

HB 828

RELATING TO THE EMPLOYEES'
RETIREMENT SYSTEM.

LAB, FIN

HB828



Submit Testimony

Measure Title: RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM.
Report Title: ERS; Legislative Officers; Retirement Benefits
Description: Removes legislative officers from the same retirement benefit class as elected officials.
Companion:
Package: None
Current Referral: LAB, FIN
Introducer(s): SAIKI, JOHANSON

<u>Sort by Date</u>		Status Text
1/23/2017	H	Pending introduction.
1/25/2017	H	Pass First Reading
1/27/2017	H	Referred to LAB, FIN, referral sheet 4
2/6/2017	H	Bill scheduled to be heard by LAB on Thursday, 02-09-17 8:30AM in House conference room 309.

S = Senate | **H** = House | **D** = Data Systems | **\$** = Appropriation measure | **ConAm** = Constitutional Amendment
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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. Section 88-47, Hawaii Revised Statutes, is
2 amended by amending subsection (a) to read as follows:

3 "(a) There shall be four classes of members in the system
4 to be known as class A, class B, class C, and class H, defined
5 as follows:

6 (1) Class A shall consist of:

7 (A) Judges[~~7~~]; elected officials[~~7~~]; and legislative
8 officers[~~7~~] in service prior to July 1, 2017;

9 (B) Investigators of the department of the attorney
10 general, narcotics enforcement investigators,
11 water safety officers not making the election
12 under section 88-271, and public safety
13 investigations staff investigators;

14 (C) Those members in service prior to July 1, 1984,
15 including those who are on approved leave of
16 absence, not making the election to become a



- 1 class C member as provided in part VII or to
2 become a class H member as provided in part VIII;
- 3 (D) The following members in service prior to July 1,
4 2006, including those who are on approved leave
5 of absence, not making the election to become a
6 class H member as provided in part VIII:
- 7 (i) Members whose salaries are set forth in
8 sections 26-52 and 26-53 and their county
9 counterparts, managing directors or an
10 administrative assistant to the mayor, other
11 county department heads, and agency heads
12 appointed and subject to removal by the
13 mayor;
- 14 (ii) First deputies appointed by the county
15 attorney and prosecuting attorney;
- 16 (iii) The county clerk and deputy county clerk of
17 each county;
- 18 (iv) The directors of the offices of council
19 services of the county of Maui and the city
20 and county of Honolulu;
- 21 (v) The administrative director of the courts;



- 1 (vi) The deputy administrative director of the
- 2 courts;
- 3 (vii) The executive officer of the labor and
- 4 industrial relations appeals board; and
- 5 (viii) The executive officer of the Hawaii labor
- 6 relations board;
- 7 (E) All former class A retirants who return to
- 8 employment after June 30, 1984, requiring the
- 9 retirant's active membership; and
- 10 (F) All former class B retirants who return to
- 11 employment requiring the retirant's active
- 12 membership, except for:
- 13 (i) Former retirants who return in the positions
- 14 of police officer or firefighter;
- 15 (ii) Former retirants who were members on July 1,
- 16 1957, who elected not to be covered by the
- 17 Social Security Act; and
- 18 (iii) Former retirants who were in positions to
- 19 which coverage under Title II of the Social
- 20 Security Act was not extended who entered



1 membership after June 30, 1957, but before
2 January 1, 2004;

3 (2) Class B shall consist of:

4 (A) Police officers and firefighters, including
5 former retirants who return to service in such
6 capacity;

7 (B) All employees, including former retirants, who
8 were members on July 1, 1957, who elected not to
9 be covered by the Social Security Act; and

10 (C) All employees, including former retirants, in
11 positions to which coverage under Title II of the
12 Social Security Act is not extended, who enter
13 membership after June 30, 1957, but before
14 January 1, 2004, not making the election to
15 become a class H member as provided in part VIII;

16 (3) Except for members described in paragraphs (1) and
17 (2), class C shall consist of all employees, not
18 making the election to become a class H member as
19 provided in part VIII, who:

20 (A) First enter service after June 30, 1984, but
21 before July 1, 2006;



1 (B) Reenter service after June 30, 1984, but before
2 July 1, 2006, without vested benefit status as
3 provided in section 88-96(b);

4 (C) Make the election to become a class C member as
5 provided in part VII; or

6 (D) Are former class C retirants who return to
7 service requiring the retirant's active
8 membership; and

9 (4) Except for members described in paragraphs (1) and
10 (2), class H shall consist of all employees who:

11 (A) First enter service after June 30, 2006;

12 (B) Reenter service after June 30, 2006, without
13 vested benefit status as provided in section 88-
14 96(b);

15 (C) Make the election to become a class H member as
16 provided in part VIII; or

17 (D) Are former class H retirants who return to
18 service requiring the retirant's active
19 membership."

