
6 become a member in the same manner and under the same  
7 conditions as anyone first entering service; provided  
8 that the former member may obtain membership service  
9 credit in the manner provided by applicable law for  
10 credited service that was forfeited by the member upon  
11 termination of the member's previous membership. If  
12 the member did not withdraw the former member's  
13 accumulated contributions prior to the former member's  
14 return to service, the accumulated contributions shall  
15 be returned to the member as part of the process of  
16 enrolling the member in the system if the member's  
17 accumulated contributions are \$1,000 or less at the  
18 time of distribution. If the accumulated  
19 contributions for service the member had when the  
20 member previously terminated employment are greater  
21 than \$1,000 and the member does not make written



application, prior to or contemporaneously with the  
member's return to service, for return of the  
accumulated contributions, the member may not withdraw  
the member's accumulated contributions, except as  
provided by section 88-96 or 88-341, until the member  
retires or attains age sixty-two. The member shall  
not be entitled to service credit by reason of the  
system's retention of the member's accumulated  
contributions for service the member had when the  
member previously terminated employment. To be  
eligible for any benefit, the member shall fulfill the  
membership service requirements for the benefit  
through membership service after again becoming a  
member, in addition to meeting any other eligibility  
requirement established for the benefit; provided that  
the membership service requirement shall be exclusive  
of any former service acquired in accordance with  
section 88-59 or any other section in part II, VII, or  
VIII of chapter 88; and

(5) If a former member who has fewer than five years of  
credited service and who did not withdraw the former



1 member's accumulated contributions returns to service  
2 and remains in service as of July 1, 2026, or returns  
3 to service after June 30, 2026, and who returns to  
4 service within four full calendar years after the year  
5 in 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; provided that:

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."

16 SECTION 3. Section 88-73, Hawaii Revised Statutes, is  
17 amended to read as follows:

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

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





- 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, 2026, or who returns to service  
17 or becomes a member after June 30, 2026, 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.



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

Any member who first earned credited service as a judge after June 30, 2012, and who is in service as of July 1, 2026, or thereafter, and has at least five years of credited service and has attained age sixty, shall be eligible to receive a retirement allowance after the member has terminated service."

2. By amending subsection (f) to read:

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



1 For the purpose of this subsection:

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

3 "Requisite years of credited service" means five years for  
4 class A and B members who became members before July 1, 2012,  
5 and ten years for class A and B members who became members after  
6 June 30, 2012[-]; and five years for class A and B members who  
7 became members after June 30, 2012, and who are in service as of  
8 July 1, 2026, or who returned to service or became a member  
9 after June 30, 2026."

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

12 "(a) Any member who ceases to be an employee and who  
13 became a member before July 1, 2012, and has fewer than five  
14 years of credited service, excluding unused sick leave[7]; or  
15 who becomes a member after June 30, 2012, and has fewer than ten  
16 years of credited service, excluding sick leave[7]; or who  
17 becomes a member after June 30, 2012, and who is in service as  
18 of July 1, 2026, or who returns to service after June 30, 2026,  
19 and has fewer than five years of credited service, excluding  
20 unused sick leave; or who becomes a member after June 30, 2026,  
21 and has fewer than five years of credited service, excluding



1 unused sick leave, shall, upon application to the board, be paid  
2 all of the member's accumulated contributions and the member's  
3 membership shall thereupon terminate and all credited service  
4 shall be forfeited; provided that a member shall not be paid the  
5 member's accumulated contributions:

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

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

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



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

9 (b) Any member who ceases to be an employee and who became  
10 a member before July 1, 2012, and has more than five years of  
11 credited service, excluding unused sick leave[7]; or who becomes  
12 a member after June 30, 2012, and has more than ten years of  
13 credited service, excluding sick leave[7]; or who becomes a  
14 member after June 30, 2012, and who is in service as of July 1,  
15 2026, or who returns to service after June 30, 2026, and has  
16 more than five years of credited service, excluding unused sick  
17 leave; or who becomes a member after June 30, 2026, and has more  
18 than five years of credited service, excluding unused sick  
19 leave, shall, upon application to the board, be paid all of the  
20 member's accumulated contributions and thereupon the former  
21 employee's membership shall terminate and all credited service



1 shall be forfeited; provided that a member shall not be paid the  
2 member's accumulated contributions:

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

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

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

19 SECTION 5. Section 88-331, Hawaii Revised Statutes, is  
20 amended to read as follows:

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



1       "(a) [A] Notwithstanding section 88-99, a class H member  
2       who:  
3       (1) Became a member before July 1, 2012, has at least five  
4       years of credited service, and has attained age sixty-  
5       two;  
6       (2) Became a member before July 1, 2012, has at least  
7       thirty years of credited service, and has attained the  
8       age of fifty-five; ~~[or]~~  
9       (3) Becomes a member after June 30, 2012, has at least ten  
10      years of credited service, and has attained age sixty-  
11      five; ~~[or]~~  
12      (4) Becomes a member after June 30, 2012, has at least  
13      thirty years of credited service, and has attained age  
14      sixty~~[7]~~; or  
15      (5) Becomes a member after June 30, 2012, and who is in  
16      service as of July 1, 2026, or who returns to service  
17      or becomes a member after June 30, 2026, and has at  
18      least five years of credited service and has attained  
19      the age of sixty-five,  
20      shall become eligible to receive a retirement allowance after  
21      the member has terminated service."



