

ACT 290

S.B. NO. 935

A Bill for an Act Relating to Government.

Be It Enacted by the Legislature of the State of Hawaii:

PART I

SECTION 1. Section 88-47, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

“(a) There shall be four classes of members in the system to be known as class A, class B, class C, and class H, defined as follows:

(1) Class A shall consist of:

(A) ~~[Judges;]~~ Members first employed as judges before July 1, 2031,
elected officials, and legislative officers;

- (B) Investigators of the department of the attorney general, narcotics enforcement investigators, water safety officers not making the election under section 88-271, and law enforcement investigations staff investigators;
 - (C) Those members in service prior to July 1, 1984, including those who are on approved leave of absence, not making the election to become a class C member as provided in part VII or to become a class H member as provided in part VIII;
 - (D) The following members in service prior to July 1, 2006, including those who are on approved leave of absence, not making the election to become a class H member as provided in part VIII:
 - (i) Members whose salaries are set forth in sections 26-52 and 26-53 and their county counterparts, managing directors or an administrative assistant to the mayor, other county department heads, and agency heads appointed and subject to removal by the mayor;
 - (ii) First deputies appointed by the county attorney and prosecuting attorney;
 - (iii) The county clerk and deputy county clerk of each county;
 - (iv) The directors of the offices of council services of the county of Maui and the city and county of Honolulu;
 - (v) The administrative director of the courts;
 - (vi) The deputy administrative director of the courts;
 - (vii) The executive officer of the labor and industrial relations appeals board; and
 - (viii) The executive officer of the Hawaii labor relations board;
 - (E) All former class A retirants who return to employment after June 30, 1984, requiring the retirant's active membership; and
 - (F) All former class B retirants who return to employment requiring the retirant's active membership, except for:
 - (i) Former retirants who return in the positions of police officer or firefighter;
 - (ii) Former retirants who were members on July 1, 1957, who elected not to be covered by the Social Security Act; and
 - (iii) Former retirants who were in positions to which coverage under Title II of the Social Security Act was not extended who entered membership after June 30, 1957, but before January 1, 2004;
- (2) Class B shall consist of:
- (A) Police officers and firefighters, including former retirants who return to service in such capacity;
 - (B) All employees, including former retirants, who were members on July 1, 1957, who elected not to be covered by the Social Security Act; and
 - (C) All employees, including former retirants, in positions to which coverage under Title II of the Social Security Act is not extended, who enter membership after June 30, 1957, but before January 1, 2004, not making the election to become a class H member as provided in part VIII;

- (3) Except for members described in paragraphs (1) and (2), class C shall consist of all employees, not making the election to become a class H member as provided in part VIII, who:
 - (A) First enter service after June 30, 1984, but before July 1, 2006;
 - (B) Reenter service after June 30, 1984, but before July 1, 2006, without vested benefit status as provided in section 88-96(b);
 - (C) Make the election to become a class C member as provided in part VII; or
 - (D) Are former class C retirants who return to service requiring the retirant's active membership; and
- (4) Except for members described in paragraphs (1) and (2), class H shall consist of all employees who:
 - (A) First enter service after June 30, 2006;
 - (B) Reenter service after June 30, 2006, without vested benefit status as provided in section 88-96(b);
 - (C) Make the election to become a class H member as provided in part VIII; [or]
 - (D) Are former class H retirants who return to service requiring the retirant's active membership[-]; or
 - (E) Are first employed as a judge after June 30, 2031."

SECTION 2. Section 88-74, Hawaii Revised Statutes, is amended by amending subsection (d) to read as follows:

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

- (1) For a member who has credited service as an elective officer before July 1, 2012, irrespective of age, for each year of credited service as an elective officer, three and one-half per cent of the member's average final compensation as computed under section 88-81(e)(1), in addition to an annuity that is the actuarial equivalent of the member's accumulated contributions allocable to the period of service;
- (2) For a member, who first earned credited service as an elective officer after June 30, 2012, irrespective of age, for each year of credited service as an elective officer, three per cent of the member's average final compensation as computed under section 88-81(e)(1), in addition to an annuity that is the actuarial equivalent of the member's accumulated contributions allocable to the period of service;
- (3) For a member who has credited service as a legislative officer before July 1, 2012, irrespective of age, for each year of credited service as a legislative officer, three and one-half per cent of the member's average final compensation as computed under section 88-81(e)(2), in addition to an annuity that is the actuarial equivalent of the member's accumulated contributions allocable to the period of service;
- (4) For a member who first earned credited service as a legislative officer after June 30, 2012, irrespective of age, for each year of credited service as a legislative officer, three per cent of the member's average final compensation as computed under section 88-81(e)(2), in addition to an annuity that is the actuarial equivalent of the member's accumulated contributions allocable to the period of service;