20 SECTION 2. Section 88-74, Hawaii Revised Statutes, is
21 amended to read as follows:



1 "§88-74 Allowance on service retirement. (a) Upon
2 retirement from service, a member shall receive a maximum
3 retirement allowance as provided in this section.

4 (b) If a member, who became a member before July 1, 2012,
5 has attained age fifty-five, the member's maximum retirement
6 allowance shall be two per cent of the member's average final
7 compensation multiplied by the total number of years of the
8 member's credited service as a class A and class B member,
9 excluding any credited service as a judge, elective officer, or
10 legislative officer, plus a retirement allowance of one and one-
11 fourth per cent of the member's average final compensation
12 multiplied by the total number of years of prior credited
13 service as a class C member, plus a retirement allowance of two
14 per cent of the member's average final compensation multiplied
15 by the total number of years of prior credited service as a
16 class H member; provided that:

17 (1) After June 30, 1968, if the member has at least ten
18 years of credited service of which the last five or
19 more years prior to retirement is credited service as
20 a firefighter, police officer, or an investigator of
21 the department of the prosecuting attorney;



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- 1 (2) After June 30, 1977, if the member has at least ten
2 years of credited service of which the last five or
3 more years prior to retirement is credited service as
4 a corrections officer;
- 5 (3) After June 16, 1981, if the member has at least ten
6 years of credited service of which the last five or
7 more years prior to retirement is credited service as
8 an investigator of the department of the attorney
9 general;
- 10 (4) After June 30, 1989, if the member has at least ten
11 years of credited service of which the last five or
12 more years prior to retirement is credited service as
13 a narcotics enforcement investigator;
- 14 (5) After December 31, 1993, if the member has at least
15 ten years of credited service of which the last five
16 or more years prior to retirement is credited service
17 as a water safety officer;
- 18 (6) After June 30, 1994, if the member has at least ten
19 years of credited service, of which the last five or
20 more years prior to retirement are credited service as
21 a public safety investigations staff investigator;



- 1 (7) After June 30, 2002, if the member:
- 2 (A) Has at least ten years of credited service as a
- 3 firefighter;
- 4 (B) Is deemed permanently medically disqualified due
- 5 to a service related disability to be a
- 6 firefighter by the employer's physician; and
- 7 (C) Continues employment in a class A or B position
- 8 other than a firefighter; and
- 9 (8) After June 30, 2004, if the member:
- 10 (A) Has at least ten years of credited service as a
- 11 police officer;
- 12 (B) Is deemed permanently medically disqualified due
- 13 to a service related disability to be a police
- 14 officer by the employer's physician; and
- 15 (C) Continues employment in a class A or B position
- 16 other than a police officer;
- 17 then for each year of service as a firefighter, police officer,
- 18 corrections officer, investigator of the department of the
- 19 prosecuting attorney, investigator of the department of the
- 20 attorney general, narcotics enforcement investigator, water
- 21 safety officer, or public safety investigations staff



1 investigator, the retirement allowance shall be two and one-half
2 per cent of the member's average final compensation. The
3 maximum retirement allowance for those members shall not exceed
4 eighty per cent of the member's average final compensation. If
5 the member has not attained age fifty-five, the member's
6 retirement allowance shall be computed as though the member had
7 attained age fifty-five, reduced for age as provided in
8 subsection (e).

9 (c) If a member, who became a member prior to July 1,
10 2012, has credited service as a judge, the member's retirement
11 allowance shall be computed on the following basis:

12 (1) For a member who has credited service as a judge
13 before July 1, 1999, irrespective of age, for each
14 year of credited service as a judge, three and one-
15 half per cent of the member's average final
16 compensation in addition to an annuity that is the
17 actuarial equivalent of the member's accumulated
18 contributions allocable to the period of service;

19 (2) For a member who first earned credited service as a
20 judge after June 30, 1999, but before July 1, 2012,
21 for each year of credited service as a judge, three



1 and one-half per cent of the member's average final
2 compensation in addition to an annuity that is the
3 actuarial equivalent of the member's accumulated
4 contributions allocable to the period of service. If
5 the member has not attained age fifty-five, the
6 member's retirement allowance shall be computed as
7 though the member had attained age fifty-five, reduced
8 for age as provided in subsection (e);

9 (3) For a member who first earned credited service as a
10 judge after June 30, 2012, for each year of credited
11 service as a judge, three per cent of the member's
12 average final compensation in addition to an annuity
13 that is the actuarial equivalent of the member's
14 accumulated contributions allocable to the period of
15 service. If the member has not attained age sixty,
16 the member's retirement allowance shall be computed as
17 though the member had attained age sixty, reduced for
18 age as provided in subsection (i);

19 (4) For a judge with other credited service, as provided
20 in subsection (b). If the member has not attained age
21 fifty-five, the member's retirement allowance shall be



1 computed as though the member had attained age fifty-
2 five, reduced for age as provided in subsection (e);
3 or

4 (5) For a judge with credited service as an elective
5 officer or as a legislative officer, as provided in
6 subsection (d).

