
A BILL FOR AN ACT

RELATING TO SEPARATION INCENTIVES.

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

1 SECTION 1. The purpose of this Act is to provide the tools
2 necessary to address budget shortfalls, reduce the need for
3 layoffs, and facilitate the restructuring of government.
4 Specifically, this Act authorizes the state executive branch to
5 offer a voluntary severance, or a special retirement incentive
6 benefit, to state employees who elect to voluntarily separate
7 from service when their positions are identified for abolishment
8 or when they are directly affected by a reduction-in-force or
9 workforce restructuring plan.

10 This Act also extends to other jurisdictions the option to
11 provide a special retirement incentive benefit to their
12 respective employees under a reduction-in-force or a workforce
13 restructuring plan.

14 SECTION 2. The Hawaii Revised Statutes is amended by
15 adding a new chapter to be appropriately designated and to read
16 as follows:

17 "CHAPTER

18 SEPARATION INCENTIVES



1 § -1 **Definitions.** For the purposes of this chapter:

2 "Directly affected" means an employee who receives official
3 reduction-in-force notification of displacement from the
4 employee's position as a result of a senior employee exercising
5 reduction-in-force rights.

6 "Employee" means an individual in a position covered by
7 chapter 88, which has been identified for abolishment or
8 directly affected as a result of a reduction-in-force or
9 workforce restructuring plan, but excludes any elected or
10 appointed official and school level personnel with the
11 department of education engaged in administrative or
12 instructional work, such as principals and teachers.

13 "Other jurisdictions" means the city and county of
14 Honolulu, the county of Hawaii, the county of Maui, the county
15 of Kauai, the department of education, the judiciary, the Hawaii
16 health systems corporation, the office of Hawaiian affairs, and
17 the legislative branches of the state and county governments.

18 "Reduction-in-force" means layoffs under chapter 76.

19 "State executive branch" means any executive or
20 administrative department covered under chapter 26, including
21 the University of Hawaii, but excludes the Hawaii health systems



1 corporation and the department of education, which are
2 considered separate personnel jurisdictions under this chapter.

3 § -2 **Voluntary severance benefits.** (a) Any civil
4 service employee entitled to reduction-in-force rights under
5 chapter 76 and who receives official notification that the
6 employee's position is being abolished or who is directly
7 affected by a reduction-in-force or workforce restructuring plan
8 proposed by a department, may elect to receive a voluntary
9 severance benefit provided under this section in lieu of
10 exercising any reduction-in-force rights under chapter 89 or
11 89C, as applicable, and in lieu of receiving any special
12 retirement incentive benefit under section -3.

13 (b) A one-time lump sum cash bonus voluntary severance
14 benefit shall be calculated at per cent of the employee's
15 base salary for every year of service worked, not to exceed
16 years, and shall not exceed per cent of the
17 employee's annual base salary.

18 For the purposes of this section, "base salary" means an
19 employee's annual salary for the position from which the
20 employee is to be separated, excluding all other forms of
21 compensation paid or accrued, whether a bonus, allowance,



1 differential, or value of leave or compensatory time off
2 credits. Compensation excluded from base salary includes:

- 3 (1) Shortage category differential;
- 4 (2) Night shift differential;
- 5 (3) Overtime;
- 6 (4) Compensatory time off credits;
- 7 (5) Vacation or sick leave credits; and
- 8 (6) Workers' compensation benefits.

9 (c) A voluntary severance benefit shall be in addition to
10 any payment owing to the employee upon separation from service,
11 including accumulated unused vacation allowances or compensatory
12 time credits.

13 (d) All voluntary severance benefits paid under this
14 section shall be subject to applicable state income tax laws and
15 rules.

16 (e) A voluntary severance benefit provided under this
17 section shall not be considered as a part of a discharged
18 employee's salary, service credit, or a cost item defined in
19 section 89-2 when calculating retirement benefits or sick and
20 vacation leave.

