



GOV. MSG. NO 1266

EXECUTIVE CHAMBERS
HONOLULU

NEIL ABERCROMBIE
GOVERNOR

June 23, 2011

The Honorable Shan Tsutsui, President
and Members of the Senate
Twenty-Sixth State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

The Honorable Calvin Say, Speaker
and Members of the House
Twenty-Sixth State Legislature
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear President Tsutsui, Speaker Say and Members of the Legislature:

This is to inform you that on June 23, 2011, the following bill was signed into law:

HB1038 HD2 SD2

RELATING TO THE EMPLOYEES' RETIREMENT
SYSTEM.

Act 163 (11)

Aloha
Sincerely,
Neil Abercrombie

NEIL ABERCROMBIE
Governor, State of Hawaii

on JUN 23 2011

HOUSE OF REPRESENTATIVES
TWENTY-SIXTH LEGISLATURE, 2011
STATE OF HAWAII

ACT 163
H.B. NO. 1038
H.D. 2
S.D. 2

A BILL FOR AN ACT

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM.

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

PART I

SECTION 1. Section 88-45, Hawaii Revised Statutes, is amended to read as follows:

"§88-45 **Employee contributions.** After June 30, 1988, each class A and class B member shall contribute seven and eight-tenths per cent of the member's compensation to the annuity savings fund; provided that after June 30, 1989, all firefighters, police officers, corrections officers, investigators of the departments of the prosecuting attorney and of the attorney general, narcotics enforcement investigators, water safety officers not making the election under section 88-271, and public safety investigations staff investigators shall contribute twelve and two-tenths per cent of their compensation to the annuity savings fund for service in that capacity[-]; provided further that each class A and class B member who becomes a member after June 30, 2012, shall contribute nine and eight-tenths per cent of the member's compensation to the annuity savings fund; provided further that



1 all firefighters, police officers, corrections officers,
2 investigators of the departments of the prosecuting attorney and
3 of the attorney general, narcotics enforcement investigators,
4 and public safety investigations staff investigators who become
5 members after June 30, 2012, shall contribute fourteen and
6 two-tenths per cent of their compensation to the annuity savings
7 fund for service in that capacity."

8 SECTION 2. Section 88-59.5, Hawaii Revised Statutes, is
9 amended by amending subsection (a) to read as follows:

10 "(a) Any member who on July 1, 1991, was serving or
11 previously served as an assistant clerk or assistant sergeant at
12 arms of either house of the legislature and becomes eligible for
13 retirement benefits as a class A member as provided under
14 sections 88-73(a), [~~88-74(a)(3)~~], 88-74(d), and 88-76 shall be
15 entitled to full service credit as a class A member for any
16 eligible service prior to July 1, 1991; provided that:

17 (1) The member claims those years as membership service
18 credit and purchases that membership service credit in
19 accordance with section 88-59; and

20 (2) Notwithstanding any other law to the contrary:

21 (A) If the member was a class A member of the system
22 and elected to become a class C member pursuant



1 to section 88-271, the member repurchases all the
2 years of service as a class C member in
3 accordance with the procedures under section
4 88-59 to regain standing as a contributory
5 member; and

6 (B) A class C member shall be credited for service as
7 an assistant clerk or assistant sergeant at arms
8 under section 88-59 in a lump sum nonrefundable
9 payment and receive retirement benefits as
10 provided in this section."

11 SECTION 3. Section 88-62, Hawaii Revised Statutes, is
12 amended to read as follows:

13 "**§88-62 Return to service of a former member.** (a) For
14 members who became members before July 1, 2012:

15 (1) If a former member who has [~~less~~] fewer than five
16 years of credited service and who has been out of
17 service for a period of four full calendar years or
18 more after the year in which the former member left
19 service, or if a former member who withdrew the former
20 member's accumulated contributions returns to service,
21 the former member shall become a member in the same
22 manner and under the same conditions as anyone first



1 entering service; however, the former member may
2 obtain membership service credit in the manner
3 provided by applicable law for credited service that
4 was forfeited by the member upon termination of the
5 member's previous membership. If the member did not
6 withdraw the former member's accumulated contributions
7 prior to the former member's return to service, the
8 accumulated contributions shall be returned to the
9 member as part of the process of enrolling the member
10 in the system if the member's accumulated
11 contributions are \$1,000 or less at the time of
12 distribution. If the accumulated contributions for
13 the service the member had when the member previously
14 terminated employment are greater than \$1,000 and the
15 member does not make written application, prior to or
16 contemporaneously with the member's return to service,
17 for return of the accumulated contributions, the
18 member may not withdraw the member's accumulated
19 contributions, except as provided by section 88-96 or
20 88-341, until the member retires or attains age sixty-
21 two. The member shall not be entitled to service
22 credit by reason of the system's retention of the



1 member's accumulated contributions for the service the
2 member had when the member previously terminated
3 employment.

4 To be eligible for any benefit, the member shall
5 fulfill the membership service requirements for the
6 benefit through membership service after again
7 becoming a member, in addition to meeting any other
8 eligibility requirement established for the benefit;
9 provided that the membership service requirement shall
10 be exclusive of any former service acquired in
11 accordance with section 88-59 or any other section in
12 part II, VII, or VIII[-];

13 ~~[-(b)-]~~ (2) If a former member with [~~less~~] fewer than five
14 years of credited service and who did not withdraw the
15 former member's accumulated contributions returns to
16 service within four full calendar years after the year
17 in which the former member left service, the former
18 member shall again become a member in the same manner
19 and under the same conditions as anyone first entering
20 service, except that the member shall be credited with
21 service credit for the service the member had when the
22 member terminated employment and:



- 1 ~~[(1)]~~ (A) If the member returns to service as a class A or
2 class B member, the member's new and previous
3 accumulated contributions shall be combined; or
4 ~~[(2)]~~ (B) If the member returns to service after June 30,
5 2006, as a class H member, section 88-321(b)
6 shall apply~~[-]~~; and
- 7 ~~[(e)]~~ (3) If a former member with five or more years of
8 credited service who did not withdraw [~~his~~] the former
9 member's contributions returns to service, [~~his~~] the
10 former member's status shall be in accordance with the
11 provisions described in section 88-97.
- 12 (b) For members who become members after June 30, 2012:
- 13 (1) If a former member who has fewer than ten years of
14 credited service and who has been out of service for a
15 period of four full calendar years or more after the
16 year in which the former member left service, or if a
17 former member who withdrew the former member's
18 accumulated contributions returns to service, the
19 former member shall become a member in the same manner
20 and under the same conditions as anyone first entering
21 service; however, the former member may obtain
22 membership service credit in the manner provided by



1 applicable law for credited service that was forfeited
2 by the member upon termination of the member's
3 previous membership. If the member did not withdraw
4 the former member's accumulated contributions prior to
5 the former member's return to service, the accumulated
6 contributions shall be returned to the member as part
7 of the process of enrolling the member in the system
8 if the member's accumulated contributions are \$1,000
9 or less at the time of distribution. If the
10 accumulated contributions for the service the member
11 had when the member previously terminated employment
12 are greater than \$1,000 and the member does not make
13 written application, prior to or contemporaneously
14 with the member's return to service, for return of the
15 accumulated contributions, the member may not withdraw
16 the member's accumulated contributions, except as
17 provided by section 88-96 or 88-341, until the member
18 retires or attains age sixty-two. The member shall
19 not be entitled to service credit by reason of the
20 system's retention of the member's accumulated
21 contributions for the service the member had when the
22 member previously terminated employment. To be



