

JAN 28 2015

A BILL FOR AN ACT

RELATING TO RETIREMENT CREDIT FOR UNUSED SICK LEAVE.

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

1 SECTION 1. The purpose of this Act is to change the
2 formula for crediting unused sick leave when a public employee
3 retires or leaves government service. The legislature finds that
4 this Act is necessary to reduce the unfunded liability of the
5 employees' retirement system of the State of Hawaii.

6 SECTION 2. Section 88-63, Hawaii Revised Statutes, is
7 amended to read as follows:

8 " ~~[f]~~ §88-63 ~~[f]~~ Credit for unused sick leave. (a) This
9 subsection applies to public employees who became members of the
10 system before July 1, 2015.

11 A public employee, to whom this subsection applies, who
12 retires or leaves government service in good standing with sixty
13 days or more of unused sick leave shall be entitled to
14 additional service credit in the ~~[retirement]~~ system as follows:

15 (1) An employee with sixty days of unused sick leave to
16 the employee's credit shall have the employee's years
17 of service increased by three months for the purpose
18 of computing the employee's retirement allowance.

1 (2) For each additional twenty days or major fraction
2 thereof of unused sick leave in excess of sixty days
3 that the employee has to the employee's credit the
4 employee shall have the employee's years of service
5 increased by one month for the purpose of computing
6 the employee's retirement allowance.

7 (b) This subsection applies to public employees who become
8 members of the system after June 30, 2015.

9 A public employee, to whom this subsection applies, who
10 retires or leaves government service in good standing with any
11 unused sick leave shall be entitled to additional service credit
12 in the system as follows:

13 (1) An employee with one-hundred twenty days of unused
14 sick leave to the employee's credit shall have the
15 employee's years of service increased by three months
16 for the purpose of computing the employee's retirement
17 allowance.

18 (2) For each additional forty days or major fraction
19 thereof of unused sick leave that the employee has to
20 the employee's credit, the employee shall have the
21 employee's years of service increased by one month for
22 the purpose of computing the employee's retirement
23 allowance.

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1 (c) The allowance on service retirement of section 88-74
2 and the service benefit limitation therein shall not apply to
3 retirement allowances [~~which~~] that exceed such limitations by
4 virtue of the application of this section in the computation of
5 retirement allowances and no reduction in such retirement
6 allowances shall be made on account of such limitations."


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

9 SECTION 4. This Act, upon its approval, shall take effect
10 on July 1, 2015.

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INTRODUCED BY: 
BY REQUEST

Report Title:

Employees' Retirement System; Unused Sick Leave Credit For Public Employees.

Description:

Changes the formula for crediting unused sick leave to retirement benefits for public employees who become members of the Employees' Retirement System after June 30, 2015.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

JUSTIFICATION SHEET

DEPARTMENT: Budget and Finance

TITLE: A BILL FOR AN ACT RELATING TO RETIREMENT CREDIT FOR UNUSED SICK LEAVE.

PURPOSE: To improve the funded status of the Employees' Retirement System of the State of Hawaii by changing the formula used to credit unused sick leave toward retirement benefits for public employees who become members of the Employees' Retirement System after June 30, 2015.

MEANS: Amend section 88-63, Hawaii Revised Statutes.

JUSTIFICATION: Currently, members of the Employees' Retirement System who retire or leave public service with sixty or more days of accumulated unused sick leave receive one month of service credit for retirement benefit purposes for every twenty days of accumulated unused sick leave. These members receive additional retirement benefits because of the additional service credit, but do not make any contributions for the additional retirement benefits. The additional costs of providing retirement benefits based on accumulated unused sick leave are borne by the Employees' Retirement System and, ultimately, by the public employers. The current unfunded liability of the Employees' Retirement System is \$8,500,000,000. The projected period for the system to become fully funded is twenty-eight years.

This bill will reduce by one-half the amount of retirement service credited for accumulated sick leave for public employees who join the Employees' Retirement System after June 30, 2015. This reduction will help to reduce the unfunded liability of the

Employees' Retirement System and will also help to keep employer contribution costs from escalating. Furthermore, although the amount of service credited for accumulated sick leave will be reduced, affected public employees will still have an incentive not to "burn" sick leave.

Impact on the public: None.

Impact on the department and other agencies:
Employees' Retirement System pension benefits due to unused sick leave credit is supported by the contributions of state and county public employers. Reducing this benefit will eventually result in lower employer contributions.

GENERAL FUND: See above.

OTHER FUNDS: See above.

PPBS PROGRAM
DESIGNATION: BUF-141/Retirement.

OTHER AFFECTED
AGENCIES: All state and county public employers.

EFFECTIVE DATE: July 1, 2015.