21 **§ -3 Special retirement incentive benefit.** (a) Any
22 employee who receives official notification that the employee's



1 position is being abolished or who is directly affected by the
2 result of a reduction-in-force or workforce restructuring plan
3 proposed by a department may elect, if the employee is a vested
4 member of the employees' retirement system and meets any of the
5 criteria specified in subsection (c), the special retirement
6 incentive benefit provided by this section in lieu of exercising
7 any reduction-in-force rights under chapter 89 or 89C, as
8 applicable, and in lieu of receiving any voluntary severance
9 benefits under section -2. To receive the special retirement
10 incentive benefit offered under this section, the employee shall
11 comply with the application and time frame requirements
12 specified in subsection (b).

13 (b) Any employee who elects to retire and receive the
14 special retirement incentive benefit under this section shall
15 notify the employee's employing department and file a formal
16 application for retirement with the employees' retirement system
17 not less than thirty days but not more than one hundred fifty
18 days prior to the date of retirement.

19 (c) Notwithstanding the age and length of service
20 requirements of sections 88-73, 88-281, and 88-331, an employee
21 member shall qualify for the special retirement incentive



1 benefit if, on the employee's retirement date, the employee
2 meets any one of the following criteria:

3 (1) Has at least _____ years of credited service as a
4 contributory class A or B member and is at least
5 _____ years of age;

6 (2) Has at least _____ years of credited service as a
7 contributory class A or B member, irrespective of age;

8 (3) Has at least _____ years of credited service as a
9 noncontributory class C member or as a class H member
10 and is at least _____ years of age; or

11 (4) Has at least _____ years of credited service as a
12 noncontributory class C member or as a class H member.

13 (d) Any employee who exercises the option of the special
14 retirement incentive benefit under this section because the
15 employee does not qualify with respect to the age and length of
16 service requirements under sections 88-73, 88-281, and 88-331,
17 to receive a retirement benefit without penalty, shall not have
18 the retirement benefit reduced in accordance with the actuarial
19 formula normally used by the employees' retirement system for
20 the calculation of early retirement benefits.

21 (e) The head of each affected department shall transmit a
22 list of employees who elected and received the special



1 retirement incentive benefit to the board of trustees of the
2 employees' retirement system not less than thirty days but not
3 more than one hundred fifty days prior to the employee's
4 retirement date. The head of each affected department shall
5 certify that the employees on the list have in fact selected the
6 special retirement incentive benefit in lieu of receiving the
7 voluntary severance benefit and exercising any reduction-in-
8 force rights under chapter 89 or 89C, as applicable.

9 (f) The board of trustees of the employees' retirement
10 system shall make payments with respect to all eligible
11 employees who retire pursuant to this section. The board shall
12 determine the portion of the additional actuarial present value
13 of benefits to be charged to the State based on retirements
14 authorized under this section. If necessary, the State shall
15 make additional payments to the employees' retirement system in
16 the amounts required to amortize the additional actuarial
17 present value of benefits over a period of five years. The
18 unfunded actuarial present values of benefits payable under this
19 section are part of the unfunded accrued liability of the
20 employees' retirement system under sections 88-122 and 88-123.

21 § -4 **Restrictions.** No voluntary severance or special
22 retirement incentive benefit shall be payable to an employee



1 discharged for disciplinary reasons or for reasons other than a
2 reduction-in-force or workforce restructuring plan.

3 No voluntary severance or special retirement incentive
4 benefit shall be targeted on the basis of individual or personal
5 factors.

6 § -5 Reemployment. No employee who has received any
7 benefit under this chapter shall be reemployed by the State in
8 any capacity as follows:

9 (1) For an employee receiving a voluntary severance
10 benefit under section -2, unless the gross amount
11 of the voluntary severance benefit paid is returned to
12 the appropriate fund prior to the commencement of
13 reemployment, if the employee is reemployed within
14 five years from the date of separation; or

15 (2) For an employee receiving a special retirement
16 incentive benefit under section -3, unless all
17 benefits derived from the specific retirement
18 incentive benefit, as determined by the board of
19 trustees of the employees' retirement system, are
20 forfeited prior to the commencement of reemployment.

21 § -6 Payments; lapse of unexpended funds. After
22 payments of all costs associated with the voluntary severance



1 and special retirement incentive benefits, the remaining payroll
2 balances shall not be expended for any purpose and shall lapse
3 into the appropriate fund.