- (5) If the member has credited service as a judge, the member's retirement allowance shall be computed on the following basis:
 - (A) For a member who has credited service as a judge before July 1, 1999, irrespective of age, for each year of credited service as a judge, three and one-half per cent of the member's average final compensation as computed under section 88-81(e)(3), in addition to an annuity that is the actuarial equivalent of the member's accumulated contributions allocable to the period of service;
 - (B) For a member who first earned credited service as a judge after June 30, 1999, but before July 1, 2012, and has attained the age of fifty-five, for each year of credited service as a judge, three and one-half per cent of the member's average final compensation as computed under section 88-81(e)(3), in addition to an annuity that is the actuarial equivalent of the member's accumulated contributions allocable to the period of service. If the member has not attained age fifty-five, the member's retirement allowance shall be computed as though the member had attained age fifty-five, reduced for age as provided in subsection (e); ~~and~~
 - (C) For a member who first earned credited service as a judge after June 30, 2012, but before July 1, 2031, and has attained the age of sixty, for each year of credited service as a judge, three per cent of the member's average final compensation as computed under section 88-81(e)(3), in addition to an annuity that is the actuarial equivalent of the member's accumulated contributions allocable to the period of service. If the member has not attained age sixty, the member's retirement allowance shall be computed as though the member had attained age sixty, reduced for age as provided in subsection (i); and
 - (D) For a member who first earned credited service as a judge after June 30, 2031, and has attained the age of sixty, for each year of credited service as a judge, one and three-fourths per cent of the member's average final compensation as computed under section 88-81(e)(3), in addition to an annuity that is the actuarial equivalent of the member's accumulated contributions allocable to the period of service. If the member has not attained age sixty, the member's retirement allowance shall be computed as though the member had attained age sixty, reduced for age as provided in subsection (i); and
- (6) For each year of credited service not included in paragraph (1), (2), (3), (4), or (5), the average final compensation as computed under section 88-81(e)(4) shall be multiplied by two per cent for credited service earned as a class A or class H member, two and one-half per cent for credited service earned as a class B member, and one and one-quarter per cent for credited service earned as a class C member. If the member has not attained age fifty-five, the member's retirement allowance shall be computed as though the member had attained age fifty-five, reduced for age as provided in subsection (e).

The total retirement allowance shall not exceed seventy-five per cent of the member's highest average final compensation calculated under section 88-81(e)(1), (2), (3), or (4). If the allowance exceeds this limit, it shall be adjusted by reducing any annuity accrued under paragraphs (1), (2), (3), (4), and (5) and the portion of the accumulated contributions specified in these paragraphs in excess of the requirements of the reduced annuity shall be returned to the member upon the member's retirement or paid to the member's designated beneficiary upon the member's death while in service or while on authorized leave without pay. If a member has service credit as an elective officer or as a legislative officer in addition to service credit as a judge, then the retirement benefit calculation contained in this subsection shall supersede the formula contained in subsection (c)."

PART II

SECTION 3. (a) The department of human resources development shall conduct a study of the impacts and benefits of reducing, from ten years to five years, the minimum number of years of credited service that qualified tier 2 hybrid class members of the employees' retirement system must have to be eligible for vested benefit status for service retirement allowance purposes.

(b) The department of human resources development shall submit a report of its findings and recommendations, including any proposed legislation, to the legislature no later than twenty days prior to the convening of the regular session of 2027.

(c) As used in this section, "tier 2 hybrid class member of the employees' retirement system" means a person who became a member of the employees' retirement system under part VIII of chapter 88, Hawaii Revised Statutes, after June 30, 2012.

SECTION 4. There is appropriated out of the general revenues of the State of Hawaii the sum of \$300,000 or so much thereof as may be necessary for fiscal year 2025-2026 for the department of human resources development to conduct the study pursuant to section 3 of this part.

The sum appropriated shall be expended by the department of human resources development for the purposes of this part.

PART III

SECTION 5. This Act does not affect the rights, duties, benefits, and obligations that matured or were vested, or proceedings that were begun, before its effective date, including but not limited to any membership that was terminated, credited service that was forfeited, retirement that was finalized, or benefits that were paid.

SECTION 6. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 7. This Act shall take effect on July 1, 2025.

(Approved July 3, 2025.)