

JAN 23 2020

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 the definition of compensation eligible for
3 the purposes of calculating retirement benefits. This
4 clarification will ensure that retirement benefits are computed
5 fairly and equitably for all public employees and to facilitate
6 employer reporting of compensation on a consistent and timely
7 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,

S.B. NO. 2867

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
22 twelve months prior to the month in which the bonus or lump sum

S.B. NO. 2867

1 salary supplement is payable, exclusive of overtime, bonuses,
2 and lump sum salary supplements, shall be deemed 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 a member who becomes a member after June 30, 2012,
11 unless a different meaning is plainly required by context,
12 "compensation" as used in this part:

13 (1) Means:

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

20 [~~(B) Shortage differentials;~~]

21 [~~(C)~~] (B) Elective salary reduction contributions
22 under sections 125, 403(b), and 457(b) of


S.B. NO. 2867

1 the Internal Revenue Code of 1986, as
2 amended; and
3 [~~(D)~~] (C) Twelve-month differentials for employees of
4 the department of education; and

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

15 SECTION 4. Statutory material to be repealed is bracketed
16 and stricken. New statutory material is underscored.

17 SECTION 5. This Act shall take effect upon its approval.

18
19 INTRODUCED BY: 
20 BY REQUEST

S.B. NO. 2867

Report Title:

Employees' Retirement System; Compensation

Description:

Amends the definition of compensation for retirement benefits.

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 COMPENSATION FOR THE PURPOSES OF THE EMPLOYEES' RETIREMENT SYSTEM

PURPOSE: This bill clarifies the definition of "compensation" for retirement benefit computation purposes and will ensure that retirement benefits are computed fairly and equitably for all public employees and will facilitate employer reporting of compensation on a consistent and timelier basis.

MEANS: Amends sections 88-21 and 88-21.5, Hawaii Revised Statutes.

JUSTIFICATION: This bill amends Sections 88-21 and 88-21.5 to define "compensation" as the base compensation rate designated by the employee's personnel action report notification or certification. The ERS receives payroll reports from eight separate employers, which include the State of Hawaii and the counties. Currently, the various employers define and report base compensation inconsistently and in order to fairly compute retirement benefits for the employees of all employers the ERS proposes, with this bill, a definition by which all employees' retirement benefits will be computed fairly and equitably.

Impact on the public: None.

Impact on the department and other agencies: Would facilitate employer reporting of compensation on a more consistent and timely basis.

GENERAL FUND: None.

OTHER FUNDS: For employees with membership dates after June 30, 2012, possible reduction of retirement benefits due to deletion of recurring and shortage differentials.

PPBS PROGRAM
DESIGNATION: BUF-141/Retirement.

OTHER AFFECTED
AGENCIES: State and counties.

EFFECTIVE DATE: Upon approval.