
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. The legislature finds that employees who became
2 members of the employees' retirement system before July 1, 2012,
3 commonly referred to as "Tier 1 members", are required to have a
4 minimum of five years of credited service to be eligible for
5 vested benefit status, which, among other things, permits a
6 member to receive a retirement allowance upon service
7 retirement. By contrast, employees who become members after
8 June 30, 2012, commonly referred to as "Tier 2 members", are
9 required to have a minimum of ten years of credited service to
10 be eligible for vested benefit status.

11 Although the two-tier member structure has assisted the
12 employees' retirement system in its efforts to achieve full
13 funding of its actuarial accrued liability, the system actuaries
14 have determined that reducing the minimum number of years of
15 credited service from ten years to five years for Tier 2 members
16 would increase the projected full funding period only by an



1 estimated four additional months and would not require an
2 increase in contribution rates.

3 The legislature also finds that reducing the minimum number
4 of years of credited service from ten years to five years for
5 Tier 2 members would help state and county employers with the
6 recruitment and retention of qualified employees. Reducing
7 employee turnover and retaining employees on the job longer may
8 also help to reduce employer costs. The legislature further
9 finds that these benefits outweigh the impacts on the employees'
10 retirement system unfunded liability and projected full funding
11 period.

12 The purpose of this Act is to reduce from ten years to five
13 years the minimum number of years of credited service Tier 2
14 members must have to be eligible for vested benefit status for
15 service retirement allowance purposes.

16 SECTION 2. Section 88-62, Hawaii Revised Statutes, is
17 amended by amending subsection (b) to read as follows:

18 "(b) [~~For~~] Notwithstanding section 88-99, for members who
19 become members after June 30, 2012:

20 (1) If a former member who has fewer than ten years of
21 credited service and who has been out of service for a



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1 period of four full calendar years or more after the
2 year in which the former member left service, or if a
3 former member who withdrew the former member's
4 accumulated contributions returns to service, the
5 former member shall become a member in the same manner
6 and under the same conditions as anyone first entering
7 service; however, the former member may obtain
8 membership service credit in the manner provided by
9 applicable law for credited service that was forfeited
10 by the member upon termination of the member's
11 previous membership. If the member did not withdraw
12 the former member's accumulated contributions prior to
13 the former member's return to service, the accumulated
14 contributions shall be returned to the member as part
15 of the process of enrolling the member in the system
16 if the member's accumulated contributions are \$1,000
17 or less at the time of distribution. If the
18 accumulated contributions for the service the member
19 had when the member previously terminated employment
20 are greater than \$1,000 and the member does not make
21 written application, prior to or contemporaneously



1 with the member's return to service, for return of the
2 accumulated contributions, the member may not withdraw
3 the member's accumulated contributions, except as
4 provided by section 88-96 or 88-341, until the member
5 retires or attains age sixty-two. The member shall
6 not be entitled to service credit by reason of the
7 system's retention of the member's accumulated
8 contributions for the service the member had when the
9 member previously terminated employment. To be
10 eligible for any benefit, the member shall fulfill the
11 membership service requirements for the benefit
12 through membership service after again becoming a
13 member, in addition to meeting any other eligibility
14 requirement established for the benefit; provided that
15 the membership service requirement shall be exclusive
16 of any former service acquired in accordance with
17 section 88-59 or any other section in part II, VII, or
18 VIII;

- 19 (2) If a former member with fewer than ten years of
20 credited service and who did not withdraw the former
21 member's accumulated contributions returns to service



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1 within four full calendar years after the year in
2 which the former member left service, the former
3 member shall again become a member in the same manner
4 and under the same conditions as anyone first entering
5 service, except that the member shall be credited with
6 service credit for the service the member had when the
7 member terminated employment:

8 (A) If the member returns to service as a class A or
9 class B member, the member's new and previous
10 accumulated contributions shall be combined; or

11 (B) If the member returns to service as a class H
12 member, section 88-321(b) shall apply; ~~and~~

13 (3) If a former member with ~~[ten or more years of credited~~
14 ~~service who did not withdraw the former member's~~
15 ~~contributions]~~ vested benefit status as provided in
16 section 88-96(b) returns to service, the former
17 member's status shall be in accordance with the
18 provisions described in section 88-97~~[.];~~;

19 (4) If a former member who has fewer than five years of
20 credited service and who has been out of service for a
21 period of four full calendar years or more after the



