

JAN 18 2008

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. Chapter 88, Hawaii Revised Statutes, is amended
2 by adding a new section to part VIII to be appropriately
3 designated and to read as follows:

4 "§88- Election to membership from July 1, 2008 to
5 July 1, 2009. (a) This section shall apply to employees who
6 did not make the election to become a class H member pursuant to
7 section 88-321, and effective July 1, 2006.

8 (b) Any employee eligible to become a class H member under
9 section 88-321 and who did not make the election to become a
10 class H member effective July 1, 2006, pursuant to section
11 88-321(a), may elect to become a class H member effective
12 July 1, 2009. This section shall apply whether:

13 (1) The member was in service on June 30, 2006, or
14 returned to service after June 30, 2006; or

15 (2) The member entered service after June 30, 2006.

16 (c) The election to become a class H member under this
17 section shall become effective on July 1, 2009, and shall be
18 irrevocable."



1 SECTION 2. Section 88-47, Hawaii Revised Statutes, is
2 amended by amending subsection (a) to read as follows:

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

6 (1) Class A shall consist of:

7 (A) Judges, elected officials, and legislative
8 officers;

9 (B) Investigators of the department of the attorney
10 general, narcotics enforcement investigators,
11 water safety officers not making the election
12 under section 88-271, and public safety
13 investigations staff investigators;

14 (C) Those members in service prior to July 1, 1984,
15 including those who are on approved leave of
16 absence, not making the election to become a
17 class C member as provided in part VII or to
18 become a class H member as provided in part VIII;

19 (D) The following members in service prior to July 1,
20 2006, or July 1, 2009, as applicable, including
21 those who are on approved leave of absence, not
22 making the election to become a class H member as



1 provided in [~~part VIII+~~] section 88-321 or
2 88- :
3 (i) Members whose salaries are set forth in
4 sections 26-52 and 26-53 and their county
5 counterparts, managing directors or an
6 administrative assistant to the mayor, other
7 county department heads, and agency heads
8 appointed and subject to removal by the
9 mayor;
10 (ii) First deputies appointed by the county
11 attorney and prosecuting attorney;
12 (iii) The county clerk and deputy county clerk of
13 each county;
14 (iv) The directors of the offices of council
15 services of the county of Maui and the city
16 and county of Honolulu;
17 (v) The administrative director of the courts;
18 (vi) The deputy administrative director of the
19 courts;
20 (vii) The executive officer of the labor and
21 industrial relations appeals board; and

- 1 (B) All employees, including former retirants, who
2 were members on July 1, 1957, who elected not to
3 be covered by the Social Security Act; and
4 (C) All employees, including former retirants, in
5 positions to which coverage under Title II of the
6 Social Security Act is not extended, who enter
7 membership after June 30, 1957, but before
8 January 1, 2004, not making the election to
9 become a class H member as provided in part VIII;
- 10 (3) Except for members described in paragraphs (1) and
11 (2), class C shall consist of all employees, not
12 making the election to become a class H member as
13 provided in part VIII, who:
- 14 (A) First enter service after June 30, 1984, but
15 before July 1, [~~2006~~] 2009;
- 16 (B) Reenter service after June 30, 1984, but before
17 July 1, [~~2006~~] 2009, without vested benefit
18 status as provided in section 88-96(b);
- 19 (C) Make the election to become a class C member as
20 provided in part VII; or



- 1 (D) Are former class C retirants who return to
2 service requiring the retirant's active
3 membership; and
- 4 (4) Except for members described in paragraphs (1) and
5 (2), class H shall consist of all employees who:
6 (A) First enter service after June 30, 2006;
7 (B) Reenter service after June 30, 2006, without
8 vested benefit status as provided in section
9 88-96(b);
10 (C) Make the election to become a class H member as
11 provided in part VIII; or
12 (D) Are former class H retirants who return to
13 service requiring the retirant's active
14 membership."

15 SECTION 3. Section 88-322, Hawaii Revised Statutes, is
16 amended by amending subsections (a) and (b) to read as follows:

17 "(a) Class C members who are in service on June 30, 2006,
18 or June 30, 2009, as applicable, and make the election to become
19 class H members pursuant to section 88-321(a) [~~7~~] or 88- ,
20 shall have the option to convert some or all of their class C
21 credited service, as of June 30, 2006, or June 30, 2009, as
22 applicable, to class H credited service by paying the full



1 actuarial cost of the conversion as of June 30, 2006, or
2 June 30, 2009, as applicable, in the manner provided in
3 subsection (d). The option to convert class C credited service
4 to class H credited service shall also apply:

5 (1) To forfeited credit for previous service that a member
6 is eligible to have restored as of June 30, 2006[+] or
7 June 30, 2009, as applicable; and

8 (2) To membership service credit that a member is eligible
9 to claim under section 88-272(4) to (6) as of June 30,
10 2006[+] or June 30, 2009, as applicable;

11 provided that the member shall claim the forfeited service
12 credit and the membership service credit by the date established
13 by the board at a meeting held pursuant to chapter 92.