7 No allowance shall exceed seventy-five per cent of the member's
8 average final compensation. If the allowance exceeds this
9 limit, it shall be adjusted by reducing the annuity included in
10 paragraphs (1), (2), and (3) and the portion of the accumulated
11 contributions specified in paragraphs (1), (2), and (3) in
12 excess of the requirements of the reduced annuity shall be
13 returned to the member upon the member's retirement or paid to
14 the member's designated beneficiary upon the member's death
15 while in service or while on authorized leave without pay. The
16 allowance for judges under this subsection, together with the
17 retirement allowance provided by the federal government for
18 similar service, shall in no case exceed seventy-five per cent
19 of the member's average final compensation.

20 (d) If a member, who became a member before July 1, 2012,
21 has credited service as an elective officer or as a legislative



1 officer, the member's retirement allowance shall be derived by
2 adding the allowances computed separately under paragraphs (1),
3 (2), (3), (4), (5), and (6) as follows:

- 4 (1) For a member who has credited service as an elective
5 officer before July 1, 2012, irrespective of age, for
6 each year of credited service as an elective officer,
7 three and one-half per cent of the member's average
8 final compensation as computed under section 88-
9 81(e)(1), in addition to an annuity that is the
10 actuarial equivalent of the member's accumulated
11 contributions allocable to the period of service;
- 12 (2) For a member, who first earned credited service as an
13 elective officer after June 30, 2012, irrespective of
14 age, for each year of credited service as an elective
15 officer, three per cent of the member's average final
16 compensation as computed under section 88-81(e)(1), in
17 addition to an annuity that is the actuarial
18 equivalent of the member's accumulated contributions
19 allocable to the period of service;
- 20 (3) For a member who has credited service as a legislative
21 officer before July 1, 2012, irrespective of age, for



1 each year of credited service as a legislative
2 officer, three and one-half per cent of the member's
3 average final compensation as computed under section
4 88-81(e)(2), in addition to an annuity that is the
5 actuarial equivalent of the member's accumulated
6 contributions allocable to the period of service;

7 (4) For a member who first earned credited service as a
8 legislative officer after June 30, 2012, irrespective
9 of age, for each year of credited service as a
10 legislative officer, three per cent of the member's
11 average final compensation as computed under section
12 88-81(e)(2), in addition to an annuity that is the
13 actuarial equivalent of the member's accumulated
14 contributions allocable to the period of service;

15 (5) If the member has credited service as a judge, the
16 member's retirement allowance shall be computed on the
17 following basis:

18 (A) For a member who has credited service as a judge
19 before July 1, 1999, irrespective of age, for
20 each year of credited service as a judge, three
21 and one-half per cent of the member's average



1 final compensation as computed under section 88-
2 81(e)(3), in addition to an annuity that is the
3 actuarial equivalent of the member's accumulated
4 contributions allocable to the period of service;

5 (B) For a member who first earned credited service as
6 a judge after June 30, 1999, but before July 1,
7 2012, and has attained the age of fifty-five, for
8 each year of credited service as a judge, three
9 and one-half per cent of the member's average
10 final compensation as computed under section 88-
11 81(e)(3), in addition to an annuity that is the
12 actuarial equivalent of the member's accumulated
13 contributions allocable to the period of service.
14 If the member has not attained age fifty-five,
15 the member's retirement allowance shall be
16 computed as though the member had attained age
17 fifty-five, reduced for age as provided in
18 subsection (e); and

19 (C) For a member who first earned credited service as
20 a judge after June 30, 2012, and has attained the
21 age of sixty, for each year of credited service



1 as a judge, three per cent of the member's
2 average final compensation as computed under
3 section 88-81(e)(3), in addition to an annuity
4 that is the actuarial equivalent of the member's
5 accumulated contributions allocable to the period
6 of service. If the member has not attained age
7 sixty, the member's retirement allowance shall be
8 computed as though the member had attained age
9 sixty, reduced for age as provided in subsection
10 (i); and

11 (6) For each year of credited service not included in
12 paragraph (1), (2), (3), (4), or (5), the average
13 final compensation as computed under section 88-
14 81(e)(4) shall be multiplied by two per cent for
15 credited service earned as a class A or class H
16 member, two and one-half per cent for credited service
17 earned as a class B member, and one and one-quarter
18 per cent for credited service earned as a class C
19 member. If the member has not attained age fifty-
20 five, the member's retirement allowance shall be



1 computed as though the member had attained age fifty-
2 five, reduced for age as provided in subsection (e).
3 The total retirement allowance shall not exceed seventy-five per
4 cent of the member's highest average final compensation
5 calculated under section 88-81(e)(1), (2), (3), or (4). If the
6 allowance exceeds this limit, it shall be adjusted by reducing
7 any annuity accrued under paragraphs (1), (2), (3), (4), and (5)
8 and the portion of the accumulated contributions specified in
9 these paragraphs in excess of the requirements of the reduced
10 annuity shall be returned to the member upon the member's
11 retirement or paid to the member's designated beneficiary upon
12 the member's death while in service or while on authorized leave
13 without pay. If a member has service credit as an elective
14 officer or as a legislative officer in addition to service
15 credit as a judge, then the retirement benefit calculation
16 contained in this subsection shall supersede the formula
17 contained in subsection (c).

