

JAN 26 2009

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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 during the 2006  
2 legislative session, legislation was passed directing the Hawaii  
3 employees' retirement system to conduct an actuarial study to  
4 analyze possible improvements to account for the effects of  
5 inflation. The actuarial study indicated that the fairest and  
6 most equitable option, among those suggested, was one that  
7 addressed the concerns of retirees by:

8           (1) Factoring in how many years the retiree has been in  
9 retirement; and

10           (2) Recognizing how many years of service the retiree has  
11 rendered to the State.

12           The legislature finds that the last ad hoc increase  
13 provided by the employees' retirement system was during the  
14 2002-2003 fiscal year. That increase was a one-time, lump sum  
15 pension bonus for retirees age seventy and older, with twenty or  
16 more years of service.



1           Accordingly, the purpose of this Act is to help offset the  
2 effects of inflation on older retirees' pensions by providing a  
3 similar lump sum payment available only to retirees who are at  
4 least seventy-five years of age and who have been in retirement  
5 for at least twenty years. The payment provided by this Act to  
6 certain older retirees is a lump sum payment and is not intended  
7 to provide an enhanced pension benefit.

8           SECTION 2. Section 88-11, Hawaii Revised Statutes, is  
9 amended to read as follows:

10           "**§88-11 Bonus; pensioners' special compensation; amounts**  
11 **available.** Except as herein provided, every pension payable  
12 under the [~~employees~~] employees' retirement system or payable  
13 pursuant to any law of the State, or by any county or  
14 independent public board or commission, shall be increased by a  
15 bonus for each month as follows:

16           (1) Effective July 1, 1976, \$77.82 per month to those  
17           retirants and pensioners who had, before July 1, 1966,  
18           ten or more years of service; provided that any member  
19           who is retired because of physical or mental  
20           disability due to any injury or disease incurred while  
21           in the performance of the member's duty as a public  
22           employee shall be entitled to receive the bonus



1 payment without meeting the minimum service  
2 requirement;

3 (2) Effective July 1, 1976, \$31.12 per month additional to  
4 the above bonus to those retirants or pensioners who  
5 retired before July 1, 1945;

6 (3) Effective July 1, 1976, \$31.12 per month additional to  
7 the above bonus or bonuses to those retirants or  
8 pensioners who have had twenty-one or more years of  
9 service;

10 (4) Effective July 1, 1976, if the pension as increased by  
11 the bonus or bonuses does not equal \$202.32 per month,  
12 the bonus shall be further increased by such sum, not  
13 in excess of \$31.12, as will bring the total of the  
14 pension and bonus to \$202.32 per month; provided that  
15 where the dependents of a deceased pensioner are  
16 receiving pension by reasons of the pensioner's death,  
17 the total only of all amounts paid to the dependents  
18 shall be so increased, and the increase herein shall  
19 be shared by them in proportion to the respective  
20 amount of pension receivable by them exclusive of this  
21 increase;



1           (5) In the case of any retirement allowance for service  
2           commencing after June 30, 1965, pursuant to paragraph  
3           (1) or (3) of section 88-74, the only bonus payable  
4           shall be in the amount by which the benefit payable  
5           under the paragraphs is less than the bonus as set  
6           forth above; provided that in no case shall a person  
7           who retires after June 30, 1965, receive less under  
8           the service and ordinary disability retirement system  
9           benefits, plus the bonus payable under this section  
10          than the person would have received if paragraph (5)  
11          had not been enacted;

12          (6) Any provisions of this section to the contrary  
13          notwithstanding, there shall be paid to every person  
14          who on June 30, 1965, was receiving a retirement  
15          allowance from the system or other pension payable  
16          under or pursuant to the law of the State or by any  
17          county or independent board or commission, a special  
18          cost of living bonus, which shall be paid in the  
19          following manner:

20                (A) On January 1, 1966, seven and one-half per cent  
21                of the retirement allowance or pension;



1 (B) On July 1, 1969, an additional ten per cent of  
2 the retirement allowance or pension;

3 (C) On July 1, 1970, an additional ten per cent of  
4 the retirement allowance or pension;

5 (D) On July 1, 1973, an additional five and one-half  
6 per cent of the retirement allowance or pension;  
7 and

8 (E) On July 1, 1976, an additional eight per cent of  
9 the retirement allowance or pension;

10 (7) Any provision of this section to the contrary  
11 notwithstanding, there shall be paid to every person  
12 who retired between July 1, 1965, and June 30, 1970,  
13 and who, on June 30, 1974, was receiving a retirement  
14 allowance from the system or other pension payable  
15 under or pursuant to the law of the State or by any  
16 county or independent board or commission, a special  
17 cost of living bonus which shall be paid in the  
18 following manner:

