
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 Employee contributions.** [~~Unless~~] (a) For
4 service before July 1, 2011, unless a different meaning is
5 plainly required by context, as used in this part,
6 "compensation" means normal periodic payments of money for
7 service the right to which accrues on a regular basis in
8 proportion to the service performed; overtime, differentials,
9 and supplementary payments; bonuses and lump sum salary
10 supplements; and elective salary reduction contributions under
11 sections 125, 403(b), and 457(b) of the Internal Revenue Code of
12 1986, as amended. Bonuses and lump sum salary supplements shall
13 be deemed earned when payable; provided that bonuses or lump sum
14 salary supplements in excess of one-twelfth of compensation for
15 the twelve months prior to the month in which the bonus or lump
16 sum salary supplement is payable, exclusive of overtime,



1 bonuses, and lump sum salary supplements, shall be deemed
2 earned:

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

6 (2) In the absence of an agreement between the employer
7 and the employee, over the twelve months prior to the
8 date on which the bonus or lump sum salary supplement
9 is payable.

10 (b) For service after June 30, 2011, unless a different
11 meaning is plainly required by context, as used in this part:

12 (1) For members who become members before July 1, 2011,
13 "compensation" means regular compensation, plus
14 additional compensation for the following years of
15 service in the following ratios:

16 (A) For service beginning on July 1, 2011, through
17 June 30, 2012, one hundred per cent of additional
18 compensation;

19 (B) For service beginning on July 1, 2012, through
20 June 30, 2013, seventy-five per cent of
21 additional compensation;



- 1 (C) For service beginning on July 1, 2013, through
2 June 30, 2014, seventy per cent of additional
3 compensation;
- 4 (D) For service beginning on July 1, 2014, through
5 June 30, 2015, sixty-five per cent of additional
6 compensation;
- 7 (E) For service beginning on July 1, 2015, through
8 June 30, 2016, sixty per cent of additional
9 compensation;
- 10 (F) For service beginning on July 1, 2016, through
11 June 30, 2017, fifty-five per cent of additional
12 compensation; and
- 13 (G) For service beginning on or after July 1, 2017,
14 fifty per cent of additional compensation.
- 15 (2) For members who become members on or after July 1,
16 2011, "compensation" means regular compensation and
17 does not include additional compensation.
- 18 (3) For purposes of this subsection:
- 19 "Additional compensation" includes any other additional or
20 extra payments, excluding regular compensation, to an employee
21 or officer, including overtime, bonuses, lump sum salary
22 supplements, allowances, and differentials, including



1 differentials for stand-by duty, temporary unusual work hazards,
2 compression differentials, and temporary differentials.

3 "Regular compensation" means normal periodic payments of
4 money for services performed, the right to which accrues on an
5 hourly, daily, monthly, or annual basis; shortage differentials;
6 and elective salary reduction contributions under sections 125,
7 403(b), and 457(b) of the Internal Revenue Code of 1986."

8 SECTION 2. Statutory material to be repealed is bracketed
9 and stricken. New statutory material is underscored.

10 SECTION 3. This Act shall take effect on July 1, 2050;
11 provided that with respect to individuals who became members of
12 the employees' retirement system of the State of Hawaii before
13 July 1, 2011, the member's benefits accrued up to June 30, 2011,
14 shall not be diminished or impaired.

15



Report Title:

Employees' Retirement System; Calculation of Retirement Benefits

Description:

Amends the definition of "compensation" for the purpose of calculating retirement benefits. Provides a gradual stepped-down calculation for additional compensation for members who are members as of June 30, 2011, for the purposes of calculating retirement benefits. Eliminates additional compensation for new members for the purpose of calculating retirement benefits. Effective 7/1/2050. (SD1)

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