1 eligible for any benefit, the member shall fulfill the
2 membership service requirements for the benefit
3 through membership service after again becoming a
4 member, in addition to meeting any other eligibility
5 requirement established for the benefit; provided that
6 the membership service requirement shall be exclusive
7 of any former service acquired in accordance with
8 section 88-59 or any other section in part II, VII, or
9 VIII;

10 (2) If a former member with fewer than ten years of
11 credited service and who did not withdraw the former
12 member's accumulated contributions returns to service
13 within four full calendar years after the year in
14 which the former member left service, the former
15 member shall again become a member in the same manner
16 and under the same conditions as anyone first entering
17 service, except that the member shall be credited with
18 service credit for the service the member had when the
19 member terminated employment:

20 (A) If the member returns to service as a class A or
21 class B member, the member's new and previous
22 accumulated contributions shall be combined; or



1 (B) If the member returns to service as a class H
2 member, section 88-321(b) shall apply; and

3 (3) If a former member with ten or more years of credited
4 service who did not withdraw the former member's
5 contributions returns to service, the former member's
6 status shall be in accordance with the provisions
7 described in section 88-97."

8 SECTION 4. Section 88-73, Hawaii Revised Statutes, is
9 amended by amending subsections (a) and (b) to read as follows:

10 "(a) Any member who:

11 (1) Became a member before July 1, 2012, and has at least
12 five years of credited service and [who] has attained
13 age fifty-five [or any member who has];

14 (2) Became a member before July 1, 2012, and has at least
15 twenty-five years of credited service [or any member
16 who has];

17 (3) Has at least ten years of credited service, which
18 includes service as a judge before July 1, 1999, an
19 elective officer, or a legislative officer[7];

20 (4) Becomes a member after June 30, 2012, and has at least
21 ten years of credited service and has attained age
22 sixty; or



1 (5) Becomes a member after June 30, 2012, and has at least
2 twenty-five years of credited service and has attained
3 age fifty-five,
4 shall become eligible to receive a retirement allowance after
5 the member has terminated service.

6 (b) Any member who first earned credited service as a
7 judge after June 30, 1999, but before July 1, 2012, and who has
8 at least five years of credited service and has attained age
9 fifty-five or has at least twenty-five years of credited service
10 shall become eligible to receive a retirement allowance after
11 the member has terminated service. Any member who first earned
12 credited service as a judge after June 30, 2012, and has at
13 least ten years of credited service and has attained age sixty
14 or has at least twenty-five years of credited service and has
15 attained age fifty-five shall be eligible to receive a
16 retirement allowance after the member has terminated service."

17 SECTION 5. Section 88-74, Hawaii Revised Statutes, is
18 amended to read as follows:

19 "**§88-74 Allowance on service retirement.** (a) Upon
20 retirement from service, a member shall receive a maximum
21 retirement allowance as [~~follows~~] provided in this section.



1 ~~[(1)]~~ (b) If ~~[the]~~ a member, who became a member before
2 July 1, 2012, has attained age fifty-five, ~~[a]~~ the member's
3 maximum retirement allowance ~~[of]~~ shall be two per cent of the
4 member's average final compensation multiplied by the total
5 number of years of the member's credited service as a class A
6 and class B member, excluding any credited service as a judge,
7 elective officer, or legislative officer, plus a retirement
8 allowance of one and one-fourth per cent of the member's average
9 final compensation multiplied by the total number of years of
10 prior credited service as a class C member, plus a retirement
11 allowance of two per cent of the member's average final
12 compensation multiplied by the total number of years of prior
13 credited service as a class H member; provided that:

14 ~~[(A)]~~ (1) After June 30, 1968, if the member has at
15 least ten years of credited service of which the last
16 five or more years prior to retirement is credited
17 service as a firefighter, police officer, or an
18 investigator of the department of the prosecuting
19 attorney;

20 ~~[(B)]~~ (2) After June 30, 1977, if the member has at
21 least ten years of credited service of which the last



1 five or more years prior to retirement is credited
2 service as a corrections officer;

3 [~~C~~] (3) After June 16, 1981, if the member has at
4 least ten years of credited service of which the last
5 five or more years prior to retirement is credited
6 service as an investigator of the department of the
7 attorney general;

8 [~~D~~] (4) After June 30, 1989, if the member has at
9 least ten years of credited service of which the last
10 five or more years prior to retirement is credited
11 service as a narcotics enforcement investigator;

12 [~~E~~] (5) After December 31, 1993, if the member has
13 at least ten years of credited service of which the
14 last five or more years prior to retirement is
15 credited service as a water safety officer;

16 [~~F~~] (6) After June 30, 1994, if the member has at
17 least ten years of credited service, of which the last
18 five or more years prior to retirement are credited
19 service as a public safety investigations staff
20 investigator;

21 [~~G~~] (7) After June 30, 2002, if the member:



1 ~~[(i)]~~ (A) Has at least ten years of credited
2 service as a firefighter;
3 ~~[(ii)]~~ (B) Is deemed permanently medically
4 disqualified due to a service related disability to
5 be a firefighter by the employer's physician; and
6 ~~[(iii)]~~ (C) Continues employment in a class A or B
7 position other than a firefighter; and
8 ~~[(H)]~~ (8) After June 30, 2004, if the member:
9 ~~[(i)]~~ (A) Has at least ten years of credited
10 service as a police officer;
11 ~~[(ii)]~~ (B) Is deemed permanently medically
12 disqualified due to a service related disability to
13 be a police officer by the employer's physician; and
14 ~~[(iii)]~~ (C) Continues employment in a class A or B
15 position other than a police officer;
16 then for each year of service as a firefighter, police officer,
17 corrections officer, investigator of the department of the
18 prosecuting attorney, investigator of the department of the
19 attorney general, narcotics enforcement investigator, water
20 safety officer, or public safety investigations staff
21 investigator, the retirement allowance shall be two and one-half
22 per cent of the member's average final compensation. The

1 maximum retirement allowance for those members shall not exceed
2 eighty per cent of the member's average final compensation. If
3 the member has not attained age fifty-five, the member's
4 retirement allowance shall be computed as though the member had
5 attained age fifty-five, reduced for age as provided in
6 subsection ~~[(b)]~~ (e).

