

JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA



GOV. MSG. NO. 1152

EXECUTIVE CHAMBERS
KE KE'ENA O KE KIA'ĀINA

May 15, 2025

The Honorable Ronald D. Kouchi
President of the Senate,
and Members of the Senate
Thirty-Third State Legislature
State Capitol, Room 409
Honolulu, Hawai'i 96813

The Honorable Nadine Nakamura
Speaker, and Members of the
House of Representatives
Thirty-Third State Legislature
State Capitol, Room 431
Honolulu, Hawai'i 96813

Aloha President Kouchi, Speaker Nakamura, and Members of the Legislature:

This is to inform you that on May 15, 2025, the following bill was signed into law:

S.B. NO. 1360, S.D. 1,
H.D. 2

RELATING TO THE EMPLOYEES' RETIREMENT
SYSTEM.
ACT 052

Mahalo,

A handwritten signature in black ink that reads "Josh Green M.D.".

Josh Green, M.D.
Governor, State of Hawai'i

on MAY 15 2025

THE SENATE
THIRTY-THIRD LEGISLATURE, 2025
STATE OF HAWAII

ACT 052
S.B. NO. 1360
S.D. 1
H.D. 2

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 purpose of this Act is to maintain the
2 employees' retirement system of the State of Hawaii's (the
3 "system") federal tax qualification requirements by conforming
4 chapter 88, Hawaii Revised Statutes, to the updated requirements
5 of the Internal Revenue Code of 1986, as amended, regarding
6 automatic disbursements, including required minimum
7 distributions, by the SECURE 2.0 Act of 2022.

8 SECTION 2. Section 88-74.7, Hawaii Revised Statutes, is
9 amended to read as follows:

10 "**§88-74.7 Commencement of benefits on required beginning**
11 **date.** (a) The purpose of this section is to provide for
12 distribution of benefits in accordance with a reasonable and
13 good faith interpretation of section 401(a)(9) of the Internal
14 Revenue Code. Section 401(a)(9) of the Internal Revenue Code
15 requires that the "entire interest" of a member be distributed
16 or that distribution of the member's benefits begin no later
17 than the member's "required beginning date"[-], as defined in



1 section 401(a)(9) of the Internal Revenue Code of 1986, as
2 amended.

3 ~~[(b) For the purposes of this section, "required beginning~~
4 ~~date" means April 1 of the calendar year following the calendar~~
5 ~~year in which a member terminates service or attains age seventy~~
6 ~~and one-half, whichever is later.~~

7 ~~(e)]~~ (b) A member or former member's accumulated
8 contributions or hypothetical account balance, as defined in
9 section 88-311, shall be paid to the member or former member, or
10 payment of the benefits payable under part II, VII, or VIII of
11 this chapter shall commence, no later than the member's or
12 former member's required beginning date. The payment or
13 payments shall be made on, or beginning no later than, the
14 member's or former member's required beginning date even if the
15 member or former member does not apply for payment or file a
16 retirement application.

17 ~~[(d)]~~ (c) If, by a member's or former member's required
18 beginning date:

19 (1) The member or former member's accumulated
20 contributions or hypothetical account balance, as



1 defined in section 88-311, are not paid to the member
2 or former member; or

3 (2) Payment of the benefits payable under part II, VII, or
4 VIII of this chapter do not commence,
5 the system shall pay the service retirement benefits for which
6 the member or former member is eligible pursuant to part II,
7 VII, or VIII of this chapter, as applicable, retroactive to the
8 member's or former member's required beginning date with regular
9 interest.

10 [~~(e)~~] (d) If the system does not receive a written
11 election from the member or former member under section 88-83,
12 88-283, or 88-333, as applicable, prior to the later of the
13 member's or former member's required beginning date or sixty
14 days following the receipt by the member or former member of
15 notice from the system that the member or former member is
16 required to make an election, the following election shall be
17 deemed to have been made as of the member or former member's
18 required beginning date:

19 (1) If the member or former member is unmarried or has no
20 reciprocal beneficiary, the member or former member