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1 year in which the former member left service, or if a
2 former member withdrew the former member's accumulated
3 contributions returns to service and remains in
4 service as of July 1, 2025, or returns to service
5 after June 30, 2025, the former member shall become a
6 member in the same manner and under the same
7 conditions as anyone first entering service; provided
8 that the former member may obtain membership service
9 credit in the manner provided by applicable law for
10 credited service that was forfeited by the member upon
11 termination of the member's previous membership. If
12 the member did not withdraw the former member's
13 accumulated contributions prior to the former member's
14 return to service, the accumulated contributions shall
15 be returned to the member as part of the process of
16 enrolling the member in the system if the member's
17 accumulated contributions are \$1,000 or less at the
18 time of distribution. If the accumulated
19 contributions for service the member had when the
20 member previously terminated employment are greater
21 than \$1,000 and the member does not make written



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1 application, prior to or contemporaneously with the
2 member's return to service, for return of the
3 accumulated contributions, the member may not withdraw
4 the member's accumulated contributions, except as
5 provided by section 88-96 or 88-341, until the member
6 retires or attains age sixty-two. The member shall
7 not be entitled to service credit by reason of the
8 system's retention of the member's accumulated
9 contributions for service the member had when the
10 member previously terminated employment. To be
11 eligible for any benefit, the member shall fulfill the
12 membership service requirements for the benefit
13 through membership service after again becoming a
14 member, in addition to meeting any other eligibility
15 requirement established for the benefit; provided that
16 the membership service requirement shall be exclusive
17 of any former service acquired in accordance with
18 section 88-59 or any other section in part II, VII, or
19 VIII of chapter 88; and
20 (5) If a former member who has fewer than five years of
21 credited service and who did not withdraw the former



1 member's accumulated contributions returns to service
2 and remains in service as of July 1, 2025 or returns
3 to service after June 30, 2025, and who returns to
4 service within four full calendar years after the year
5 in which the former member left service, the former
6 member shall again become a member in the same manner
7 and under the same conditions as anyone first entering
8 service, except that the member shall be credited with
9 service credit for the service the member had when the
10 member terminated employment:

11 (A) If the member returns to service as a class A or
12 class B member, the member's new and previous
13 accumulated contributions shall be combined; or

14 (B) If the member returns to service as a class H
15 member, section 88-321(b) shall apply."

16 SECTION 3. Section 88-73, Hawaii Revised Statutes, is
17 amended to read as follows:

18 1. By amending subsections (a) and (b) to read:

19 "(a) [~~Any~~] Notwithstanding section 88-99, any member who:



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- 1 (1) Became a member before July 1, 2012, and has at least
2 five years of credited service and has attained age
3 fifty-five;
- 4 (2) Became a member before July 1, 2012, and has at least
5 twenty-five years of credited service;
- 6 (3) Has at least ten years of credited service, which
7 includes service as a judge before July 1, 1999, an
8 elective officer, or a legislative officer;
- 9 (4) Becomes a member after June 30, 2012, and has at least
10 ten years of credited service and has attained age
11 sixty; [e#]
- 12 (5) Becomes a member after June 30, 2012, and has at least
13 twenty-five years of credited service and has attained
14 age fifty-five[7]; or
- 15 (6) Becomes a member after June 30, 2012, and who is in
16 service as of July 1, 2025, or who returns to service
17 or becomes a member after June 30, 2025, and has at
18 least five years of credited service and has attained
19 the age of sixty,
- 20 shall become eligible to receive a retirement allowance after
21 the member has terminated service.



1 (b) Any member who first earned credited service as a
2 judge after June 30, 1999, but before July 1, 2012, and who has
3 at least five years of credited service and has attained age
4 fifty-five or has at least twenty-five years of credited service
5 shall become eligible to receive a retirement allowance after
6 the member has terminated service. Any member who first earned
7 credited service as a judge after June 30, 2012, and has at
8 least ten years of credited service and has attained age sixty,
9 or has at least twenty-five years of credited service and has
10 attained age fifty-five, shall be eligible to receive a
11 retirement allowance after the member has terminated service.
12 Any member who first earned credited service as a judge after
13 June 30, 2012, and who is in service as of July 1, 2025, or
14 thereafter, and has at least five years of credited service and
15 has attained age sixty, shall be eligible to receive a
16 retirement allowance after the member has terminated service."

17 2. By amending subsection (f) to read:

18 "(f) A member's right to the member's accrued retirement
19 benefit is nonforfeitable upon the attainment of normal
20 retirement age and the completion of the requisite years of
21 credited service.