7 ~~[(2)]~~ (c) If ~~[the]~~ a member, who became a member prior to
8 July 1, 2012, has credited service as a judge, the member's
9 retirement allowance shall be computed on the following basis:

10 ~~[(A)]~~ (1) For a member who has credited service as a
11 judge before July 1, 1999, irrespective of age, for
12 each year of credited service as a judge, three and
13 one-half per cent of the member's average final
14 compensation in addition to an annuity that is the
15 actuarial equivalent of the member's accumulated
16 contributions allocable to the period of service; ~~[and~~
17 ~~-(B)]~~ (2) For a member who first earned credited
18 service as a judge after June 30, 1999, but before
19 July 1, 2012, for each year of credited service as a
20 judge, three and one-half per cent of the member's
21 average final compensation in addition to an annuity
22 that is the actuarial equivalent of the member's



1 accumulated contributions allocable to the period of
2 service. If the member has not attained age fifty-
3 five, the member's retirement allowance shall be
4 computed as though the member had attained age fifty-
5 five, reduced for age as provided in subsection [~~(b)~~;
6 ~~or~~] (e);

7 [~~(c)~~] (3) For a member who first earned credited
8 service as a judge after June 30, 2012, for each year
9 of credited service as a judge, three per cent of the
10 member's average final compensation in addition to an
11 annuity that is the actuarial equivalent of the
12 member's accumulated contributions allocable to the
13 period of service. If the member has not attained age
14 sixty, the member's retirement allowance shall be
15 computed as though the member had attained age sixty,
16 reduced for age as provided in subsection (i);

17 (4) For a judge with other credited service, as provided
18 in [~~paragraph (1).~~] subsection (b). If the member has
19 not attained age fifty-five, the member's retirement
20 allowance shall be computed as though the member had
21 attained age fifty-five, reduced for age as provided
22 in subsection [~~(b)~~; ~~or~~] (e); or



1 ~~[(D)]~~ (5) For a judge with credited service as an
2 elective officer or as a legislative officer, as
3 provided in ~~[paragraph (3).]~~ subsection (d).

4 No allowance shall exceed seventy-five per cent of the member's
5 average final compensation. If the allowance exceeds this
6 limit, it shall be adjusted by reducing the annuity included in
7 ~~[subparagraphs (A) and (B)]~~ paragraphs (1), (2), and (3) and the
8 portion of the accumulated contributions specified in ~~[the~~
9 ~~subparagraphs]~~ paragraphs (1), (2), and (3) in excess of the
10 requirements of the reduced annuity shall be returned to the
11 member upon the member's retirement or paid to the member's
12 designated beneficiary upon the member's death while in service
13 or while on authorized leave without pay. The allowance for
14 judges under this ~~[paragraph,]~~ subsection, together with the
15 retirement allowance provided by the federal government for
16 similar service, shall in no case exceed seventy-five per cent
17 of the member's average final compensation~~[+ or]~~.

18 ~~[(3)]~~ (d) If ~~[the]~~ a member, who became a member before
19 July 1, 2012, has credited service as an elective officer or as
20 a legislative officer, the member's retirement allowance shall
21 be derived by adding the allowances computed separately under



1 ~~subparagraphs (A), (B), (C), and (D)]~~ paragraphs (1), (2), (3),
2 (4), (5), and (6) as follows:

3 ~~[(A) Irrespective]~~ (1) For a member who has credited
4 service as an elective officer before July 1, 2012,
5 irrespective of age, for each year of credited service
6 as an elective officer, three and one-half per cent of
7 the member's average final compensation as computed
8 under section 88-81(e)(1), in addition to an annuity
9 that is the actuarial equivalent of the member's
10 accumulated contributions allocable to the period of
11 service; [and]

12 (2) For a member, who first earned credited service as an
13 elective officer after June 30, 2012, irrespective of
14 age, for each year of credited service as an elective
15 officer, three per cent of the member's average final
16 compensation as computed under section 88-81(e)(1), in
17 addition to an annuity that is the actuarial
18 equivalent of the member's accumulated contributions
19 allocable to the period of service;

20 ~~[(B) Irrespective]~~ (3) For a member who has credited
21 service as a legislative officer before July 1, 2012,
22 irrespective of age, for each year of credited service



1 as a legislative officer, three and one-half per cent
2 of the member's average final compensation as computed
3 under section 88-81(e)(2), in addition to an annuity
4 that is the actuarial equivalent of the member's
5 accumulated contributions allocable to the period of
6 service;

7 (4) For a member who first earned credited service as a
8 legislative officer after June 30, 2012, irrespective
9 of age, for each year of credited service as a
10 legislative officer, three per cent of the member's
11 average final compensation as computed under section
12 88-81(e)(2), in addition to an annuity that is the
13 actuarial equivalent of the member's accumulated
14 contributions allocable to the period of service;

15 [~~(C)~~] (5) If the member has credited service as a
16 judge, the member's retirement allowance shall be
17 computed on the following basis:

18 [~~(i)~~] (A) For a member who has credited service
19 as a judge before July 1, 1999, irrespective of
20 age, for each year of credited service as a
21 judge, three and one-half per cent of the
22 member's average final compensation as computed



1 under section 88-81(e) (3), in addition to an
2 annuity that is the actuarial equivalent of the
3 member's accumulated contributions allocable to
4 the period of service; [~~and~~
5 ~~(ii)] (B) For a member who first earned credited
6 service as a judge after June 30, 1999, but
7 before July 1, 2012, and has attained the age of
8 fifty-five, for each year of credited service as
9 a judge, three and one-half per cent of the
10 member's average final compensation as computed
11 under section 88-81(e) (3), in addition to an
12 annuity that is the actuarial equivalent of the
13 member's accumulated contributions allocable to
14 the period of service. If the member has not
15 attained age fifty-five, the member's retirement
16 allowance shall be computed as though the member
17 had attained age fifty-five, reduced for age as
18 provided in subsection [~~(b)+~~] (e); and
19 (C) For a member who first earned credited service as
20 a judge after June 30, 2012, and has attained the
21 age of sixty, for each year of credited service
22 as a judge, three per cent of the member's~~



1 average final compensation as computed under
2 section 88-81(e) (3), in addition to an annuity
3 that is the actuarial equivalent of the member's
4 accumulated contributions allocable to the period
5 of service. If the member has not attained age
6 sixty, the member's retirement allowance shall be
7 computed as though the member had attained age
8 sixty, reduced for age as provided in subsection
9 (i); and

10 ~~[(D)]~~ (6) For each year of credited service not
11 included in ~~[subparagraph (A), (B), or (C),]~~ paragraph
12 (1), (2), (3), (4), or (5), the average final
13 compensation as computed under section 88-81(e) (4)
14 shall be multiplied by two per cent for credited
15 service earned as a class A or class H member, two and
16 one-half per cent for credited service earned as a
17 class B member, and one and one-quarter per cent for
18 credited service earned as a class C member. If the
19 member has not attained age fifty-five, the member's
20 retirement allowance shall be computed as though the
21 member had attained age fifty-five, reduced for age as
22 provided in subsection ~~[(b)-]~~ (e).