19 (A) On July 1, 1974, five and one-half per cent of  
20 the retirement allowance or pension; and

21 (B) On July 1, 1976, an additional eight per cent of  
22 the retirement allowance or pension;



1           (8) Any other provision to the contrary notwithstanding,  
2           effective July 1, 1980, there shall be paid to every  
3           person who retired prior to July 1, 1975, and who on  
4           June 30, 1980, was receiving a retirement allowance  
5           from the system or other pension payable under or  
6           pursuant to the law of the State or by any county or  
7           independent board or commission, a special cost of  
8           living bonus, which shall be paid in the following  
9           manner:

10           (A) \$4.50 a month for each year of the retirant's or  
11           pensioner's credited service, if the person  
12           retired prior to July 1, 1965;

13           (B) \$2.50 a month for each year of the retirant's or  
14           pensioner's credited service if the person  
15           retired after June 30, 1965, but prior to July 1,  
16           1970; and

17           (C) \$1.00 a month for each year of the retirant's or  
18           pensioner's credited service if the person  
19           retired after June 30, 1970, but prior to July 1,  
20           1975;

21           provided that if the retirants or pensioner had  
22           retired, returned to service, and again retired, the



1 person's latest retirement date shall be considered as  
2 the person's date of retirement; provided further that  
3 no special cost of living bonus as provided for in  
4 this paragraph shall be paid to those retirants or  
5 pensioners who have eight or less years of credited  
6 service;

7 (9) Any other provision to the contrary notwithstanding,  
8 effective July 1, 1984, there shall be paid to every  
9 person who retired after June 30, 1970, but prior to  
10 July 1, 1979, and who on June 30, 1984, was receiving  
11 a retirement allowance from the system or other  
12 pension payable under or pursuant to the law of the  
13 State or by any county or independent board or  
14 commission, a special cost of living bonus, which  
15 shall be paid in the following manner:

16 (A) \$.50 a month for each year of the retirant's or  
17 pensioner's credited service if the person  
18 retired after June 30, 1970, but prior to July 1,  
19 1975; and

20 (B) \$1.00 a month for each year of the retirant's or  
21 pensioner's credited service if the person



1                   retired after June 30, 1975, but prior to July 1,  
2                   1979;

3                   provided that if the retirant or pensioner had  
4                   retired, returned to service, and again retired, the  
5                   person's latest retirement date shall be considered as  
6                   the person's date of retirement; provided further that  
7                   no special cost of living bonus as provided for in  
8                   this paragraph shall be paid to those retirants or  
9                   pensioners who have eight or less years of credited  
10                  service;

11           (10) Any other provision to the contrary notwithstanding,  
12                  effective July 1, 1988, there shall be paid to every  
13                  person who retired prior to July 1, 1982, and who on  
14                  June 30, 1988, was receiving a retirement allowance  
15                  from the system or other pension payable under or  
16                  pursuant to the law of the State or by any county or  
17                  independent board or commission, a special cost of  
18                  living bonus, which shall be paid in the following  
19                  manner:

20                  (A) \$3.50 a month for each year of the retirant's or  
21                  pensioner's credited service, if the person  
22                  retired prior to July 1, 1965;





1 (B) \$2.50 a month for each year of the retirant's or  
2 pensioner's credited service if the person  
3 retired after June 30, 1965, but prior to July 1,  
4 1970;

5 (C) \$1.50 a month for each year of the retirant's or  
6 pensioner's credited service if the person  
7 retired after June 30, 1970, but prior to July 1,  
8 1975; and

9 (D) \$1.00 a month for each year of the retirant's or  
10 pensioner's credited service if the person  
11 retired after June 30, 1975, but prior to July 1,  
12 1982;

13 provided that if the retirant or pensioner had  
14 retired, returned to service, and again retired, the  
15 person's latest retirement date shall be considered as  
16 the person's date of retirement; provided further that  
17 no special cost of living bonus as provided for in  
18 this paragraph shall be paid to those retirants or  
19 pensioners who have ten or less years of credited  
20 service;

21 (11) Any other provision to the contrary notwithstanding,  
22 effective July 1, 1990, and each July 1, thereafter



1           until June 30, 1999, bonuses shall be paid to  
2           retirants and pensioners with ten or more years of  
3           service or to their beneficiaries who are receiving a  
4           monthly benefit from the system, in accordance with  
5           this paragraph; provided that the requirement of ten  
6           or more years of service shall not apply in the case  
7           of a person who retires with less than ten years of  
8           service because of a service connected disability; and  
9           provided further that if the retirant or pensioner is  
10          currently receiving a larger bonus than what would be  
11          payable under this paragraph the retirant or pensioner  
12          shall continue to receive the bonus amount received on  
13          June 30, 1990, until the retirant's or pensioner's  
14          bonus calculated under this paragraph exceeds the June  
15          30, 1990, bonus amount at which time the difference  
16          between the June 30, 1990, bonus and the bonus  
17          calculated under this paragraph would be payable.