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1 For the purpose of this subsection:

2 "Normal retirement age" means age sixty-five.

3 "Requisite years of credited service" means five years for
4 class A and B members who became members before July 1, 2012[~~τ~~
5 ~~and~~]; ten years for class A and B members who became members
6 after June 30, 2012[~~τ~~]; and five years for class A and B members
7 who became members after June 30, 2012, and who are in service
8 as of July 1, 2025, or who returned to service or became a
9 member after June 30, 2025."

10 SECTION 4. Section 88-96, Hawaii Revised Statutes, is
11 amended by amending subsections (a) and (b) to read as follows:

12 "(a) Any member who ceases to be an employee and who
13 became a member before July 1, 2012, and has fewer than five
14 years of credited service, excluding unused sick leave[~~τ~~]; or
15 who becomes a member after June 30, 2012, and has fewer than ten
16 years of credited service, excluding sick leave[~~τ~~]; or who
17 becomes a member after June 30, 2012, and who is in service as
18 of July 1, 2025, or who returns to service after June 30, 2025,
19 and has fewer than five years of credited service, excluding
20 unused sick leave; or who becomes a member after June 30, 2025,
21 and has fewer than five years of credited service, excluding



1 unused sick leave, shall, upon application to the board, be paid
2 all of the member's accumulated contributions and the member's
3 membership shall thereupon terminate and all credited service
4 shall be forfeited; provided that a member shall not be paid the
5 member's accumulated contributions:

6 (1) If the member becomes an employee again within fifteen
7 calendar days from the date the member ceased to be an
8 employee; or

9 (2) If, at the time the application for return of
10 accumulated contributions is received by the board,
11 the member has become an employee again.

12 Regular interest shall be credited to the former employee's
13 account until the former employee's accumulated contributions
14 are returned to the former employee; provided that the former
15 employee's membership shall not continue after the fourth full
16 year following the calendar year in which the individual's
17 employment terminates. Upon termination of the former
18 employee's membership, the former employee's credited service
19 shall be forfeited and, if the former employee's accumulated
20 contributions are \$1,000 or less at the time of distribution,
21 the system shall return the former employee's contributions to



1 the former employee. If the former employee does not become an
2 employee again and if the former employee's accumulated
3 contributions have not been withdrawn by the former employee or
4 previously returned by the system to the former employee, the
5 system shall return the former employee's accumulated
6 contributions to the former employee as soon as possible after
7 the later of: (A) the former employee attaining age sixty-two;
8 or (B) the termination of the former employee's membership.

9 (b) Any member who ceases to be an employee and who became
10 a member before July 1, 2012, and has more than five years of
11 credited service, excluding unused sick leave[τ]; or who becomes
12 a member after June 30, 2012, and has more than ten years of
13 credited service, excluding sick leave[τ]; or who becomes a
14 member after June 30, 2012, and who is in service as of July 1,
15 2025 or who returns to service after June 30, 2025, and has more
16 than five years of credited service, excluding unused sick
17 leave; or who becomes a member after June 30, 2025, and has more
18 than five years of credited service, excluding unused sick
19 leave, shall, upon application to the board, be paid all of the
20 member's accumulated contributions and thereupon the former
21 employee's membership shall terminate and all credited service



1 shall be forfeited; provided that a member shall not be paid the
2 member's accumulated contributions:

3 (1) If the member becomes an employee again within fifteen
4 calendar days from the date the member ceased to be an
5 employee; or

6 (2) If, at the time the application for return of
7 accumulated contributions is received by the board,
8 the member has become an employee again.

9 If the contributions are not withdrawn by the former
10 employee within four calendar years following the calendar year
11 in which the former employee's employment terminates, the former
12 employee shall have established vested benefit status and shall
13 be eligible for the service retirement benefit in effect at the
14 time of the former employee's retirement, payable in accordance
15 with this chapter; provided that if the former employee
16 withdraws the former employee's accumulated contributions, the
17 former employee's vested benefit status shall terminate and all
18 credited service shall be forfeited."