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

17 [~~(b)~~] (e) Except as provided in [~~subsection (a)~~],
18 subsections (b), (c), and (d), if a member, who became a member
19 before July 1, 2012, has not attained age fifty-five at the date
20 of retirement, the member's retirement allowance shall be
21 reduced, for each month the member's age at the date of
22 retirement is below age fifty-five, as follows:



1 (1) 0.4166 per cent for each month below age fifty-five
2 and above age forty-nine and eleven months; plus

3 (2) 0.3333 per cent for each month below age fifty and
4 above age forty-four and eleven months; plus

5 (3) 0.2500 per cent for each month below age forty-five
6 and above age thirty-nine and eleven months; plus

7 (4) 0.1666 per cent for each month below age forty;

8 provided that no reduction shall be made if the member has at
9 least twenty-five years of credited service as a firefighter,
10 police officer, corrections officer, investigator of the
11 department of the prosecuting attorney, investigator of the
12 department of the attorney general, narcotics enforcement
13 investigator, public safety investigations staff investigator,
14 sewer worker, or water safety officer, of which the last five or
15 more years prior to retirement is credited service in these
16 capacities.

17 (f) If a member, who becomes a member after June 30, 2012,
18 has attained age sixty, the member's maximum retirement
19 allowance shall be one and three-fourths per cent of the
20 member's average final compensation multiplied by the total
21 number of years of the member's credited service as a class A
22 and class B member, excluding any credited service as a judge,



1 elective officer, or legislative officer, plus a retirement
2 allowance of one and one-fourth per cent of the member's average
3 final compensation multiplied by the total number of years of
4 prior credited service as a class C member, plus a retirement
5 allowance of one and three-fourths per cent of the member's
6 average final compensation multiplied by the total number of
7 years of prior credited service as a class H member; provided
8 that:

- 9 (1) If the member has at least ten years of credited
10 service of which the last five or more years prior to
11 retirement is credited service as a firefighter,
12 police officer, or an investigator of the department
13 of the prosecuting attorney;
- 14 (2) If the member has at least ten years of credited
15 service of which the last five or more years prior to
16 retirement is credited service as a corrections
17 officer;
- 18 (3) If the member has at least ten years of credited
19 service of which the last five or more years prior to
20 retirement is credited service as an investigator of
21 the department of the attorney general;



- 1 (4) If the member has at least ten years of credited
2 service of which the last five or more years prior to
3 retirement is credited service as a narcotics
4 enforcement investigator;
- 5 (5) If the member has at least ten years of credited
6 service of which the last five or more years prior to
7 retirement is credited service as a water safety
8 officer;
- 9 (6) If the member has at least ten years of credited
10 service, of which the last five or more years prior to
11 retirement is credited service as a public safety
12 investigations staff investigator;
- 13 (7) If the member:
 - 14 (A) Has at least ten years of credited service as a
15 firefighter;
 - 16 (B) Is deemed permanently medically disqualified due
17 to a service related disability to be a
18 firefighter by the employer's physician; and
 - 19 (C) Continues employment in a class A or class B
20 position other than a firefighter; and
- 21 (8) If the member:



1 (A) Has at least ten years of credited service as a
2 police officer;

3 (B) Is deemed permanently medically disqualified due
4 to a service related disability to be a police
5 officer by the employer's physician; and

6 (C) Continues employment in a class A or class B
7 position other than a police officer,
8 then for each year of service as a firefighter, police officer,
9 corrections officer, investigator of the department of the
10 prosecuting attorney, investigator of the department of the
11 attorney general, narcotics enforcement investigator, water
12 safety officer, or public safety investigations staff
13 investigator, the retirement allowance shall be two and
14 one-fourth per cent of the member's average final compensation.

15 The maximum retirement allowance for those members shall not
16 exceed eighty per cent of the member's average final
17 compensation. If the member has not attained age sixty, the
18 member's retirement allowance shall be computed as though the
19 member had attained age sixty, reduced for age as provided in
20 subsection (i).



1 (g) If a member, who becomes a member after June 30, 2012,
2 has credited service as a judge, the member's retirement
3 allowance shall be computed on the following basis:

4 (1) For each year of credited service as a judge, three
5 per cent of the member's average final compensation in
6 addition to an annuity that is the actuarial
7 equivalent of the member's accumulated contributions
8 allocable to the period of service. If the member has
9 not attained age sixty, the member's retirement
10 allowance shall be computed as though the member had
11 attained age sixty, reduced for age as provided in
12 subsection (i);

13 (2) For a judge with other credited service, as provided
14 in subsection (f). If the member has not attained age
15 sixty, the member's retirement allowance shall be
16 computed as though the member had attained age sixty,
17 reduced for age as provided in subsection (i); and

18 (3) For a judge with credited service as an elective
19 officer or as a legislative officer, as provided in
20 subsection (h).

21 No allowance shall exceed seventy-five per cent of the member's
22 average final compensation. If the allowance exceeds this



1 limit, it shall be adjusted by reducing the annuity included in
2 paragraph (1) and the portion of the accumulated contributions
3 specified in paragraph (1) in excess of the requirements of the
4 reduced annuity shall be returned to the member upon the
5 member's retirement or paid to the member's designated
6 beneficiary upon the member's death while in service or while on
7 authorized leave without pay. The allowance for judges under
8 this subsection, together with the retirement allowance provided
9 by the federal government for similar service, shall in no case
10 exceed seventy-five per cent of the member's average final
11 compensation.

12 (h) If a member, who becomes a member after June 30, 2012,
13 has credited service as an elective officer or as a legislative
14 officer, the member's retirement allowance shall be derived by
15 adding the allowances computed separately under paragraphs (1),
16 (2), (3), and (4) as follows:

17 (1) Irrespective of age, for each year of credited service
18 as an elective officer, three per cent of the member's
19 average final compensation as computed under section
20 88-81(f)(1), in addition to an annuity that is the
21 actuarial equivalent of the member's accumulated
22 contributions allocable to the period of service;



- 1 (2) Irrespective of age, for each year of credited service
2 as a legislative officer, three per cent of the
3 member's average final compensation as computed under
4 section 88-81(f)(2), in addition to an annuity that is
5 the actuarial equivalent of the member's accumulated
6 contributions allocable to the period of service;
- 7 (3) For each year of credited service as a judge, three
8 per cent of the member's average final compensation as
9 computed under section 88-81(f)(3), in addition to an
10 annuity that is the actuarial equivalent of the
11 member's accumulated contributions allocable to the
12 period of service. If the member has not attained age
13 sixty, the member's retirement allowance shall be
14 computed as though the member had attained age sixty,
15 reduced for age as provided in subsection (i); and
- 16 (4) For each year of credited service not included in
17 paragraph (1), (2), or (3), the average final
18 compensation as computed under section 88-81(f)(4)
19 shall be multiplied by one and three-fourth per cent
20 for credited service earned as a class A or class H
21 member, two and one-fourth per cent for credited
22 service earned as a class B member, and one and



1 one-fourth per cent for credited service earned as a
2 class C member. If the member has not attained age
3 sixty, the member's retirement allowance shall be
4 computed as though the member had attained age sixty,
5 reduced for age as provided in subsection (i).