18 (e) Except as provided in subsections (b), (c), and (d),
19 if a member, who became a member before July 1, 2012, has not
20 attained age fifty-five at the date of retirement, the member's
21 retirement allowance shall be reduced, for each month the



1 member's age at the date of retirement is below age fifty-five,
2 as follows:

3 (1) 0.4166 per cent for each month below age fifty-five
4 and above age forty-nine and eleven months; plus

5 (2) 0.3333 per cent for each month below age fifty and
6 above age forty-four and eleven months; plus

7 (3) 0.2500 per cent for each month below age forty-five
8 and above age thirty-nine and eleven months; plus

9 (4) 0.1666 per cent for each month below age forty;

10 provided that no reduction shall be made if the member has at
11 least twenty-five years of credited service as a firefighter,
12 police officer, corrections officer, investigator of the
13 department of the prosecuting attorney, investigator of the
14 department of the attorney general, narcotics enforcement
15 investigator, public safety investigations staff investigator,
16 sewer worker, or water safety officer, of which the last five or
17 more years prior to retirement is credited service in these
18 capacities.

19 (f) If a member, who becomes a member after June 30, 2012,
20 but before July 1, 2017, has attained age sixty, the member's
21 maximum retirement allowance shall be one and three-fourths per



1 cent of the member's average final compensation multiplied by
2 the total number of years of the member's credited service as a
3 class A and class B member, excluding any credited service as a
4 judge, elective officer, or legislative officer, plus a
5 retirement allowance of one and one-fourth per cent of the
6 member's average final compensation multiplied by the total
7 number of years of prior credited service as a class C member,
8 plus a retirement allowance of one and three-fourths per cent of
9 the member's average final compensation multiplied by the total
10 number of years of prior credited service as a class H member;
11 provided that:

12 (1) If the member has at least ten years of credited
13 service of which the last five or more years prior to
14 retirement is credited service as a firefighter,
15 police officer, or an investigator of the department
16 of the prosecuting attorney;

17 (2) If the member has at least ten years of credited
18 service of which the last five or more years prior to
19 retirement is credited service as a corrections
20 officer;



- 1 (3) If the member has at least ten years of credited
2 service of which the last five or more years prior to
3 retirement is credited service as an investigator of
4 the department of the attorney general;
- 5 (4) If the member has at least ten years of credited
6 service of which the last five or more years prior to
7 retirement is credited service as a narcotics
8 enforcement investigator;
- 9 (5) If the member has at least ten years of credited
10 service, of which the last five or more years prior to
11 retirement is credited service as a public safety
12 investigations staff investigator;
- 13 (6) If the member:
- 14 (A) Has at least ten years of credited service as a
15 firefighter;
- 16 (B) Is deemed permanently medically disqualified due
17 to a service related disability to be a
18 firefighter by the employer's physician; and
- 19 (C) Continues employment in a class A or class B
20 position other than a firefighter; and
- 21 (7) If the member:



1 (A) Has at least ten years of credited service as a
2 police officer;

3 (B) Is deemed permanently medically disqualified due
4 to a service related disability to be a police
5 officer by the employer's physician; and

6 (C) Continues employment in a class A or class B
7 position other than a police officer,

8 then for each year of service as a firefighter, police officer,
9 corrections officer, investigator of the department of the
10 prosecuting attorney, investigator of the department of the
11 attorney general, narcotics enforcement investigator, or public
12 safety investigations staff investigator, the retirement
13 allowance shall be two and one-fourth per cent of the member's
14 average final compensation. The maximum retirement allowance
15 for those members shall not exceed eighty per cent of the
16 member's average final compensation. If the member has not
17 attained age sixty, the member's retirement allowance shall be
18 computed as though the member had attained age sixty, reduced
19 for age as provided in subsection (i).

20 (g) If a member, who becomes a member after June 30, 2012,
21 but before July 1, 2017, has credited service as a judge, the



1 member's retirement allowance shall be computed on the following
2 basis:

3 (1) For each year of credited service as a judge, three
4 per cent of the member's average final compensation in
5 addition to an annuity that is the actuarial
6 equivalent of the member's accumulated contributions
7 allocable to the period of service. If the member has
8 not attained age sixty, the member's retirement
9 allowance shall be computed as though the member had
10 attained age sixty, reduced for age as provided in
11 subsection (i);

12 (2) For a judge with other credited service, as provided
13 in subsection (f). If the member has not attained age
14 sixty, the member's retirement allowance shall be
15 computed as though the member had attained age sixty,
16 reduced for age as provided in subsection (i); and

17 (3) For a judge with credited service as an elective
18 officer or as a legislative officer, as provided in
19 subsection (h).

