
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 purpose of this Act is to ensure the
2 financial viability of the employees' retirement system.
3 Specifically, this Act excludes overtime payments,
4 differentials, supplementary payments, bonuses, and lump sum
5 salary supplements from the computation of retirement allowances
6 for new public employees who first enter state or county service
7 after June 30, 2011. The legislature expressly intends,
8 however, that amendments made by this Act relating to the
9 calculation of retirement allowances shall not apply to a public
10 employee who first entered state or county service before July
11 1, 2011.

12 The legislature finds that this Act is imperative for the
13 long-term financial future of the State and the counties, whose
14 obligations for public employee retirement benefits and employer
15 contributions are substantial. Accordingly, the legislature
16 further finds that immediate action is necessary to ease the
17 burden on taxpayers in the future.



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

3 "§88-21.5 Compensation. (a) Unless a different meaning
4 is plainly required by context, and except as otherwise provided
5 under subsection (b), as used in this part, "compensation" means
6 normal periodic payments of money for service the right to which
7 accrues on a regular basis in proportion to the service
8 performed; overtime, differentials, and supplementary payments;
9 bonuses and lump sum salary supplements; and elective salary
10 reduction contributions under sections 125, 403(b), and 457(b)
11 of the Internal Revenue Code of 1986, as amended. Bonuses and
12 lump sum salary supplements shall be deemed earned when payable;
13 provided that bonuses or lump sum salary supplements in excess
14 of one-twelfth of compensation for the twelve months prior to
15 the month in which the bonus or lump sum salary supplement is
16 payable, exclusive of overtime, bonuses, and lump sum salary
17 supplements, shall be deemed earned:

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

21 (2) In the absence of an agreement between the employer
22 and the employee, over the twelve months prior to the



1 date on which the bonus or lump sum salary supplement
2 is payable.

3 (b) Notwithstanding subsection (a), for any employee who
4 first enters service after June 30, 2011, "compensation" as used
5 in this part shall not include overtime payments, differentials,
6 supplementary payments, bonuses, and lump sum salary
7 supplements.

8 This subsection shall not apply to any employee who first
9 entered service before July 1, 2011."

10 SECTION 3. New statutory material is underscored.

11 SECTION 4. This Act shall take effect on July 1, 2011.

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INTRODUCED BY:

Calvin K. Day

JAN 21 2011



Report Title:

Employees' Retirement System; New Public Employees; Calculation of Compensation

Description:

Provides that, for a public employee who first enters service after 6/30/11, "compensation" for the purpose of calculating retirement allowances does not include overtime payments, differentials, supplementary payments, bonuses, and lump sum salary supplements. States expressly that the provision does not apply to a public employee who first entered service before 7/1/11.

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