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

21 (i) Except as provided in subsections (f), (g), and (h),
22 if a member, who becomes a member after June 30, 2012, has not



1 attained age sixty at the date of retirement, the member's
2 retirement allowance shall be reduced, for each month the
3 member's age at the date of retirement is below age sixty, as
4 follows:

- 5 (1) 0.4166 per cent for each month below age fifty-nine
6 and above age fifty-four and eleven months; plus
7 (2) 0.3333 per cent for each month below age fifty-five
8 and above age forty-nine and eleven months; plus
9 (3) 0.2500 per cent for each month below age fifty and
10 above age forty-four and eleven months; plus
11 (4) 0.1666 per cent for each month below age forty-five;

12 provided that no reduction shall be made if the member has
13 attained the age of fifty-five and has at least twenty-five
14 years of credited service as a firefighter, police officer,
15 corrections officer, investigator of the department of the
16 prosecuting attorney, investigator of the department of the
17 attorney general, narcotics enforcement investigator, public
18 safety investigations staff investigator, sewer worker, water
19 safety officer, or emergency medical technician, of which the
20 last five or more years prior to retirement is credited service
21 in these capacities."



1 SECTION 6. Section 88-74.6, Hawaii Revised Statutes, is
2 amended to read as follows:

3 "§88-74.6 Unreduced allowance on service retirement; when
4 applicable. In addition to those positions identified in
5 section [~~88-74(b)~~] 88-74(e) and notwithstanding any law in this
6 part that requires a member to attain age fifty-five to qualify
7 for an unreduced service retirement allowance, if [~~the~~] a
8 member, who became a member before July 1, 2012, has at least
9 [~~thirty~~]:

- 10 (1) Thirty years of credited service through June 30,
11 2003; [~~twenty-nine~~]
- 12 (2) Twenty-nine years of credited service on or after
13 July 1, 2004; [~~twenty-eight~~]
- 14 (3) Twenty-eight years of credited service on or after
15 July 1, 2005; [~~twenty-seven~~]
- 16 (4) Twenty-seven years of credited service on or after
17 July 1, 2006; [~~twenty-six~~]
- 18 (5) Twenty-six years of credited service on or after
19 July 1, 2007; [~~and twenty-five~~] or
- 20 (6) Twenty-five years of credited service on or after
21 July 1, 2008,



1 as an emergency medical technician, of which the last five or
2 more years prior to retirement is credited service in that
3 capacity, then upon retirement and irrespective of age, that
4 member's service retirement allowance shall not be reduced for
5 actuarial purposes."

6 SECTION 7. Section 88-76, Hawaii Revised Statutes, is
7 amended to read as follows:

8 "**§88-76 Allowance on ordinary disability retirement.** Upon
9 retirement for ordinary disability, a member shall receive a
10 maximum retirement allowance of one and three-fourths per cent
11 of the member's average final compensation for each year of
12 credited service; except that for each year of credited service
13 as a judge, an elective officer, or a legislative officer, the
14 member shall receive a maximum retirement allowance computed as
15 provided in section [~~88-74(a)(2) or (3)~~], 88-74(c), (d), (g), or
16 (h), as applicable. The minimum retirement allowance payable
17 under this section shall be thirty per cent of the member's
18 average final compensation."

19 SECTION 8. Section 88-81, Hawaii Revised Statutes, is
20 amended to read as follows:

21 "**§88-81 Average final compensation.** (a) Average final
22 compensation is the average annual compensation pay or salary



1 upon which a member has made contributions as required by parts
2 II, VII, and VIII of this chapter.

3 (b) The average final compensation of members shall be
4 calculated as follows:

5 (1) For employees who become members [~~prior to~~] before
6 January 1, 1971:

7 (A) During the member's five highest paid years of
8 credited service, including vacation pay, or the
9 three highest paid years of credited service
10 excluding vacation pay, whichever is greater; or

11 (B) If the member has [~~less~~] fewer than three years
12 of credited service, during the member's actual
13 years of credited service [~~-~~];

14 (2) For employees who become members [~~on or after~~
15 January 1, 1971:] after December 31, 1970, but before
16 July 1, 2012:

17 (A) During the member's three highest paid years of
18 credited service, excluding vacation pay; or

19 (B) If the member has [~~less~~] fewer than three years
20 of credited service, during the member's actual
21 years of credited service [~~-~~]; and

22 (3) For employees who become members after June 30, 2012:



1 (A) During the member's five highest paid years of
2 credited service, excluding vacation pay; or

3 (B) If the member has fewer than five years of
4 credited service, during the member's actual
5 years of credited service.

6 (c) In computing the compensation of a judge, the
7 compensation paid to the judge by the United States as well as
8 by the Territory shall be included.

9 (d) For service rendered as a member of the legislature
10 from and after November 5, 1968, the actual annual salary of a
11 member shall be the only amount used for determining the
12 member's average final compensation. For service rendered as a
13 member of the legislature prior to November 5, 1968, and after
14 admission of this State into the Union, the annual compensation
15 of a member shall be computed, for the purpose of determining
16 the member's average final compensation, as follows: [~~during~~]

17 (1) During a year in which a general session was held, it
18 shall be deemed to have been an amount equal to four
19 times the salary of a member of the legislature for a
20 general session; and [~~during~~]

21 (2) During a year in which a budget session was held, it
22 shall be deemed to have been an amount equal to six



1 times the salary of a member of the legislature for a
2 budget session.

3 For service rendered as a member of the legislature prior to the
4 admission of this State into the Union, the annual compensation
5 of a member shall be deemed to have been four times the salary
6 of a member of the legislature for a regular session for each
7 year during the member's term of office.

8 (e) If a member, who became a member before July 1, 2012,
9 has credited service rendered as an elective officer or as a
10 legislative officer, the member's average final compensation
11 shall be computed separately for each category of service as
12 follows:

13 (1) For the three highest paid years of credited service
14 as an elective officer, or if the member has [~~less~~]
15 fewer than three years of credited service in that
16 capacity, then the member's actual years of credited
17 service;

18 (2) For the three highest paid years of credited service
19 as a legislative officer, or if the member has [~~less~~]
20 fewer than three years of credited service in that
21 capacity, then the member's actual years of credited
22 service;



1 (3) For the three highest paid years of credited service
2 as a judge, or if the member has [~~less~~] fewer than
3 three years of credited service in that capacity, then
4 the member's actual years of credited service; and

5 (4) For the three highest paid years of credited service
6 not included in paragraph (1), (2), or (3), or if the
7 member has [~~less~~] fewer than three years of credited
8 service in that capacity, then the member's actual
9 years of credited service.

10 (f) If a member, who becomes a member after June 30, 2012,
11 has credited service rendered as an elective officer or as a
12 legislative officer, the member's average final compensation
13 shall be computed separately for each category of service as
14 follows:

15 (1) For the five highest paid years of credited service as
16 an elective officer, or if the member has fewer than
17 five years of credited service in that capacity, then
18 the member's actual years of credited service;

19 (2) For the five highest paid years of credited service as
20 a legislative officer, or if the member has fewer than
21 five years of credited service in that capacity, then
22 the member's actual years of credited service;



- 1 (3) For the five highest paid years of credited service as
2 a judge, or if the member has fewer than three years
3 of credited service in that capacity, then the
4 member's actual years of credited service; and
- 5 (4) For the five highest paid years of credited service
6 not included in paragraph (1), (2), or (3), or if the
7 member has fewer than five years of credited service
8 in that capacity, then the member's actual years of
9 credited service."