20 No allowance shall exceed seventy-five per cent of the member's
21 average final compensation. If the allowance exceeds this



1 limit, it shall be adjusted by reducing the annuity included in
2 paragraph (1) and the portion of the accumulated contributions
3 specified in paragraph (1) in excess of the requirements of the
4 reduced annuity shall be returned to the member upon the
5 member's retirement or paid to the member's designated
6 beneficiary upon the member's death while in service or while on
7 authorized leave without pay. The allowance for judges under
8 this subsection, together with the retirement allowance provided
9 by the federal government for similar service, shall in no case
10 exceed seventy-five per cent of the member's average final
11 compensation.

12 (h) If a member, who becomes a member after June 30, 2012,
13 but before July 1, 2017, has credited service as an elective
14 officer or as a legislative officer, the member's retirement
15 allowance shall be derived by adding the allowances computed
16 separately under paragraphs (1), (2), (3), and (4) as follows:

17 (1) Irrespective of age, for each year of credited service
18 as an elective officer, three per cent of the member's
19 average final compensation as computed under section
20 88-81(f)(1), in addition to an annuity that is the



- 1 actuarial equivalent of the member's accumulated
2 contributions allocable to the period of service;
- 3 (2) Irrespective of age, for each year of credited service
4 as a legislative officer, three per cent of the
5 member's average final compensation as computed under
6 section 88-81(f)(2), in addition to an annuity that is
7 the actuarial equivalent of the member's accumulated
8 contributions allocable to the period of service;
- 9 (3) For each year of credited service as a judge, three
10 per cent of the member's average final compensation as
11 computed under section 88-81(f)(3), in addition to an
12 annuity that is the actuarial equivalent of the
13 member's accumulated contributions allocable to the
14 period of service. If the member has not attained age
15 sixty, the member's retirement allowance shall be
16 computed as though the member had attained age sixty,
17 reduced for age as provided in subsection (i); and
- 18 (4) For each year of credited service not included in
19 paragraph (1), (2), or (3), the average final
20 compensation as computed under section 88-81(f)(4)
21 shall be multiplied by one and three-fourth per cent



1 for credited service earned as a class A or class H
2 member, two and one-fourth per cent for credited
3 service earned as a class B member, and one and
4 one-fourth per cent for credited service earned as a
5 class C member. If the member has not attained age
6 sixty, the member's retirement allowance shall be
7 computed as though the member had attained age sixty,
8 reduced for age as provided in subsection (i).

9 The total retirement allowance shall not exceed seventy-five per
10 cent of the member's highest average final compensation
11 calculated under section 88-81(f)(1), (2), (3), or (4). If the
12 allowance exceeds this limit, it shall be adjusted by reducing
13 any annuity accrued under paragraphs (1), (2), and (3) and the
14 portion of the accumulated contributions specified in these
15 paragraphs in excess of the requirements of the reduced annuity
16 shall be returned to the member upon the member's retirement or
17 paid to the member's designated beneficiary upon the member's
18 death while in service or while on authorized leave without pay.
19 If a member has service credit as an elective officer or as a
20 legislative officer in addition to service credit as a judge,
21 then the retirement benefit calculation contained in this



1 subsection shall supersede the formula contained in subsection
2 (g).

3 (i) Except as provided in subsections (f), (g), and (h),
4 if a member, who becomes a member after June 30, 2012, but
5 before July 1, 2017, has not attained age sixty at the date of
6 retirement, the member's retirement allowance shall be reduced,
7 for each month the member's age at the date of retirement is
8 below age sixty, as follows:

- 9 (1) 0.4166 per cent for each month below age sixty and
10 above age fifty-four and eleven months; plus
11 (2) 0.3333 per cent for each month below age fifty-five
12 and above age forty-nine and eleven months; plus
13 (3) 0.2500 per cent for each month below age fifty and
14 above age forty-four and eleven months; plus
15 (4) 0.1666 per cent for each month below age forty-five;
16 provided that no reduction shall be made if the member has
17 attained the age of fifty-five and has at least twenty-five
18 years of credited service as a firefighter, police officer,
19 corrections officer, investigator of the department of the
20 prosecuting attorney, investigator of the department of the
21 attorney general, narcotics enforcement investigator, public



1 safety investigations staff investigator, sewer worker, water
2 safety officer, or emergency medical technician, of which the
3 last five or more years prior to retirement is credited service
4 in these capacities.