19 SECTION 5. Section 88-331, Hawaii Revised Statutes, is
20 amended to read as follows:

21 1. By amending subsection (a) to read:



1 "(a) [A] Notwithstanding section 88-99, a class H member
2 who:
3 (1) Became a member before July 1, 2012, has at least five
4 years of credited service, and has attained age sixty-
5 two;
6 (2) Became a member before July 1, 2012, has at least
7 thirty years of credited service, and has attained the
8 age of fifty-five; [~~or~~]
9 (3) Becomes a member after June 30, 2012, has at least ten
10 years of credited service, and has attained age sixty-
11 five; [~~or~~]
12 (4) Becomes a member after June 30, 2012, has at least
13 thirty years of credited service, and has attained age
14 sixty[~~7~~]; or
15 (5) Becomes a member after June 30, 2012, and who is in
16 service as of July 1, 2025, or who returns to service
17 or becomes a member after June 30, 2025, and has at
18 least five years of credited service and has attained
19 the age of sixty-five,
20 shall become eligible to receive a retirement allowance after
21 the member has terminated service."



1 2. By amending subsection (f) to read:

2 "(f) A member's right to the member's accrued retirement
3 benefit is nonforfeitable upon the attainment of normal
4 retirement age and the completion of the requisite years of
5 credited service.

6 For the purpose of this subsection:

7 "Normal retirement age" means age sixty-five.

8 "Requisite years of credited service" means five years for
9 class H members who became members before July 1, 2012~~[and]~~;
10 ten years for class H members who became members after June 30,
11 2012~~[and]~~; and five years for class H members who became members
12 after June 30, 2012, and who are in service as of July 1, 2025,
13 or who returned to service or became a member after June 30,
14 2025."

15 SECTION 6. Section 88-338, Hawaii Revised Statutes, is
16 amended by amending subsection (a) to read as follows:

17 "(a) Upon receipt by the system of proper proof of a class
18 H member's death occurring in service or while on authorized
19 leave without pay and if no pension is payable under section 88-
20 339, there shall be paid to the member's designated beneficiary
21 an ordinary death benefit as follows:



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1 (1) The member's accumulated contributions shall be paid
2 to the member's designated beneficiary if:

3 (A) The member became a member before July 1, 2012,
4 and had less than five years of credited service
5 at the time of death; [~~or~~]

6 (B) The member became a member after June 30, 2012,
7 and had less than ten years of credited service
8 at the time of death; or

9 (C) The member became a member after June 30, 2012,
10 and who is in service as of July 1, 2025, or who
11 returned to service or became a member after
12 June 30, 2025, and had less than five years of
13 credited service at the time of death;

14 (2) An amount equal to the member's hypothetical account
15 balance shall be paid to the member's designated
16 beneficiary if:

17 (A) The member became a member before July 1, 2012,
18 and had five or more years of credited service at
19 the time of death; [~~or~~]



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1 (B) The member became a member after June 30, 2012,
2 and had ten or more years of credited service at
3 the time of death; or

4 (C) The member became a member after June 30, 2012,
5 and who is in service as of July 1, 2025, or who
6 returned to service or became a member after
7 June 30, 2025, and had five or more years of
8 credited service at the time of death;

9 (3) If the member had ten or more years of credited
10 service at the time of death, the member's designated
11 beneficiary may elect to receive in lieu of any other
12 payment provided in this section, the allowance that
13 would have been payable as if the member had retired
14 on the first day of a month following the member's
15 death, except for the month of December when
16 retirement on the first or last day of the month shall
17 be allowed. Benefits payable under this paragraph
18 shall be calculated under option 3 of section 88-83
19 and computed on the basis of section 88-332, unreduced
20 for age; or



1 (4) If the member was eligible for service retirement at
2 the time of death, the member's designated beneficiary
3 may elect to receive in lieu of any other payment
4 provided in this section, the allowance that would
5 have been payable as if the member had retired on the
6 first day of a month following the member's death,
7 except for the month of December when retirement on
8 the first or last day of the month shall be allowed.
9 Benefits payable under this paragraph shall be
10 calculated under option 2 of section 88-83 and
11 computed on the basis of section 88-332."

12 SECTION 7. Section 88-341, Hawaii Revised Statutes, is
13 amended by amending subsections (a) and (b) to read as follows:

14 "(a) Any class H member who ceases to be an employee and
15 who became a member before July 1, 2012, and has fewer than five
16 years of credited service, excluding unused sick leave[~~7~~]; or
17 who becomes a member after June 30, 2012, and has fewer than ten
18 years of credited service, excluding unused sick leave[~~7~~]; or
19 who becomes a member after June 30, 2012, and who is in service
20 as of July 1, 2025, or who returns to service or becomes a
21 member after June 30, 2025, and has fewer than five years of



1 credited service, shall, upon application to the board, be paid
2 all of the former employee's accumulated contributions, and the
3 former employee's membership shall thereupon terminate and all
4 credited service shall be forfeited; provided that an individual
5 shall not be paid the individual's accumulated contributions if
6 either:

7 (1) The individual becomes an employee again within
8 fifteen calendar days from the date the individual
9 ceased to be an employee; or

10 (2) At the time the application for return of accumulated
11 contributions is received by the board, the individual
12 has become an employee again.