18                 The bonus amounts payable under this paragraph  
19                 shall be based on years of retirement and shall be a  
20                 cumulative amount to include all previous bonuses and  
21                 shall not exceed:



- 1           (A) \$1.25 for each year of the retirant's or  
2           pensioner's credited service if the retirant or  
3           pensioner has been retired a minimum of five  
4           years by July 1 in the year in which the bonus is  
5           effective;
- 6           (B) \$2.50 for each year of the retirant's or  
7           pensioner's credited service if the retirant or  
8           pensioner has been retired a minimum of ten years  
9           by July 1 in the year in which the bonus is  
10          effective;
- 11          (C) \$4.50 for each year of the retirant's or  
12          pensioner's credited service if the retirant or  
13          pensioner has been retired a minimum of fifteen  
14          years by July 1 in the year in which the bonus is  
15          effective;
- 16          (D) \$6.00 for each year of the retirant's or  
17          pensioner's credited service if the retirant or  
18          pensioner has been retired a minimum of twenty  
19          years by July 1 in the year in which the bonus is  
20          effective;
- 21          (E) \$8.75 for each year of the retirant's or  
22          pensioner's credited service if the retirant or



1 pensioner has been retired a minimum of twenty-  
2 five years by July 1 in the year in which the  
3 bonus is effective;

4 (F) \$10.50 for each year of the retirant's or  
5 pensioner's credited service if the retirant or  
6 pensioner has been retired a minimum of thirty  
7 years by July 1 in the year in which the bonus is  
8 effective;

9 (G) Any provision to the contrary notwithstanding,  
10 any retirant or pensioner with ten or more years  
11 of service who on July 1 of the year in which the  
12 bonus is being calculated has been retired a  
13 minimum of twenty years and whose current bonus  
14 amount exceeds the maximum specified in this  
15 paragraph shall nevertheless receive a pension  
16 increase of \$1.25 for each year of credited  
17 service.

18 For the purposes of this paragraph, if the retirant or  
19 pensioner had retired, returned to service, and again  
20 retired, the latest retirement date shall be  
21 considered as the date of retirement; [and]



1           (12) Notwithstanding any other provision to the contrary,  
2           in fiscal year 2002-2003, each state and county  
3           retiree who is seventy years of age and older with at  
4           least twenty years of credited service as of June 30,  
5           2002, shall receive a one time, lump sum bonus of  
6           \$200. Any lump sum bonus paid pursuant to this  
7           paragraph shall not be construed to increase a  
8           retirant's basic monthly pension accumulation or any  
9           other post retirement benefit provided under this  
10          chapter[-]; and

11          (13) Notwithstanding any other provision to the contrary,  
12          in fiscal year 2009-2010, and every five years  
13          thereafter, each state or county retirant who is  
14          seventy-five years of age or older who has at least  
15          twenty years of retirement as of June 30, 2009, shall  
16          receive a lump sum pension payment equal to a sum  
17          derived by adding up \$1 for every month of every year  
18          of credited service earned by the retirant. The lump  
19          sum pension payments paid pursuant to this paragraph  
20          shall not be construed to increase a retirant's basic  
21          monthly pension accumulation or any other post  
22          retirement benefit provided under this chapter."



1 SECTION 3. There is appropriated out of the general  
 2 revenues of the State of Hawaii the sum of \$ or so much  
 3 thereof as may be necessary for fiscal year 2009-2010 to provide  
 4 retirants who are age seventy-five or older and who have been  
 5 retired for at least twenty years as of June 30, 2009, a lump  
 6 sum pension payment equal to a sum derived by adding up \$1 per  
 7 month per year of credited service earned by the retirant.

8 The sum appropriated shall be expended by the employees'  
 9 retirement system for the purposes of this Act.

10 SECTION 4. Statutory material to be repealed is bracketed  
 11 and stricken. New statutory material is underscored.

12 SECTION 5. This Act shall take effect on July 1, 2009.  
 13

INTRODUCED BY: Ronald H. Bell

Carol Fukunaga

[Signature]

S.S.T.

David J. Lee

Elizabeth Chun Oakland

Norman Sakompe

**Report Title:**

Employees' Retirement System; Appropriation

**Description:**

Beginning in FY 2009-2010 and every 5 years thereafter, provides for lump sum payments for retirees at least 75 years of age who have been in retirement at least 20 years as of 6/30/2009.

Makes appropriation.