5 (j) If a member, who becomes a member after June 30, 2017,
6 has attained age sixty, the member's maximum retirement
7 allowance shall be one and three-fourths per cent of the
8 member's average final compensation multiplied by the total
9 number of years of the member's credited service as a class A
10 and class B member, excluding any credited service as a judge or
11 elective officer, plus a retirement allowance of one and one-
12 fourth per cent of the member's average final compensation
13 multiplied by the total number of years of prior credited
14 service as a class C member, plus a retirement allowance of one
15 and three-fourths per cent of the member's average final
16 compensation multiplied by the total number of years of prior
17 credited service as a class H member; provided that:

18 (1) If the member has at least ten years of credited
19 service of which the last five or more years prior to
20 retirement is credited service as a firefighter,



1 police officer, or an investigator of the department
2 of the prosecuting attorney;

3 (2) If the member has at least ten years of credited
4 service of which the last five or more years prior to
5 retirement is credited service as a corrections
6 officer;

7 (3) If the member has at least ten years of credited
8 service of which the last five or more years prior to
9 retirement is credited service as an investigator of
10 the department of the attorney general;

11 (4) If the member has at least ten years of credited
12 service of which the last five or more years prior to
13 retirement is credited service as a narcotics
14 enforcement investigator;

15 (5) If the member has at least ten years of credited
16 service, of which the last five or more years prior to
17 retirement is credited service as a public safety
18 investigations staff investigator;

19 (6) If the member:

20 (A) Has at least ten years of credited service as a
21 firefighter;



1 (B) Is deemed permanently medically disqualified due
2 to a service related disability to be a
3 firefighter by the employer's physician; and
4 (C) Continues employment in a class A or class B
5 position other than a firefighter; and
6 (7) If the member:
7 (A) Has at least ten years of credited service as a
8 police officer;
9 (B) Is deemed permanently medically disqualified due
10 to a service related disability to be a police
11 officer by the employer's physician; and
12 (C) Continues employment in a class A or class B
13 position other than a police officer,
14 then for each year of service as a firefighter, police officer,
15 corrections officer, investigator of the department of the
16 prosecuting attorney, investigator of the department of the
17 attorney general, narcotics enforcement investigator, or public
18 safety investigations staff investigator, the retirement
19 allowance shall be two and one-fourth per cent of the member's
20 average final compensation. The maximum retirement allowance
21 for those members shall not exceed eighty per cent of the



1 member's average final compensation. If the member has not
2 attained age sixty, the member's retirement allowance shall be
3 computed as though the member had attained age sixty, reduced
4 for age as provided in subsection (i).

5 (k) If a member, who becomes a member after June 30, 2017,
6 has credited service as a judge, the member's retirement
7 allowance shall be computed on the following basis:

8 (1) For each year of credited service as a judge, three
9 per cent of the member's average final compensation in
10 addition to an annuity that is the actuarial
11 equivalent of the member's accumulated contributions
12 allocable to the period of service. If the member has
13 not attained age sixty, the member's retirement
14 allowance shall be computed as though the member had
15 attained age sixty, reduced for age as provided in
16 subsection (i);

17 (2) For a judge with other credited service, as provided
18 in subsection (f). If the member has not attained age
19 sixty, the member's retirement allowance shall be
20 computed as though the member had attained age sixty,
21 reduced for age as provided in subsection (i); and



1 (3) For a judge with credited service as an elective
2 officer, as provided in subsection (1).

3 No allowance shall exceed seventy-five per cent of the member's
4 average final compensation. If the allowance exceeds this
5 limit, it shall be adjusted by reducing the annuity included in
6 paragraph (1) and the portion of the accumulated contributions
7 specified in paragraph (1) in excess of the requirements of the
8 reduced annuity shall be returned to the member upon the
9 member's retirement or paid to the member's designated
10 beneficiary upon the member's death while in service or while on
11 authorized leave without pay. The allowance for judges under
12 this subsection, together with the retirement allowance provided
13 by the federal government for similar service, shall in no case
14 exceed seventy-five per cent of the member's average final
15 compensation.

16 (1) If a member, who becomes a member after June 30, 2017,
17 has credited service as an elective officer, the member's
18 retirement allowance shall be derived by adding the allowances
19 computed separately under paragraphs (1), (2), (3), and (4) as
20 follows:



- 1 (1) Irrespective of age, for each year of credited service
2 as an elective officer, three per cent of the member's
3 average final compensation as computed under section
4 88-81(f)(1), in addition to an annuity that is the
5 actuarial equivalent of the member's accumulated
6 contributions allocable to the period of service;
- 7 (2) For each year of credited service as a judge, three
8 per cent of the member's average final compensation as
9 computed under section 88-81(f)(3), in addition to an
10 annuity that is the actuarial equivalent of the
11 member's accumulated contributions allocable to the
12 period of service. If the member has not attained age
13 sixty, the member's retirement allowance shall be
14 computed as though the member had attained age sixty,
15 reduced for age as provided in subsection (i); and
- 16 (3) For each year of credited service not included in
17 paragraph (1) or (2), the average final compensation
18 as computed under section 88-81(f)(4) shall be
19 multiplied by one and three-fourth per cent for
20 credited service earned as a class A or class H
21 member, two and one-fourth per cent for credited



1 service earned as a class B member, and one and
2 one-fourth per cent for credited service earned as a
3 class C member. If the member has not attained age
4 sixty, the member's retirement allowance shall be
5 computed as though the member had attained age sixty,
6 reduced for age as provided in subsection (m).