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

2           "(f) A member's right to the member's accrued retirement  
3 benefit is nonforfeitable upon the attainment of normal  
4 retirement age and the completion of the requisite years of  
5 credited service.

6           For the purpose of this subsection:

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

8           "Requisite years of credited service" means five years for  
9 class H members who became members before July 1, 2012~~[, and]~~;  
10 ten years for class H members who became members after June 30,  
11 2012~~[,]~~; and five years for class H members who became members  
12 after June 30, 2012, and who are in service as of July 1, 2026,  
13 or who returned to service or became a member after June 30,  
14 2026."

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

17           "(a) Upon receipt by the system of proper proof of a class  
18 H member's death occurring in service or while on authorized  
19 leave without pay and if no pension is payable under section 88-  
20 339, there shall be paid to the member's designated beneficiary  
21 an ordinary death benefit as follows:





- 1           (1) The member's accumulated contributions shall be paid  
2           to the member's designated beneficiary if:
- 3           (A) The member became a member before July 1, 2012,  
4           and had less than five years of credited service  
5           at the time of death; ~~[or]~~
- 6           (B) The member became a member after June 30, 2012,  
7           and had less than ten years of credited service  
8           at the time of death; or
- 9           (C) The member became a member after June 30, 2012,  
10          and who was in service as of July 1, 2026, or who  
11          returned to service or became a member after  
12          June 30, 2026, and had less than five years of  
13          credited service at the time of death;
- 14          (2) An amount equal to the member's hypothetical account  
15          balance shall be paid to the member's designated  
16          beneficiary if:
- 17          (A) The member became a member before July 1, 2012,  
18          and had five or more years of credited service at  
19          the time of death; ~~[or]~~



1 (B) The member became a member after June 30, 2012,  
2 and had ten or more years of credited service at  
3 the time of death; or

4 (C) The member became a member after June 30, 2012,  
5 and who was in service as of July 1, 2026, or who  
6 returned to service or became a member after  
7 June 30, 2026, and had five or more years of  
8 credited service at the time of death;

9 (3) If the member had ten or more years of credited  
10 service at the time of death, the member's designated  
11 beneficiary may elect to receive in lieu of any other  
12 payment provided in this section, the allowance that  
13 would have been payable as if the member had retired  
14 on the first day of a month following the member's  
15 death, except for the month of December when  
16 retirement on the first or last day of the month shall  
17 be allowed. Benefits payable under this paragraph  
18 shall be calculated under option 3 of section 88-83  
19 and computed on the basis of section 88-332, unreduced  
20 for age; or



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

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

14      "(a) Any class H member who ceases to be an employee and  
15      who 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, 2026, or who returns to service or becomes a  
21      member after June 30, 2026, and has fewer than five years of



1 credited service, shall, upon application to the board, be paid  
2 all of the former employee's accumulated contributions, and the  
3 former employee's membership shall thereupon terminate and all  
4 credited service shall be forfeited; provided that an individual  
5 shall not be paid the individual's accumulated contributions if  
6 either:

7 (1) The individual becomes an employee again within  
8 fifteen calendar days from the date the individual  
9 ceased to be an employee; or

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

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



1 the later of: (A) the former employee attaining age sixty-two;  
2 or (B) the termination of the former employee's membership.

3 (b) Any class H member who ceases to be an employee and  
4 who became a member before July 1, 2012, and has more than five  
5 years of credited service, excluding unused sick leave, or who  
6 becomes a member after June 30, 2012, and has more than ten  
7 years of credited service, excluding sick leave[7]; or who  
8 becomes a member after June 30, 2012, and who is in service as  
9 of July 1, 2026, or who returns to service or becomes a member  
10 after June 30, 2026, and has more than five years of credited  
11 service, shall, upon application to the board, be paid an amount  
12 equal to the former employee's hypothetical account balance and  
13 the former employee's membership shall thereupon terminate and  
14 all credited service shall be forfeited; provided that the  
15 individual shall not be paid the individual's hypothetical  
16 account balance if either:

17 (1) The individual becomes an employee again within  
18 fifteen calendar days from the date the individual  
19 ceased to be an employee; or

20 (2) At the time the application for payment of the  
21 individual's hypothetical account balance is received



1           by the board, the individual has become an employee  
2           again.

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

9           SECTION 8. There is appropriated out of the general  
10 revenues of the State of Hawaii the sum of \$           or so  
11 much thereof as may be necessary for fiscal year 2025-2026 and  
12 the same sum or so much thereof as may be necessary for fiscal  
13 year 2026-2027 for the purposes of this Act.

14          The sums appropriated shall be expended by the employees'  
15 retirement system for the purposes of this Act.

16          SECTION 9. This Act does not affect the rights and duties  
17 that matured or were vested, penalties that were incurred, and  
18 proceedings that were begun before its effective date, including  
19 but not limited to any membership that was terminated, credited  
20 service that was forfeited, retirement that was finalized, or  
21 benefits that were paid.



- 1       SECTION 10. Statutory material to be repealed is bracketed  
2 and stricken. New statutory material is underscored.
- 3       SECTION 11. This Act shall take effect on July 1, 3000.



# H.B. NO. 813 H.D. 1

**Report Title:**

Public Employees; Employees' Retirement System; Credited  
Service; Retirement; Appropriation

**Description:**

Reduces the minimum number of years of credited service from ten years to five years qualified Tier 2 employee's retirement system members must have to be eligible for vested benefit status for service retirement allowance purposes. Appropriates funds. Effective 7/1/3000. (HD1)

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