10 SECTION 9. Section 88-90, Hawaii Revised Statutes, is
11 amended to read as follows:

12 "**§88-90 Post retirement allowances.** (a) There shall be
13 payable to each person receiving any pension, annuity or
14 retirement allowance, a post retirement allowance which shall
15 consist of an amount equivalent to one and one-half per cent of
16 the monthly pension, annuity, or retirement allowance as
17 originally computed, approved, and paid. This benefit shall be
18 added to the monthly pension, annuity, or retirement allowance
19 on the first day of July in each year following June 30, 1961,
20 as follows:

- 21 (1) To each person receiving a pension, annuity, or
22 retirement allowance on June 30, 1961, payment of the



1 benefit shall commence on July 1, 1961, except that
2 after June 30, 1963, the monthly benefits payable
3 under this subsection shall be computed and paid on
4 the basis of the number of years that has elapsed
5 since the person entitled thereto first became the
6 recipient of the pension, annuity, or retirement
7 allowance from which the benefit is derived[~~-~~]; and

8 (2) To each person first receiving a pension, annuity, or
9 retirement allowance after June 30, 1961, payment of
10 the benefit shall commence on the first of July
11 following the calendar year in which the payment of
12 the pension, annuity, or retirement allowance is
13 effective.

14 (b) After June 30, 1970, the post retirement allowance
15 shall consist of an amount equivalent to two and one-half per
16 cent of the monthly pension, annuity, or retirement allowance as
17 originally computed and paid. This benefit shall be payable on
18 the first day of July in each year following June 30, 1970, as
19 follows:

20 (1) To each person, who on June 30, 1970, was receiving a
21 post retirement allowance as described under



1 subsection (a) hereof, payment of the benefit shall
2 commence on July 1, 1970[-]; and

3 (2) To each person first receiving a pension, annuity, or
4 retirement allowance after December 31, 1968, payment
5 of the benefit shall commence on the first day of July
6 following the calendar year in which the payment of
7 the pension, annuity, or retirement allowance is
8 effective.

9 (c) Notwithstanding subsections (a) and (b), for employees
10 who become members after June 30, 2012, and for any person who
11 receives a monthly pension, annuity or retirement allowance as a
12 beneficiary or survivor of the employee, the post retirement
13 allowance shall consist of an amount equivalent to one and one
14 half per cent of the monthly pension, annuity, or retirement
15 allowance as originally computed and paid. Payment of the
16 benefit shall commence on the first day of July following the
17 calendar year in which the payment of the pension, annuity or
18 retirement allowance is effective."

19 SECTION 10. Section 88-96, Hawaii Revised Statutes, is
20 amended by amending subsections (a) and (b) to read as follows:

21 "(a) Any member who ceases to be an employee and who
22 became a member before July 1, 2012, and has fewer than five



1 years of credited service, excluding unused sick leave, or who
2 becomes a member after June 30, 2012, and has fewer than ten
3 years of credited service, excluding sick leave, shall, upon
4 application to the board, [~~shall~~] be paid all of the member's
5 accumulated contributions and the member's membership shall
6 thereupon terminate and all credited service shall be forfeited;
7 provided that a member shall not be paid the member's
8 accumulated contributions:

- 9 (1) If the member becomes an employee again within fifteen
10 calendar days from the date the member ceased to be an
11 employee; or
12 (2) If, at the time the application for return of
13 accumulated contributions is received by the board,
14 the member has become an employee again.

15 Regular interest shall be credited to the former employee's
16 account until the former employee's accumulated contributions
17 are returned to the former employee; provided that the former
18 employee's membership shall not continue after the fourth full
19 year following the calendar year in which the individual's
20 employment terminates. Upon termination of the former
21 employee's membership, the former employee's credited service
22 shall be forfeited and, if the former employee's accumulated



1 contributions are \$1,000 or less at the time of distribution,
2 the system shall return the former employee's contributions to
3 the former employee. If the former employee does not become an
4 employee again and if the former employee's accumulated
5 contributions have not been withdrawn by the former employee or
6 previously returned by the system to the former employee, the
7 system shall return the former employee's accumulated
8 contributions to the former employee as soon as possible after
9 the former employee attains age sixty-two.

10 (b) Any member [~~having five or more years of credited~~
11 ~~service~~] who ceases to be an employee[~~r~~] and who became a member
12 before July 1, 2012, and has more than five years of credited
13 service, excluding unused sick leave, or who becomes a member
14 after June 30, 2012, and has more than ten years of credited
15 service, excluding sick leave, shall, upon application to the
16 board, [~~shall~~] be paid all of the member's accumulated
17 contributions and thereupon the former employee's membership
18 shall terminate and all credited service shall be forfeited;
19 provided that a member shall not be paid the member's
20 accumulated contributions:



1 (1) If the member becomes an employee again within fifteen
2 calendar days from the date the member ceased to be an
3 employee; or

4 (2) If, at the time the application for return of
5 accumulated contributions is received by the board,
6 the member has become an employee again.

7 If the contributions are not withdrawn by the former
8 employee within four calendar years following the calendar year
9 in which the former employee's employment terminates, the former
10 employee shall have established vested benefit status and shall
11 be eligible for the service retirement benefit in effect at the
12 time of the former employee's retirement, payable in accordance
13 with this chapter; provided that if the former employee
14 withdraws the former employee's accumulated contributions, the
15 former employee's vested benefit status shall terminate and all
16 credited service shall be forfeited."

17 SECTION 11. Section 88-311, Hawaii Revised Statutes, is
18 amended by amending the definition of "hypothetical account
19 balance" to read as follows:

20 ""Hypothetical account balance" means:

21 (1) For members who became members before July 1, 2012,
22 the sum of:



- 1 ~~[(1)]~~ (A) One and one-half times the sum of:
- 2 ~~[(A)]~~ (i) Employee contributions made, either by the
- 3 member or on behalf of the member, pursuant
- 4 to section 88-325; ~~[and~~
- 5 ~~[(B)]~~ (ii) Accumulated interest at the regular interest
- 6 rate on the employee contributions; and
- 7 ~~[(2)]~~ (B) Any employee contributions, including rollovers
- 8 and contributions used to convert credited
- 9 service to class H credited service, or used to
- 10 purchase service, and accumulated interest on the
- 11 employee contributions at the regular interest
- 12 rate~~[-]~~; or
- 13 (2) For members who become members after June 30, 2012,
- 14 the sum of:
- 15 (A) One and one-fifth times the sum of:
- 16 (i) Employee contributions made, either by the
- 17 member or on behalf of the member, pursuant
- 18 to section 88-325; and
- 19 (ii) Accumulated interest at the regular interest
- 20 rate on the employee contributions; and
- 21 (B) Any employee contributions, including rollovers
- 22 and contributions used to convert credited



1 service to class H credited service, or used to
2 purchase service, and accumulated interest on the
3 employee contributions at the regular interest
4 rate."