7 The total retirement allowance shall not exceed seventy-five per
8 cent of the member's highest average final compensation
9 calculated under section 88-81(g) (1), (2), or (3). If the
10 allowance exceeds this limit, it shall be adjusted by reducing
11 any annuity accrued under paragraphs (1) and (2) and the portion
12 of the accumulated contributions specified in these paragraphs
13 in excess of the requirements of the reduced annuity shall be
14 returned to the member upon the member's retirement or paid to
15 the member's designated beneficiary upon the member's death
16 while in service or while on authorized leave without pay. If a
17 member has service credit as an elective officer in addition to
18 service credit as a judge, then the retirement benefit
19 calculation contained in this subsection shall supersede the
20 formula contained in subsection (k).



1 (m) Except as provided in subsections (j), (k), and (l),
2 if a member, who becomes a member after June 30, 2017, has not
3 attained age sixty at the date of retirement, the member's
4 retirement allowance shall be reduced, for each month the
5 member's age at the date of retirement is below age sixty, as
6 follows:

7 (1) 0.4166 per cent for each month below age sixty and
8 above age fifty-four and eleven months; plus

9 (2) 0.3333 per cent for each month below age fifty-five
10 and above age forty-nine and eleven months; plus

11 (3) 0.2500 per cent for each month below age fifty and
12 above age forty-four and eleven months; plus

13 (4) 0.1666 per cent for each month below age forty-five;
14 provided that no reduction shall be made if the member has
15 attained the age of fifty-five and has at least twenty-five
16 years of credited service as a firefighter, police officer,
17 corrections officer, investigator of the department of the
18 prosecuting attorney, investigator of the department of the
19 attorney general, narcotics enforcement investigator, public
20 safety investigations staff investigator, sewer worker, water
21 safety officer, or emergency medical technician, of which the



1 last five or more years prior to retirement is credited service
2 in these capacities."

3 SECTION 3. Section 88-76, Hawaii Revised Statutes, is
4 amended to read as follows:

5 "**§88-76 Allowance on ordinary disability retirement.** Upon
6 retirement for ordinary disability, a member shall receive a
7 maximum retirement allowance of one and three-fourths per cent
8 of the member's average final compensation for each year of
9 credited service; except that for each year of credited service
10 as a judge[~~7~~]; an elective officer[~~7~~]; or a legislative
11 officer[~~7~~] in service prior to July 1, 2017, the member shall
12 receive a maximum retirement allowance computed as provided in
13 section 88-74(c), (d), (g), or (h), as applicable. The minimum
14 retirement allowance payable under this section shall be thirty
15 per cent of the member's average final compensation."

16 SECTION 4. Section 88-81, Hawaii Revised Statutes, is
17 amended to read as follows:

18 "**§88-81 Average final compensation.** (a) Average final
19 compensation is the average annual compensation, pay, or salary
20 upon which a member has made contributions as required by parts
21 II, VII, and VIII of this chapter.



1 (b) The average final compensation of members shall be
2 calculated as follows:

3 (1) For employees who become members before January 1,
4 1971:

5 (A) During the member's five highest paid years of
6 credited service, including vacation pay, or the
7 three highest paid years of credited service
8 excluding vacation pay, whichever is greater; or

9 (B) If the member has fewer than three years of
10 credited service, during the member's actual
11 years of credited service;

12 (2) For employees who become members after December 31,
13 1970, but before July 1, 2012:

14 (A) During the member's three highest paid years of
15 credited service, excluding vacation pay; or

16 (B) If the member has fewer than three years of
17 credited service, during the member's actual
18 years of credited service; and

19 (3) For employees who become members after June 30, 2012:

20 (A) During the member's five highest paid years of
21 credited service, excluding vacation pay; or



1 (B) If the member has fewer than five years of
2 credited service, during the member's actual
3 years of credited service.

4 (c) In computing the compensation of a judge, the
5 compensation paid to the judge by the United States as well as
6 by the Territory shall be included.

7 (d) For service rendered as a member of the legislature
8 from and after November 5, 1968, the actual annual salary of a
9 member shall be the only amount used for determining the
10 member's average final compensation. For service rendered as a
11 member of the legislature prior to November 5, 1968, and after
12 admission of this State into the Union, the annual compensation
13 of a member shall be computed, for the purpose of determining
14 the member's average final compensation, as follows:

15 (1) During a year in which a general session was held, it
16 shall be deemed to have been an amount equal to four
17 times the salary of a member of the legislature for a
18 general session; and

19 (2) During a year in which a budget session was held, it
20 shall be deemed to have been an amount equal to six



1 times the salary of a member of the legislature for a
2 budget session.

