
A BILL FOR AN ACT

RELATING TO COMPENSATION FOR THE PURPOSES OF THE EMPLOYEES'
RETIREMENT SYSTEM.

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

1 SECTION 1. The legislature finds that this Act is
2 necessary to clarify what is compensation eligible for the
3 purposes of calculating retirement benefits by amending the
4 definition of "base pay" and "compensation". Clarification will
5 ensure that retirement benefits are computed fairly and
6 equitably for all public employees and facilitate employer
7 reporting of compensation on a consistent and timely basis.

8 SECTION 2. Section 88-21, Hawaii Revised Statutes, is
9 amended by amending the definition of "base pay" to read as
10 follows:

11 ""Base pay" means the [~~normal periodic payments of money~~
12 ~~for service,~~] base compensation rate designated by the
13 employee's personnel action report notification or
14 certification, the right to which accrues on a regular basis in
15 proportion to the service performed [~~, recurring differentials,~~],
16 and elective salary reduction contributions under sections 125,



1 403(b), and 457(b) of the Internal Revenue Code of 1986, as
2 amended."

3 SECTION 3. Section 88-21.5, Hawaii Revised Statutes, is
4 amended to read as follows:

5 "§88-21.5 Compensation. (a) For a member who became a
6 member before July 1, 2012, unless a different meaning is
7 plainly required by context, as used in this part,
8 "compensation" means:

- 9 (1) ~~[Normal periodic payments of money for service]~~ The
10 base compensation rate designated by the employee's
11 personnel action report notification or certification,
12 the right to which accrues on a regular basis in
13 proportion to the service performed;
- 14 (2) Overtime, differentials, and supplementary payments;
- 15 (3) Bonuses and lump sum salary supplements; and
- 16 (4) Elective salary reduction contributions under sections
17 125, 403(b), and 457(b) of the Internal Revenue Code
18 of 1986, as amended.

19 Bonuses and lump sum salary supplements shall be deemed earned
20 when payable; provided that bonuses or lump sum salary
21 supplements in excess of one-twelfth of compensation for the



1 twelve months prior to the month in which the bonus or lump sum
2 salary supplement is payable, exclusive of overtime, bonuses,
3 and lump sum salary supplements, shall be deemed earned:

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

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

11 (b) For a member who becomes a member after June 30, 2012,
12 unless a different meaning is plainly required by context,
13 "compensation" as used in this part:

14 (1) Means:

15 (A) [~~The normal periodic payments of money for~~
16 ~~service,~~] The base compensation rate designated
17 by the employee's personnel action report
18 notification or certification, the right to which
19 accrues on an hourly, daily, monthly, or annual
20 basis;

21 (B) Shortage differentials;



1 (C) Elective salary reduction contributions under
2 sections 125, 403(b), and 457(b) of the Internal
3 Revenue Code of 1986, as amended; and

4 (D) Twelve-month differentials for employees of the
5 department of education; and

6 (2) Shall not include any other additional or extra
7 payments to an employee or officer, including
8 overtime, supplementary payments, bonuses, lump sum
9 salary supplements, allowances, or differentials,
10 including, but not limited to differentials for stand-
11 by duty, temporary unusual work hazards, compression
12 differentials, or temporary differentials[~~, except for~~
13 ~~those expressly authorized pursuant to subsection~~
14 ~~(b) (1) (B), (b) (1) (C), and (b) (1) (D)~~]. "

15 SECTION 4. This Act shall not impair or diminish benefits
16 accrued prior to its effective date.

17 SECTION 5. Statutory material to be repealed is bracketed
18 and stricken. New statutory material is underscored.

19 SECTION 6. This Act shall take effect on January 1, 2050.



Report Title:

Employees' Retirement System; Compensation

Description:

Amends the definition of "base pay" and "compensation" for retirement benefits. Effective January 1, 2050. (HD1)

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