1 shall be deemed to have elected the maximum retirement
2 allowance; or
3 (2) If the member or former member is married or has a
4 reciprocal beneficiary, the member or former member
5 shall be deemed to have elected option 3 under section
6 88-83, or option A under section 88-283, as
7 applicable, and to have designated the member's or
8 former member's spouse or reciprocal beneficiary as
9 the member's or former member's beneficiary;
10 provided that if the system receives the written election after
11 the member's or former member's required beginning date, but
12 within sixty days following receipt by the member or former
13 member of notice from the system that the member or former
14 member is required to make the election, the written election
15 shall apply, and the member's or former member's retirement
16 benefit shall be recomputed, based on the written election,
17 retroactive to the member or former member's required beginning
18 date. The amount of any underpayment resulting from recomputing
19 the benefit shall bear regular interest. If recomputing the
20 benefit results in an overpayment, payments shall be adjusted so



1 that the actuarial equivalent of the benefit to which the member
2 or former member was correctly entitled shall be paid.

3 [~~(f)~~] (e) If the system does not have current information
4 about the member's or former member's marital or reciprocal
5 beneficiary status at the time of a deemed election, the
6 following presumptions shall apply:

7 (1) If the member or former member was married or had a
8 reciprocal beneficiary at the time the member or
9 former member last provided information to the system
10 about the member's or former member's marital or
11 reciprocal beneficiary status, it shall be presumed
12 that the member or former member is still married to
13 the same spouse or is in the same reciprocal
14 beneficiary relationship. If the system does not have
15 information as to the age of the spouse or reciprocal
16 beneficiary, the spouse or reciprocal beneficiary
17 shall be presumed to be forty years younger than the
18 member or former member for purposes of computing the
19 member's or former member's benefit; and

20 (2) If the member or former member was unmarried and did
21 not have a reciprocal beneficiary at the time the



1 member or former member last provided information to
2 the system about the member or former member's marital
3 status, it shall be presumed that the member or former
4 member is married and that the spouse of the member or
5 former member is forty years younger than the member
6 or former member.

7 ~~[(g)]~~ (f) The presumptions in subsection ~~[(f)]~~ (e) shall
8 cease to apply when the member or former member provides the
9 system with current information as to the member's or former
10 member's marital or reciprocal beneficiary status and the age of
11 the member or former member's spouse or reciprocal beneficiary,
12 if any, on the member's or former member's required beginning
13 date. The information shall be provided in a form satisfactory
14 to the system. At that time, the member's or former member's
15 retirement allowance shall be recomputed, retroactive to the
16 member's or former member's required beginning date, based on
17 the updated information; provided that, except as provided in
18 subsection ~~[(e)]~~ (d), the member or former member shall not be
19 permitted to change the member's or former member's retirement
20 allowance option election or beneficiary; provided further that
21 the benefit being paid to any member or former member who, on



1 the member's or former member's required beginning date, was
2 unmarried and did not have a reciprocal beneficiary, but who was
3 deemed to elect option 3 or option A with an assumed spouse or
4 reciprocal beneficiary, shall be converted to the maximum
5 retirement allowance retroactive to the member's or former
6 member's required beginning date. The amount of any
7 underpayment resulting from recomputing the benefit shall bear
8 regular interest. If recomputing the benefit results in an
9 overpayment, payments shall be adjusted so that the actuarial
10 equivalent of the benefit to which the member or former member
11 was correctly entitled shall be paid.

12 ~~[(h)]~~ (g) If the system cannot locate the member or former
13 member, the member's or former member's benefit shall be payable
14 only until the end of the member's or former member's life
15 expectancy, as determined at the member's or former member's
16 required beginning date. If the member or former member has not
17 by that time made a claim for benefits, the member or former
18 member shall be deemed to be deceased at that time. Interest
19 under subsection ~~[(d)]~~ (c) shall cease on benefits presumed to
20 be abandoned property, pursuant to part I of chapter 523A, upon



1 payment of the property to the administrator under part I of
2 chapter 523A.

3 ~~[(i)]~~ (h) Rules necessary for the purposes of this section
4 shall be adopted as provided in section 88-22.5."