14 (b) All class A and class B credited service of class A or
15 class B members who make the election to become class H members
16 pursuant to section 88-321(a) shall be converted to class H
17 credited service. The cost of the conversion of class A or
18 class B credited service shall be the member's accumulated
19 contributions as of the date of conversion. Verified membership
20 service credit paid for pursuant to section 88-59 under an
21 irrevocable payroll authorization entered into prior to July 1,
22 2006, or July 1, 2009, as applicable, shall be credited as class



1 H credited service. Class A and class B members who are in
2 service on June 30, 2006, or June 30, 2009, as applicable, and
3 make the election to become class H members pursuant to section
4 88-321(a) or 88- shall have the option to convert some or all
5 of their class C credited service, as of June 30, 2006, or
6 June 30, 2009, as applicable, to class H credited service by
7 paying, in the manner provided in subsection (d), the full
8 actuarial cost of the conversion as of the last day of the sixth
9 calendar month preceding the date of the notice described in
10 subsection (e). The option to convert class C credited service
11 to class H credited service shall also apply:

12 (1) To forfeited credit for previous service that a member
13 is eligible to have restored as of June 30, 2006[+] or
14 June 30, 2009, as applicable; and

15 (2) To membership service credit that a member is eligible
16 to claim under section 88-272(4) to (6) as of June 30,
17 2006[+] or June 30, 2009, as applicable;

18 provided that the member shall claim the forfeited service
19 credit and the membership service credit by the date established
20 by the board at a meeting held pursuant to chapter 92."

21 SECTION 4. Section 88-324, Hawaii Revised Statutes, is
22 amended as follows:



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

2 "(a) Under rules as the board may adopt, any class H
3 member may file with the system a statement of all service as an
4 employee or other service paid for by the State or a county
5 rendered prior to the member last becoming a member that is not
6 credited to the member, for which the member claims prior
7 service credit, and also a statement of the services for which
8 the member claims membership service credit and, except as
9 provided in subsection (d) or with respect to service credit
10 paid for pursuant to section 88-59 under an irrevocable payroll
11 authorization entered into prior to July 1, 2006, or July 1,
12 2009, as applicable, or to forfeited service to which subsection
13 (e) is applicable, for which the member agrees to have
14 additional deductions made from the member's compensation or to
15 make a lump sum payment as described in this section.

16 After the filing of the statement by the member, the system
17 shall verify the service claimed and determine the service
18 credit allowable."

19 2. By amending subsections (c) and (d) to read:

20 "(c) Verified membership service for which a former class
21 A or class B member in service on June 30, 2006, or June 30,
22 2009, as applicable was eligible as of June 30, 2006, or



1 June 30, 2009, as applicable, but failed to claim by the date
2 established by the board pursuant to section 88-322(b), shall be
3 paid for in any one of the following methods, at the member's
4 option:

5 (1) By deductions from the member's compensation pursuant
6 to section 414(h)(2) of the Internal Revenue Code of
7 1986, as amended, under the employer pick up plan
8 under section 88-326. An irrevocable payroll
9 authorization filed by the member for a period not to
10 exceed sixty months shall remain in effect until the
11 completion of the payroll payments or termination of
12 employment, whichever is earlier. The amount of
13 service credit that may be acquired pursuant to this
14 method shall not exceed the period over which the
15 payroll payments are made. The member may elect to
16 have:

17 (A) Deductions from the member's compensation of
18 twice the contribution rate applicable to the
19 member under section 88-45 as of June 30, 2006,
20 or June 30, 2009, as applicable, over a period
21 equal to the period for which membership service



1 credit is allowable, not to exceed sixty months;

2 or

3 (B) Deductions from the member's compensation of one

4 and one-half times the contribution rate

5 applicable to the member under section 88-45 as

6 of June 30, 2006, or June 30, 2009, as

7 applicable, over a period equal to twice the

8 period for which membership service credit is

9 allowable, not to exceed sixty months; or

10 (2) By lump sum payment of contributions computed at the

11 contribution rate applicable to the member under

12 section 88-45 as of June 30, 2006, or June 30, 2009,

13 as applicable, applied to the member's monthly rate of

14 compensation at the time of payment, multiplied by the

15 number of months for which membership service credit

16 is allowable.

17 The deductions from compensation or lump sum payment shall be

18 paid to the system and shall be credited to the member's

19 individual account and become part of the member's accumulated

20 contributions.

21 Class H membership service credit in addition to any other

22 service credited to the member shall be allowed for the period



1 for which the deductions from compensation or lump sum payment
2 have been made in accordance with this subsection.

3 (d) Verified prior service and verified membership service
4 for which a former class C member in service on June 30, 2006,
5 or June 30, 2009, as applicable, was eligible as of June 30,
6 2006, or June 30, 2009, as applicable, but failed to claim by
7 the date established by the board pursuant to section 88-322(a),
8 shall be credited at no cost as class C credited service."

9 3. By amending subsection (f) to read:

10 "(f) Forfeited class A or class B credited service being
11 acquired under an irrevocable payroll authorization entered into
12 under section 88-59 prior to July 1, 2006, or July 1, 2009, as
13 applicable, shall be credited as class H credited service."

14 SECTION 5. Statutory material to be repealed is bracketed
15 and stricken. New statutory material is underscored.

16 SECTION 6. This Act shall take effect on July 1, 2008.

17

INTRODUCED BY:

David Yelge *Will Taylor*
Quincy D. Baker
J. Owen Gosh
Andrew J.



Report Title:

Employees' Retirement System; Class H

Description:

Re-opens election and membership into class H until 7/1/09.