13 Regular interest shall be credited to the former employee's
14 account until the former employee's accumulated contributions
15 are withdrawn; provided that the former employee's membership
16 shall not continue after the fourth full year following the
17 calendar year in which the individual's employment terminates.

18 If the former employee does not become an employee again and has
19 not withdrawn the former employee's accumulated contributions,
20 the system shall return the former employee's accumulated
21 contributions to the former employee as soon as possible after



1 the later of: (A) the former employee attaining age sixty-two;
2 or (B) the termination of the former employee's membership.

3 (b) Any class H member who ceases to be an employee and
4 who became a member before July 1, 2012, and has more than five
5 years of credited service, excluding unused sick leave[7]; or
6 who becomes a member after June 30, 2012, and has more than ten
7 years of credited service, excluding sick leave[7]; or who
8 becomes a member after June 30, 2012, and who is in service as
9 of July 1, 2025, or who returns to service or becomes a member
10 after June 30, 2025, and has more than five years of credited
11 service, shall, upon application to the board, be paid an amount
12 equal to the former employee's hypothetical account balance and
13 the former employee's membership shall thereupon terminate and
14 all credited service shall be forfeited; provided that the
15 individual shall not be paid the individual's hypothetical
16 account balance if either:

17 (1) The individual becomes an employee again within
18 fifteen calendar days from the date the individual
19 ceased to be an employee; or

20 (2) At the time the application for payment of the
21 individual's hypothetical account balance is received



1 by the board, the individual has become an employee
2 again.

3 If the contributions are not withdrawn by the former
4 employee after the individual's employment terminates, the
5 former employee shall have vested benefit status and shall be
6 eligible for the service retirement benefit in effect at the
7 time of the former employee's retirement, payable in accordance
8 with this chapter."

9 SECTION 8. There is appropriated out of the general
10 revenues of the State of Hawaii the sum of \$ or so
11 much thereof as may be necessary for fiscal year 2024-2025 for
12 investments into the employees' retirement system.

13 The sum appropriated shall be expended by the employees'
14 retirement system for the purposes of this Act.

15 SECTION 9. In accordance with section 9 of article VII of
16 the Hawaii State Constitution and sections 37-91 and 37-93,
17 Hawaii Revised Statutes, the legislature has determined that the
18 appropriations contained in H.B. No. , will cause the state
19 general fund expenditure ceiling for fiscal year 2024-2025 to be
20 exceeded by \$ or per cent. In addition, the
21 appropriation contained in this Act will cause the general fund



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1 expenditure ceiling for fiscal year 2024-2025 to be further
 2 exceeded by \$ or per cent. The combined total
 3 amount of general fund appropriations contained in only these
 4 two Acts will cause the state general fund expenditure ceiling
 5 for fiscal year 2024-2025 to be exceeded by
 6 \$ or per cent. The reasons for exceeding the
 7 general fund expenditure ceiling are that:

- 8 (1) The appropriation made in this Act is necessary to
- 9 serve the public interest; and
- 10 (2) The appropriation made in this Act meets the needs
- 11 addressed by this Act.

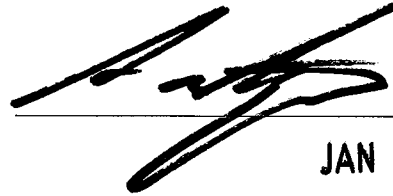
12 SECTION 10. This Act does not affect rights and duties
 13 that matured, penalties that were incurred, and proceedings that
 14 were begun before its effective date.

15 SECTION 11. Statutory material to be repealed is bracketed
 16 and stricken. New statutory material is underscored.

17 SECTION 12. This Act shall take effect on July 1, 2024.

18

INTRODUCED BY:



JAN 19 2024



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Report Title:

Public Employees; Employees' Retirement System; Credited Service; Retirement; Appropriation; Expenditure Ceiling

Description:

Reduces the minimum number of years of credited service from ten years to five years qualified Tier 2 employee's retirement system members must have to be eligible for vested benefit status for service retirement allowance purposes. Appropriates funds.

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