5 SECTION 12. Section 88-325, Hawaii Revised Statutes, is
6 amended to read as follows:

7 "~~+~~§88-325~~+~~ **Employee contributions.** (a) Each class H
8 member, who became a member before July 1, 2012, shall
9 contribute six per cent of the member's compensation to the
10 annuity savings fund; provided that each sewer worker, water
11 safety officer, and emergency medical technician who became a
12 member before July 1, 2012, and is a class H member shall
13 contribute nine and [~~seventy-five one-hundredths~~] three-fourths
14 per cent of the member's compensation to the annuity savings
15 fund for service in that capacity.

16 (b) Each class H member, who becomes a member after
17 June 30, 2012, shall contribute eight per cent of the member's
18 compensation to the annuity savings fund; provided that each
19 sewer worker, water safety officer, and emergency medical
20 technician who becomes a member after June 30, 2012, and is a
21 class H member shall contribute eleven and three-fourths per



1 cent of the member's compensation to the annuity savings fund
2 for service in that capacity."

3 SECTION 13. Section 88-331, Hawaii Revised Statutes, is
4 amended as follows:

5 1. By amending subsections (a) and (b) to read:

6 "(a) A class H member who:

7 (1) Became a member before July 1, 2012, has at least five
8 years of credited service, and has attained age
9 sixty-two[, or a class H member with];

10 (2) Became a member before July 1, 2012, has at least
11 thirty years of credited service [who], and has
12 attained the age of fifty-five; or

13 (3) Becomes a member after June 30, 2012, has at least ten
14 years of credited service, and has attained age
15 sixty-five; or

16 (4) Becomes a member after June 30, 2012, has at least
17 thirty years of credited service, and has attained age
18 sixty,

19 shall become eligible to receive a retirement allowance after
20 the member has terminated service.

21 (b) A class H member who became a member before July 1,
22 2012, and has at least twenty-five years of credited service as



1 a sewer worker or water safety officer, of which the last five
2 or more years prior to retirement is credited service in that
3 capacity, shall become eligible to receive a retirement
4 allowance unreduced for age after the member has terminated
5 service. A class H member who becomes a member after June 30,
6 2012, and has at least twenty-five years of credited service as
7 a sewer worker or water safety officer, of which the last five
8 or more years prior to retirement is credited service in that
9 capacity, and has attained age fifty-five shall become eligible
10 to receive a retirement allowance unreduced for age after the
11 member has terminated service."

12 2. By amending subsection (d) to read:

13 "(d) If a class H member, who became a member before
14 July 1, 2012, has at least twenty-eight years of credited
15 service on or after July 1, 2005; twenty-seven years of credited
16 service on or after July 1, 2006; twenty-six years of credited
17 service on or after July 1, 2007; and twenty-five years of
18 credited service on or after July 1, 2008, as an emergency
19 medical technician, of which the last five or more years prior
20 to retirement is credited service in that capacity, the member
21 shall be eligible to receive a retirement benefit unreduced for
22 age after the member has terminated service. If a class H



1 member, who becomes a member after June 30, 2012, has at least
2 twenty-five years of credited service as an emergency medical
3 technician, of which the last five or more years prior to
4 retirement is credited service in that capacity, and has
5 attained age fifty-five, the member shall be eligible to receive
6 a retirement benefit unreduced for age after the member has
7 terminated service."

8 SECTION 14. Section 88-332, Hawaii Revised Statutes, is
9 amended to read as follows:

10 "**§88-332 Service retirement allowance.** (a) Upon
11 retirement from service, a class H member who became a member
12 before July 1, 2012, shall receive a maximum retirement
13 allowance as follows:

14 (1) If the member has met the requirements in section
15 88-331(a), (b), or (d), a maximum retirement allowance
16 of two per cent of the average final compensation
17 multiplied by the number of years of class H credited
18 service, plus a retirement allowance at the rate of
19 one and one-fourth per cent of the member's average
20 final compensation multiplied by the number of years
21 of class C credited service; or



1 (2) If the member has met the requirements in section
2 88-331(c), an early retirement allowance equal to the
3 maximum retirement allowance calculated as provided in
4 paragraph (1), reduced by 0.4166 per cent for each
5 month the member is less than age sixty-two at
6 retirement.

7 (b) Upon retirement from service, a class H member who
8 becomes a member after June 30, 2012, shall receive a maximum
9 retirement allowance as follows:

10 (1) If the member has met the requirements in section
11 88-331(a), (b), or (d), a maximum retirement
12 allowance of one and three-fourths per cent of the
13 average final compensation multiplied by the number
14 of years of class H credited service, plus a
15 retirement allowance at the rate of one and
16 one-fourth per cent of the member's average final
17 compensation multiplied by the number of years of
18 class C credited service; or

19 (2) If the member has met the requirements in section
20 88-331(c), an early retirement allowance equal to the
21 maximum retirement allowance calculated as provided
22 in paragraph (1), reduced by 0.4166 per cent for each



1 month the member is less than age sixty-five at
2 retirement."

3 SECTION 15. Section 88-341, Hawaii Revised Statutes, is
4 amended by amending subsections (a) and (b) to read as follows:

5 "(a) Any class H member who ceases to be an employee and
6 who became a member before July 1, 2012, and has fewer than five
7 years of credited service, excluding unused sick leave, or who
8 becomes a member after June 30, 2012, and has fewer than ten
9 years of credited service, excluding unused sick leave, shall,
10 upon application to the board, be paid all of the former
11 employee's accumulated contributions, and the former employee's
12 membership shall thereupon terminate and all credited service
13 shall be forfeited; provided that an individual shall not be
14 paid the individual's accumulated contributions if either:

15 (1) The individual becomes an employee again within
16 fifteen calendar days from the date the individual
17 ceased to be an employee; or

18 (2) At the time the application for return of accumulated
19 contributions is received by the board, the individual
20 has become an employee again.

21 Regular interest shall be credited to the former employee's
22 account until the former employee's accumulated contributions



1 are withdrawn; provided that the former employee's membership
2 shall not continue after the fourth full year following the
3 calendar year in which the individual's employment terminates.
4 If the former employee does not become an employee again and has
5 not withdrawn the former employee's accumulated contributions,
6 the system shall return the former employee's accumulated
7 contributions to the former employee as soon as possible after
8 the former employee attains age sixty-two.

9 (b) Any class H member [~~having five or more years of~~
10 ~~credited service~~] who ceases to be an employee[~~7~~] and who became
11 a member before July 1, 2012, and has more than five years of
12 credited service, excluding unused sick leave, or who becomes a
13 member after June 30, 2012, and has more than ten years of
14 credited service, excluding sick leave, shall, upon application
15 to the board, [~~shall~~] be paid an amount equal to the former
16 employee's hypothetical account balance and the former
17 employee's membership shall thereupon terminate and all credited
18 service shall be forfeited; provided that the individual shall
19 not be paid the individual's hypothetical account balance if
20 either:



- 1 (1) The individual becomes an employee again within
2 fifteen calendar days from the date the individual
3 ceased to be an employee; or
- 4 (2) At the time the application for payment of the
5 individual's hypothetical account balance is received
6 by the board, the individual has become an employee
7 again.

8 If the contributions are not withdrawn by the former
9 employee after the individual's employment terminates, the
10 former employee shall have vested benefit status and shall be
11 eligible for the service retirement benefit in effect at the
12 time of the former employee's retirement, payable in accordance
13 with this chapter."