4 **§ -7 Department requirements; reporting; reduction in**
5 **personnel count.** The head of each affected department of the
6 state executive branch that provided benefits under this chapter
7 shall:

8 (1) Transmit a report of every position identified for
9 abolishment and vacated under this chapter to the
10 directors of finance and human resources development
11 who shall abolish these positions from the appropriate
12 budget and personnel files. The governor shall report
13 this information to the legislature no later than
14 twenty days prior to the convening of each regular
15 session beginning with the regular session of 2011;

16 (2) Reduce its personnel count by every position
17 identified for abolishment and vacated under this
18 chapter, whether the former incumbent vacated the
19 position as a result of accepting a voluntary
20 severance benefit or special retirement incentive
21 benefit authorized under this chapter or exercising
22 reduction-in-force rights; and



1 (3) Transmit a list that includes each employee who
2 received benefits under this chapter and the benefit
3 received by the employee to the directors of finance
4 and human resources development.

5 § -8 Guidelines; development and administration. The
6 departments of human resources development and budget and
7 finance shall develop and administer guidelines and timeframes
8 for the various departments of the state executive branch to
9 implement the voluntary separation and special retirement
10 incentive benefits under this chapter. The department of human
11 resources development, the department of labor and industrial
12 relations, the employees' retirement system, and the Hawaii
13 employer-union health benefits trust fund shall work
14 cooperatively to ensure that briefings are provided prior to the
15 implementation of any workforce restructuring plan to educate
16 the employees of the various departments of the state executive
17 branch whose positions are being abolished or who are directly
18 affected by a reduction-in-force or workforce restructuring
19 plan.

20 The department of human resources development and the
21 department of budget and finance shall report to the legislature
22 on any restructuring or reengineering activities initiated as a



1 consequence of this chapter within the various departments of
2 the state executive branch no later than twenty days prior to
3 the convening of each regular session beginning with the regular
4 session of 2011.

5 The report shall include a description of the abolished
6 positions, an explanation as to how the new workforce structure
7 will more efficiently serve the needs of the agency's clients,
8 and a listing of the appropriate criteria to measure the new
9 workforce structure's effectiveness.

10 § -9 **Matching funds.** The governor may provide funds to
11 obtain matching federal moneys to retrain employees in the state
12 executive branch who separated from service under this chapter.

13 § -10 **Optional participation by other jurisdictions.**
14 The city and county of Honolulu, the county of Hawaii, the
15 county of Kauai, the county of Maui, the department of
16 education, the judiciary, the Hawaii health systems corporation,
17 the office of Hawaiian affairs, or the legislative branch of the
18 State or a county may opt to provide the special retirement
19 incentive benefit under section -3 to their respective
20 employees under an official reduction-in-force or a workforce
21 restructuring plan as defined by its separation incentives



1 program guidelines and timeframes developed and administered by
2 the respective jurisdictions.

3 No civil service employee may elect and receive a
4 combination of reduction-in-force, voluntary severance, or
5 special retirement incentive benefits when directly affected by
6 a reduction-in-force or workforce restructuring plan. Whenever
7 any of the other jurisdictions, as defined in this chapter, opts
8 to provide the special retirement incentive benefit, the
9 jurisdiction's separation incentive guidelines and use of the
10 special retirement incentives shall be consistent with all of
11 the provisions in section -3.

12 All references to the state executive branch shall apply to
13 any other jurisdictions, as defined in this chapter, opting to
14 provide the special retirement incentive benefit. The chief
15 executive or other appropriate authority of each of the other
16 respective jurisdictions shall ensure that approval of its
17 respective legislative body is obtained before offering the
18 special retirement incentive benefit under section -3."

19 SECTION 3. This Act shall take effect on July 1, 2020.



Report Title:

Public Employment; Separation Incentives

Description:

Authorizes the state executive branch to offer a voluntary severance or a special retirement incentive benefit to state employees who elect to voluntarily separate from service when their positions are identified for abolishment or when they are directly affected by a reduction-in-force or workforce restructuring plan. Extends to other jurisdictions the option to provide a special retirement incentive benefit to their respective employees under a reduction-in-force or a workforce restructuring plan. Effective July 1, 2020. (SD1)

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