3 For service rendered as a member of the legislature prior to the
4 admission of this State into the Union, the annual compensation
5 of a member shall be deemed to have been four times the salary
6 of a member of the legislature for a regular session for each
7 year during the member's term of office.

8 (e) If a member, who became a member before July 1, 2012,
9 has credited service rendered as an elective officer or as a
10 legislative officer, the member's average final compensation
11 shall be computed separately for each category of service as
12 follows:

13 (1) For the three highest paid years of credited service
14 as an elective officer, or if the member has fewer
15 than three years of credited service in that capacity,
16 then the member's actual years of credited service;

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



1 (3) For the three highest paid years of credited service
2 as a judge, or if the member has fewer than three
3 years of credited service in that capacity, then the
4 member's actual years of credited service; and

5 (4) For the three highest paid years of credited service
6 not included in paragraph (1), (2), or (3), or if the
7 member has fewer than three years of credited service
8 in that capacity, then the member's actual years of
9 credited service.

10 (f) If a member, who becomes a member after June 30, 2012,
11 but before July 1, 2017, has credited service rendered as an
12 elective officer or as a legislative officer, the member's
13 average final compensation shall be computed separately for each
14 category of service as follows:

15 (1) For the five highest paid years of credited service as
16 an elective officer, or if the member has fewer than
17 five years of credited service in that capacity, then
18 the member's actual years of credited service;

19 (2) For the five highest paid years of credited service as
20 a legislative officer, or if the member has fewer than



1 five years of credited service in that capacity, then
2 the member's actual years of credited service;

3 (3) For the five highest paid years of credited service as
4 a judge, or if the member has fewer than five years of
5 credited service in that capacity, then the member's
6 actual years of credited service; and

7 (4) For the five highest paid years of credited service
8 not included in paragraph (1), (2), or (3), or if the
9 member has fewer than five years of credited service
10 in that capacity, then the member's actual years of
11 credited service.

12 (g) If a member, who becomes a member after June 30, 2012,
13 has credited service rendered as an elective officer, the
14 member's average final compensation shall be computed separately
15 for each category of service as follows:

16 (1) For the five highest paid years of credited service as
17 an elective officer, or if the member has fewer than
18 five years of credited service in that capacity, then
19 the member's actual years of credited service;

20 (2) For the five highest paid years of credited service as
21 a judge, or if the member has fewer than five years of



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1 credited service in that capacity, then the member's
2 actual years of credited service; and

3 (3) For the five highest paid years of credited service
4 not included in paragraph (1) or (2), or if the member
5 has fewer than five years of credited service in that
6 capacity, then the member's actual years of credited
7 service."

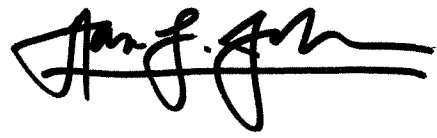
8 SECTION 5. This Act does not affect rights and duties that
9 matured, penalties that were incurred, and proceedings that were
10 begun before its effective date.

11 SECTION 6. Statutory material to be repealed is bracketed
12 and stricken. New statutory material is underscored.

13 SECTION 7. This Act shall take effect on July 1, 2017.

14

INTRODUCED BY: 



JAN 23 2017



H.B. NO. 828

Report Title:

ERS; Legislative Officers; Retirement Benefits

Description:

Removes legislative officers from the same retirement benefit class as elected officials.

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



DAVID Y. IGE
GOVERNOR



THOMAS WILLIAMS
EXECUTIVE DIRECTOR

KANOE MARGOL
DEPUTY EXECUTIVE DIRECTOR

STATE OF HAWAII
EMPLOYEES' RETIREMENT SYSTEM

TESTIMONY BY THOMAS WILLIAMS
EXECUTIVE DIRECTOR, EMPLOYEES' RETIREMENT SYSTEM
STATE OF HAWAII

TO THE HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT
ON

HOUSE BILL NO. 828

FEBRUARY 9, 2017, 8:30 A.M.

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM

Chair Johanson, Vice Chair Holt and Members of the Committee,

H.B. 828 proposes to amend sections 88-47, 88-74, 88-76, and 88-81, Hawaii Revised Statutes, to change the retirement benefits of legislative officers who become legislative officers after June 30, 2017.

The ERS Board of Trustees has not had the opportunity to review H.B. 828 and therefore has not taken a formal position on this proposal.

Staff has observed a number of drafting issues with the bill as proposed. With the Committee's permission, the ERS Staff offers to present draft language amending chapter 88 to more directly accomplish the intent of H.B. 828.

Thank you for this opportunity to provide testimony.



Employees' Retirement System
of the State of Hawaii

HB 828

Late testimony