

---

---

# 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 for  
12 service, as set forth in the employee's personnel action report,  
13 the right to which accrues on a regular basis in proportion to  
14 the service performed; [~~recurring differentials,~~] and elective  
15 salary reduction contributions under sections 125, 403(b), and  
16 457(b) of the Internal Revenue Code of 1986, as amended."



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

3 "§88-21.5 Compensation. (a) For a member who became a  
4 member before July 1, 2012, unless a different meaning is  
5 plainly required by context, as used in this part,  
6 "compensation" means:

- 7 (1) Normal periodic payments of money for service, as set  
8 forth in the employee's personnel action report, the  
9 right to which accrues on a regular basis in  
10 proportion to the service performed;
- 11 (2) Overtime, differentials, and supplementary payments;
- 12 (3) Bonuses and lump sum salary supplements; and
- 13 (4) Elective salary reduction contributions under sections  
14 125, 403(b), and 457(b) of the Internal Revenue Code  
15 of 1986, as amended.

16 Bonuses and lump sum salary supplements shall be deemed earned  
17 when payable; provided that bonuses or lump sum salary  
18 supplements in excess of one-twelfth of compensation for the  
19 twelve months prior to the month in which the bonus or lump sum  
20 salary supplement is payable, exclusive of overtime, bonuses,  
21 and lump sum salary supplements, shall be deemed earned:



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

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

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

11 (1) Means:

12 (A) The normal periodic payments of money for  
13 service, as set forth in the employee's personnel  
14 action report, the right to which accrues on an  
15 hourly, daily, monthly, or annual basis;

16 (B) Shortage differentials;

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

20 (D) Twelve-month differentials for employees of the  
21 department of education; and



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

11           SECTION 4. Statutory material to be repealed is bracketed  
12 and stricken. New statutory material is underscored.

13           SECTION 5. This Act shall take effect on July 1, 2050.



**S.B. NO.** 2867  
S.D. 1

**Report Title:**

Employees' Retirement System; Compensation

**Description:**

Amends the definition of compensation for retirement benefits.  
Effective 7/1/2050. (SD1)

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

