
A BILL FOR AN ACT

RELATING TO NEW PUBLIC EMPLOYEES.

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

1 SECTION 1. The purpose of this Act is to address the
2 retirement provisions for new public employees. More
3 specifically, this Act requires the board of trustees of the
4 employees' retirement system to study and recommend legislation
5 on the most effective way to establish a defined contribution
6 plan for new public employees as a substitute for the present
7 defined benefit plan.

8 The legislature finds that the defined contribution plan is
9 not intended to apply to current or former public employees or
10 their dependents, either as a replacement for or alternative to
11 the present defined benefit plan under chapter 88, Hawaii
12 Revised Statutes.

13 SECTION 2. For the purpose of this Act:

14 "Board" means the board of trustees of the employees'
15 retirement system established under chapter 88, Hawaii Revised
16 Statutes.

17 "Current public employee" means an employee of the State or
18 county who is not a "new public employee."



1 "Defined contribution plan" means a pension plan under
2 which contributions by and for a new public employee are set by
3 law and benefits to the new public employee cannot exceed the
4 contributions plus or minus net investment income or loss on the
5 contributions.

6 "New public employee" means a full-time employee of the
7 State or county who first:

- 8 (1) Enters full-time service with the State or county
9 after June 30, 2011; or
- 10 (2) Entered state or county service before July 1, 2011,
11 but never was an active member of the employees'
12 retirement system under chapter 88, Hawaii Revised
13 Statutes.

14 SECTION 3. (a) From the effective date of this Act, the
15 board of trustees of the employees' retirement system shall
16 conduct a study for the purpose of establishing a defined
17 contributions plan for new public employees.

18 (b) By January 1, 2011, the board shall submit to the
19 legislature proposed legislation establishing a defined
20 contribution plan for new public employees. The proposed
21 legislation shall conform to the following general principles:



- 1 (1) Participation by every new public employee shall be
2 mandatory;
- 3 (2) The public employer's monthly contribution percentage
4 to the defined contributions plan for a new public
5 employee shall be the same as the monthly contribution
6 percentage for a class C member of the employees'
7 retirement system under chapter 88, Hawaii Revised
8 Statutes;
- 9 (3) The new public employee shall be allowed to make a
10 monthly contribution to the pension plan from the
11 public employee's salary that does not exceed the
12 public employer's monthly contribution for that new
13 public employee;
- 14 (4) The plan shall be designed so that the monthly
15 contributions of both the public employer and new
16 public employee are not taxable as "income" by the
17 federal or state government;
- 18 (5) Benefits shall be paid to a former new public employee
19 after retirement from or termination of service with
20 the State or a county, but shall not exceed the sum of
21 the public employer's contributions, new public



1 employee's contributions, and net investment income or
2 loss on those contributions;

3 (6) Benefits paid to a new public employee after
4 retirement from or termination of service with the
5 State or a county shall be taxable as "income" under
6 federal and state taxation laws;

7 (7) The board shall be responsible for investing the
8 contributions by and for a new public employee and may
9 develop different investment options from which the
10 new public employee may choose; and

11 (8) Current public employees shall not be eligible for
12 membership in the defined contribution plan.

13 The board shall submit with the proposed legislation a
14 report explaining and justifying the proposed legislation.

15 SECTION 4. (a) During the regular session of 2011, the
16 speaker of the house of representatives and president of the
17 senate shall introduce a bill in each of their respective houses
18 setting forth the proposed legislation submitted by the board.
19 Each bill shall be subject to the legislative process in the
20 respective houses.



1 (b) If legislation to establish a defined contributions
2 plan for new public employees is enacted, the legislation may
3 differ from that submitted by the board.

4 (c) Nothing in this Act shall prohibit the legislature
5 from choosing not to enact legislation establishing the defined
6 contribution plan.

7 (d) If the board fails to submit proposed legislation to
8 the legislature as required under section 3 of this Act, the
9 failure shall not prevent the legislature from enacting
10 legislation establishing its own version of a defined
11 contribution plan.

12 SECTION 5. (a) Notwithstanding chapter 88, Hawaii Revised
13 Statutes, or any other law to the contrary, every new public
14 employee who qualifies for membership in the enacted defined
15 contributions plan shall become a member of the plan on July 1,
16 2011, or the effective date of legislation establishing the
17 plan, whichever is later.

18 (b) If legislation establishing a defined contribution
19 plan is not enacted, no new public employee shall be eligible
20 for membership in or benefits from the defined benefit plan of
21 chapter 88, Hawaii Revised Statutes, nor shall the State or a
22 county make any pension contribution for the new public employee

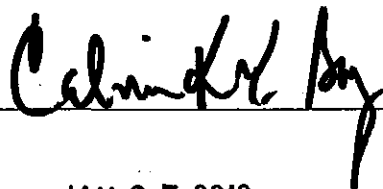


1 other than that required under the federal Social Security Act,
2 as amended. This provision shall not be construed as
3 prohibiting a new public employee from voluntarily participating
4 in the deferred compensation plan established under chapter 88E,
5 Hawaii Revised Statutes.

6 SECTION 6. This Act shall take effect upon its approval.

7

INTRODUCED BY:



JAN 27 2010



Report Title:

Defined Contribution Plan For New Public Employees

Description:

Requires the board of trustees of the employees' retirement system to study and recommend a defined contribution plan for new public employees. Prohibits new employees from becoming eligible for membership in or benefits under existing defined benefit plan if legislation to establish defined contribution plan not enacted.

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