5 SECTION 3. Section 88-321, Hawaii Revised Statutes, is
6 amended by amending subsection (b) to read as follows:

7 "(b) Notwithstanding any other law to the contrary:

- 8 (1) A class C member who returns to service after June 30,
9 2006, and who does not return to service as a class A
10 or class B member shall become a class H member upon
11 return to service; provided that, if the member is a
12 former class A or class B member who received a refund
13 of contributions picked up and paid by the member's
14 employer pursuant to section 88-46(b), the member may
15 not become a class H member and shall return to
16 service as a class C member, unless the refund was
17 made pursuant to section 88-96 or 88-271(b);
- 18 (2) A class A or a class B member, who returns to service
19 after June 30, 2006, but does not have vested benefit
20 status as provided in section 88-96(b) and who does
21 not return to service as a class A or class B member,



1 shall become a class H member upon return to service
2 and the member's credited service as a class A or B
3 member shall be converted to class C credited service.
4 The system shall return to the member the member's
5 accumulated contributions if the member's accumulated
6 contributions are \$1,000 or less at the time of
7 distribution. If the member's accumulated
8 contributions for the class A or B credited service
9 that was converted to class C credited service are
10 greater than \$1,000 and the member does not make
11 written application, contemporaneously with the
12 member's return to service, for return of such
13 contributions, the member, except as provided by
14 section 88-341, may not withdraw the member's
15 accumulated contributions for the class A or B
16 credited service that was converted to class C
17 credited service until the member retires or ~~[attains~~
18 ~~age sixty-two,~~ pursuant to sections 88-22.5 and
19 88-74.7;

- 20 (3) A class A member who returns to service after June 30,
21 2008, with vested benefit status and who does not



1 return to service as a class B member shall return to
2 service as a class A member; and

3 (4) A class B member who returns to service after June 30,
4 2008, with vested benefit status and who does not
5 return to service as a class B member shall return to
6 service as a class A member."

7 SECTION 4. Section 88-341, Hawaii Revised Statutes, is
8 amended by amending subsection (a) to read as follows:

9 "(a) Any class H member who ceases to be an employee and
10 who became a member before July 1, 2012, and has fewer than five
11 years of credited service, excluding unused sick leave, or who
12 becomes a member after June 30, 2012, and has fewer than ten
13 years of credited service, excluding unused sick leave, shall,
14 upon application to the board, be paid all of the former
15 employee's accumulated contributions, and the former employee's
16 membership shall thereupon terminate and all credited service
17 shall be forfeited; provided that an individual shall not be
18 paid the individual's accumulated contributions if either:

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



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

4 Regular interest shall be credited to the former employee's
5 account until the former employee's accumulated contributions
6 are withdrawn; provided that the former employee's membership
7 shall not continue after the fourth full year following the
8 calendar year in which the individual's employment terminates.

9 If the former employee does not become an employee again and has
10 not withdrawn the former employee's accumulated contributions,
11 the system shall return the former employee's accumulated
12 contributions to the former employee [~~as soon as possible after~~
13 ~~the later of: (A) the former employee attaining age sixty-two;~~
14 ~~or (B) the termination of the former employee's membership.]~~
15 pursuant to sections 88-22.5 and 88-74.7."

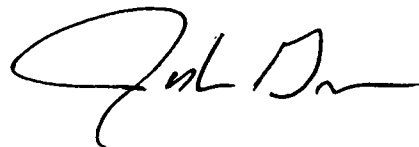
16 SECTION 5. Statutory material to be repealed is bracketed
17 and stricken. New statutory material is underscored.

18 SECTION 6. This Act shall take effect upon its approval.



S.B. NO. 1360
S.D. 1
H.D. 2

APPROVED this 15th day of May, 2025


A handwritten signature in black ink, appearing to read "Josh D...", is written over the printed name of the Governor.

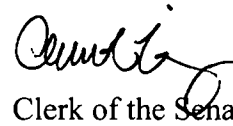
GOVERNOR OF THE STATE OF HAWAII

THE SENATE OF THE STATE OF HAWAI‘I

Date: April 16, 2025
Honolulu, Hawai‘i 96813

We hereby certify that the foregoing Bill this day passed Final Reading in the Senate
of the Thirty-Third Legislature of the State of Hawai‘i, Regular Session of 2025.


President of the Senate


Clerk of the Senate

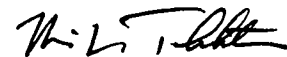
THE HOUSE OF REPRESENTATIVES OF THE
STATE OF HAWAII

Date: April 8, 2025
Honolulu, Hawaii

We hereby certify that the above-referenced Bill on this day passed Third Reading in the House of Representatives of the Thirty-Third Legislature of the State of Hawaii, Regular Session of 2025.



Nadine K. Nakamura
Speaker
House of Representatives



Brian L. Takeshita
Chief Clerk
House of Representatives