
A BILL FOR AN ACT

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM.

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

1 SECTION 1. The legislature finds that it is necessary to
2 reduce the unfunded actuarial accrued liability of the
3 employees' retirement system.

4 The purpose of this Act is to provide that, for a public
5 employee hired after June 30, 2012, the "average final
6 compensation" shall be the average annual compensation during
7 all years of credited service.

8 SECTION 2. Section 88-81, Hawaii Revised Statutes, is
9 amended as follows:

10 1. By amending subsection (b) to read:

11 "(b) The average final compensation of members shall be
12 calculated as follows:

13 (1) For employees who become members before January 1,
14 1971:

15 (A) During the member's five highest paid years of
16 credited service, including vacation pay, or the
17 three highest paid years of credited service
18 excluding vacation pay, whichever is greater; or



- 1 (B) If the member has fewer than three years of
2 credited service, during the member's actual
3 years of credited service;
- 4 (2) For employees who become members after December 31,
5 1970, but before July 1, 2012:
- 6 (A) During the member's three highest paid years of
7 credited service, excluding vacation pay; or
- 8 (B) If the member has fewer than three years of
9 credited service, during the member's actual
10 years of credited service; and
- 11 (3) For employees who become members after June 30, 2012[÷
12 ~~(A) During the member's five highest paid years of~~
13 ~~credited service, excluding vacation pay; or~~
14 ~~(B) If the member has fewer than five years of~~
15 ~~credited service, during the member's actual~~
16 ~~years of credited service.], the average annual
17 compensation during all years of credited
18 service, that shall be calculated as follows:~~
- 19 (A) Totaling all compensation received by the
20 employee during all years of credited service;
21 and



1 (B) Dividing that total by the number of years of
2 credited service of the employee."

3 2. By amending subsection (f) to read:

4 "(f) If a member, who becomes a member after June 30,
5 2012, has credited service rendered as an elective officer [~~or~~
6 ~~as a~~], legislative officer, or judge, the member's average final
7 compensation shall be computed separately for each category of
8 service as follows:

9 (1) For the five highest paid years of credited service as
10 an elective officer, or if the member has fewer than
11 five years of credited service in that capacity, then
12 the member's actual years of credited service;

13 (2) For the five highest paid years of credited service as
14 a legislative officer, or if the member has fewer than
15 five years of credited service in that capacity, then
16 the member's actual years of credited service;

17 (3) For the five highest paid years of credited service as
18 a judge, or if the member has fewer than three years
19 of credited service in that capacity, then the
20 member's actual years of credited service; and

21 (4) For [~~the five highest paid~~] years of credited service
22 not included in paragraph (1), (2), or (3), [~~or if the~~



1 ~~member has fewer than five years of credited service~~
 2 ~~in that capacity, then] the member's actual years of~~
 3 credited service. The member's average final
 4 compensation under this paragraph shall be computed in
 5 accordance with subsection (b) (3)."

6 SECTION 3. Statutory material to be repealed is bracketed
 7 and stricken. New statutory material is underscored.

8 SECTION 4. This Act shall take effect upon its approval.

9

INTRODUCED BY: Calvin K. Boy

JAN 13 2012



H.B. NO. 1812

Report Title:

Employees' Retirement System; New Employee's Average Final Compensation

Description:

Provides that, for a public employee hired after 06/30/2012, the "average final compensation" shall be the average annual compensation received during all years of credited service.

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