
A BILL FOR AN ACT

RELATING TO THE DEFINITION OF COMPENSATION FOR PURPOSES OF THE
EMPLOYEES' RETIREMENT SYSTEM.

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

1 SECTION 1. Section 88-21.5, Hawaii Revised Statutes, is
2 amended to read as follows:

3 "**§88-21.5 Compensation.** [~~Unless~~] (a) For an employee who
4 first enters service before July 1, 2011, unless a different
5 meaning is plainly required by context, as used in this part,
6 "compensation" means [~~normal~~]:

7 (1) Normal periodic payments of money for service the
8 right to which accrues on a regular basis in
9 proportion to the service performed; [~~overtime,~~]

10 (2) Overtime, differentials, and supplementary payments;
11 [~~bonuses~~]

12 (3) Bonuses and lump sum salary supplements; and
13 [~~elective~~]

14 (4) Elective salary reduction contributions under sections
15 125, 403(b), and 457(b) of the Internal Revenue Code
16 of 1986, as amended.



1 Bonuses and lump sum salary supplements shall be deemed earned
2 when payable; provided that bonuses or lump sum salary
3 supplements in excess of one-twelfth of compensation for the
4 twelve months prior to the month in which the bonus or lump sum
5 salary supplement is payable, exclusive of overtime, bonuses,
6 and lump sum salary supplements, shall be deemed earned:

7 (1) During the period agreed-upon by the employer and
8 employee, but in any event over a period of not less
9 than twelve months; or

10 (2) In the absence of an agreement between the employer
11 and the employee, over the twelve months prior to the
12 date on which the bonus or lump sum salary supplement
13 is payable.

14 (b) For an employee who first enters service after
15 June 30, 2011, unless a different meaning is plainly required by
16 context, "compensation" as used in this part:

17 (1) Means:

18 (A) The normal periodic payments of money for
19 service, the right to which accrues on an hourly,
20 daily, monthly, or annual basis;

21 (B) Shortage differentials;



1 (C) Elective salary reduction contributions under
2 sections 125, 403(b), and 457(b) of the Internal
3 Revenue Code of 1986, as amended; and
4 (D) Twelve-month differentials for employees of the
5 department of education;

6 and

7 (2) Shall not include any other additional or extra
8 payments to an employee or officer, including
9 overtime, supplementary payments, bonuses, lump sum
10 salary supplements, allowances, or differentials,
11 including differentials for stand-by duty, temporary
12 unusual work hazards, compression differentials, or
13 temporary differentials, except for those expressly
14 authorized pursuant to subsection (b)(1)(B),
15 (b)(1)(C), and (b)(1)(D)."

16 SECTION 2. Statutory material to be repealed is bracketed
17 and stricken. New statutory material is underscored.

18 SECTION 3. This Act shall take effect on July 1, 2011.



Report Title:

Employees' Retirement System; Calculation of Retirement Benefits

Description:

Revises the method of computing Employees' Retirement System (ERS) pension benefits for employees hired after June 30, 2011. Effective July 1, 2011. (SB1269 HD2)

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