14 **PART II**

15 SECTION 16. Section 88-122, Hawaii Revised Statutes, is
16 amended by amending subsection (e) to read as follows:

17 "(e) Commencing with fiscal year 2005-2006 and each
18 subsequent fiscal year, the employer contributions for normal
19 cost and accrued liability for each of the two groups of
20 employees in subsection (a) shall be based on fifteen and three-
21 fourths per cent of the member's compensation for police
22 officers, firefighters, and corrections officers and thirteen



1 and three-fourths per cent of the member's compensation for all
2 other employees. Commencing with fiscal year 2008-2009 and each
3 subsequent fiscal year[7] until fiscal year 2011-2012, the
4 employer contributions for normal cost and accrued liability for
5 each of the two groups of employees in subsection (a) shall be
6 based on nineteen and seven-tenths per cent of the member's
7 compensation for police officers, firefighters, and corrections
8 officers and fifteen per cent of the member's compensation for
9 all other employees. In fiscal year 2012-2013, the employer
10 contributions for normal cost and accrued liability for each of
11 the two groups of employees in subsection (a) shall be based on
12 twenty-two per cent of the member's compensation for police
13 officers, firefighters, and corrections officers and fifteen and
14 one-half per cent of the member's compensation for all other
15 employees. In fiscal year 2013-2014, the employer contributions
16 for normal cost and accrued liability for each of the two groups
17 of employees in subsection (a) shall be based on twenty-three
18 per cent of the member's compensation for police officers,
19 firefighters, and corrections officers and sixteen per cent of
20 the member's compensation for all other employees. In fiscal
21 year 2014-2015, the employer contributions for normal cost and
22 accrued liability for each of the two groups of employees in



1 subsection (a) shall be based on twenty-four per cent of the
2 member's compensation for police officers, firefighters, and
3 corrections officers and sixteen and one-half per cent of the
4 member's compensation for all other employees. Commencing with
5 fiscal year 2015-2016 and each subsequent fiscal year, the
6 employer contributions for normal cost and accrued liability for
7 each of the two groups of employees in subsection (a) shall be
8 based on twenty-five per cent of the member's compensation for
9 police officers, firefighters, and corrections officers and
10 seventeen per cent of the member's compensation for all other
11 employees. The contribution rates shall amortize the total
12 unfunded accrued liability of the entire plan over a period not
13 to exceed thirty years. [~~Effective January 2, 2008 until~~
14 ~~January 2, 2011, there shall be no benefit enhancements under~~
15 ~~this chapter for any group of members, including any reduction~~
16 ~~of retirement age, when there is an unfunded accrued liability.]~~

17 The contribution rates shall be subject to adjustment:

- 18 (1) If the actual period required to amortize the unfunded
19 accrued liability exceeds thirty years;
- 20 (2) If there is no unfunded accrued liability; or
- 21 (3) Based on the actuarial investigation conducted in
22 accordance with section 88-105."



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PART III

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SECTION 17. The purpose of this part is to address the employees' retirement system of the State of Hawaii.

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More specifically, this part reduces the percentage of regular interest to be credited to a new public employees' retirement account. The legislature finds that a reduced percentage established pursuant to this part is comparable to interest on savings accounts, certificates of deposit, and other similar investment vehicles. The legislature further finds that this part is necessary to control the public employers' contributions to the employees' retirement system.

This part includes a study to be conducted in the future by the board of trustees of the system on the appropriateness of the new regular interest rate. Based on the study, the board shall recommend changing the rate or keeping it the same.

SECTION 18. Section 88-21, Hawaii Revised Statutes, is amended by amending the definition of "regular interest" to read:

"Regular interest":

- (1) For a member who became a member before July 1, 2011,
interest at four and one-half per cent a year,
compounded annually[-]; and



1 (2) For a member who becomes a member after June 30, 2011,
2 interest at two per cent a year, compounded annually."

3 SECTION 19. Section 88-132, Hawaii Revised Statutes, is
4 amended by amending subsection (d) to read as follows:

5 "(d) If the State or county, as the case may be, fails to
6 pay the contributions within the time specified in subsection
7 (c), the State or county, as the case may be, shall also pay to
8 the system regular interest [~~at the rate of four and one-half~~
9 ~~per cent a year compounded annually~~] from the date the member
10 returned to state or county government service or the date of
11 the member's death in the performance of the member's military
12 duty until payment is made. [~~Interest~~] Regular interest paid on
13 the portion of the contributions that would have been payable by
14 the member shall be included in the member's accumulated
15 contributions."

16 SECTION 20. Commencing on January 1, 2020, the board of
17 trustees of the employees' retirement system shall conduct a
18 study to determine whether the percentage of regular interest,
19 as defined under section 88-21, Hawaii Revised Statutes, is
20 appropriate. The board shall compare that percentage against
21 the guaranteed percentage of interest paid by other investment
22 or saving vehicles during the fiscal year 2019-2020. The board



1 shall submit a report of the study to the legislature that shall
2 include a recommendation on whether the percentage of "regular
3 interest" should be changed or remain the same. The board shall
4 submit the report not less than twenty days prior to the
5 convening of the regular session of 2021.

6 **PART IV**

7 SECTION 21. Section 88-105, Hawaii Revised Statutes, is
8 amended by amending subsection (a) to read as follows:

9 "(a) At least once in each five-year period, commencing
10 with fiscal year 1994-1995, the actuary shall make an actuarial
11 investigation of the experience of the system and shall
12 recommend to the board of trustees the adoption for actuarial
13 valuation of the system of mortality, service, and other
14 assumptions, factors, and tables as shall be deemed appropriate
15 and necessary [~~and the actuary shall recommend to the~~
16 ~~legislature for its adoption the investment yield rate]~~. The
17 actuary shall further recommend the acceptable funded ratio for
18 the system, taking into consideration the guaranties of article
19 XVI, section 2 of the state constitution, section 88-107, and
20 section 88-127."

21 SECTION 22. Section 88-122, Hawaii Revised Statutes, is
22 amended by amending subsection (b) to read as follows:



1 "(b) The actuarial valuations [~~made for years after~~
2 ~~June 30, 1999,~~] shall be based on [~~an eight per cent investment~~
3 ~~yield rate, salary increase assumptions adopted by the board on~~
4 ~~the recommendation of the actuary described under section 88-30,~~
5 ~~and] the contribution rates approved by the legislature, and the
6 tables, [contribution rates,] assumptions, and factors adopted
7 by the board [or legislature] for actuarial valuations of the
8 system[~~, subject to recommendations made by the actuary~~
9 appointed under section 88-29.]; provided that the investment
10 yield rate assumption for the year ending June 30, 2011, shall
11 be seven and three-quarters per cent."~~

PART V

13 SECTION 23. Statutory material to be repealed is bracketed
14 and stricken. New statutory material is underscored.

15 SECTION 24. This Act shall take effect on July 1, 2011;
16 provided that part IV shall take effect on June 30, 2011.

APPROVED this 23 day of JUN, 2011

Neil Abernethie

GOVERNOR OF THE STATE OF HAWAII