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# A BILL FOR AN ACT

RELATING TO GOVERNMENT.

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

1 PART I

2 SECTION 1. Section 88-47, Hawaii Revised Statutes, is  
3 amended by amending subsection (a) to read as follows:

4 "(a) There shall be four classes of members in the system  
5 to be known as class A, class B, class C, and class H, defined  
6 as follows:

7 (1) Class A shall consist of:

8 (A) ~~[Judges,]~~ Members first employed as judges before  
9 July 1, 2031, elected officials, and legislative  
10 officers;

11 (B) Investigators of the department of the attorney  
12 general, narcotics enforcement investigators,  
13 water safety officers not making the election  
14 under section 88-271, and law enforcement  
15 investigations staff investigators;

16 (C) Those members in service prior to July 1, 1984,  
17 including those who are on approved leave of



1           absence, not making the election to become a  
2           class C member as provided in part VII or to  
3           become a class H member as provided in part VIII;  
4       (D)   The following members in service prior to July 1,  
5           2006, including those who are on approved leave  
6           of absence, not making the election to become a  
7           class H member as provided in part VIII:  
8           (i)   Members whose salaries are set forth in  
9                 sections 26-52 and 26-53 and their county  
10            counterparts, managing directors or an  
11            administrative assistant to the mayor, other  
12            county department heads, and agency heads  
13            appointed and subject to removal by the  
14            mayor;  
15           (ii)   First deputies appointed by the county  
16                 attorney and prosecuting attorney;  
17           (iii)   The county clerk and deputy county clerk of  
18                 each county;  
19           (iv)   The directors of the offices of council  
20                 services of the county of Maui and the city  
21                 and county of Honolulu;



1 (v) The administrative director of the courts;

2 (vi) The deputy administrative director of the  
3 courts;

4 (vii) The executive officer of the labor and  
5 industrial relations appeals board; and

6 (viii) The executive officer of the Hawaii labor  
7 relations board;

8 (E) All former class A retirants who return to  
9 employment after June 30, 1984, requiring the  
10 retirant's active membership; and

11 (F) All former class B retirants who return to  
12 employment requiring the retirant's active  
13 membership, except for:

14 (i) Former retirants who return in the positions  
15 of police officer or firefighter;

16 (ii) Former retirants who were members on July 1,  
17 1957, who elected not to be covered by the  
18 Social Security Act; and

19 (iii) Former retirants who were in positions to  
20 which coverage under Title II of the Social  
21 Security Act was not extended who entered



membership after June 30, 1957, but before  
January 1, 2004;

(2) Class B shall consist of:

(A) Police officers and firefighters, including  
former retirants who return to service in such  
capacity;

(B) All employees, including former retirants, who  
were members on July 1, 1957, who elected not to  
be covered by the Social Security Act; and

(C) All employees, including former retirants, in  
positions to which coverage under Title II of the  
Social Security Act is not extended, who enter  
membership after June 30, 1957, but before  
January 1, 2004, not making the election to  
become a class H member as provided in part VIII;

(3) Except for members described in paragraphs (1) and  
(2), class C shall consist of all employees, not  
making the election to become a class H member as  
provided in part VIII, who:

(A) First enter service after June 30, 1984, but  
before July 1, 2006;



1 (B) Reenter service after June 30, 1984, but before  
2 July 1, 2006, without vested benefit status as  
3 provided in section 88-96(b);

4 (C) Make the election to become a class C member as  
5 provided in part VII; or

6 (D) Are former class C retirants who return to  
7 service requiring the retirant's active  
8 membership; and

9 (4) Except for members described in paragraphs (1) and  
10 (2), class H shall consist of all employees who:

11 (A) First enter service after June 30, 2006;

12 (B) Reenter service after June 30, 2006, without  
13 vested benefit status as provided in section 88-  
14 96(b);

15 (C) Make the election to become a class H member as  
16 provided in part VIII; [~~or~~]

17 (D) Are former class H retirants who return to  
18 service requiring the retirant's active  
19 membership[~~-~~]; or

20 (E) Are first employed as a judge after June 30,  
21 2031."



1       SECTION 2. Section 88-74, Hawaii Revised Statutes, is  
2 amended as follows:

3       1. By amending subsection (d) to read:

4       "(d) If a member, who became a member before July 1, 2012,  
5 has credited service as an elective officer or as a legislative  
6 officer, the member's retirement allowance shall be derived by  
7 adding the allowances computed separately under paragraphs (1),  
8 (2), (3), (4), (5), and (6) as follows:

- 9       (1) For a member who has credited service as an elective  
10 officer before July 1, 2012, irrespective of age, for  
11 each year of credited service as an elective officer,  
12 three and one-half per cent of the member's average  
13 final compensation as computed under section 88-  
14 81(e)(1), in addition to an annuity that is the  
15 actuarial equivalent of the member's accumulated  
16 contributions allocable to the period of service;
- 17       (2) For a member, who first earned credited service as an  
18 elective officer after June 30, 2012, irrespective of  
19 age, for each year of credited service as an elective  
20 officer, three per cent of the member's average final  
21 compensation as computed under section 88-81(e)(1), in



1 addition to an annuity that is the actuarial  
2 equivalent of the member's accumulated contributions  
3 allocable to the period of service;

4 (3) For a member who has credited service as a legislative  
5 officer before July 1, 2012, irrespective of age, for  
6 each year of credited service as a legislative  
7 officer, three and one-half per cent of the member's  
8 average final compensation as computed under section  
9 88-81(e) (2), in addition to an annuity that is the  
10 actuarial equivalent of the member's accumulated  
11 contributions allocable to the period of service;

12 (4) For a member who first earned credited service as a  
13 legislative officer after June 30, 2012, irrespective  
14 of age, for each year of credited service as a  
15 legislative officer, three per cent of the member's  
16 average final compensation as computed under section  
17 88-81(e) (2), in addition to an annuity that is the  
18 actuarial equivalent of the member's accumulated  
19 contributions allocable to the period of service;



1 (5) If the member has credited service as a judge, the  
2 member's retirement allowance shall be computed on the  
3 following basis:

4 (A) For a member who has credited service as a judge  
5 before July 1, 1999, irrespective of age, for  
6 each year of credited service as a judge, three  
7 and one-half per cent of the member's average  
8 final compensation as computed under section 88-  
9 81(e)(3), in addition to an annuity that is the  
10 actuarial equivalent of the member's accumulated  
11 contributions allocable to the period of service;

12 (B) For a member who first earned credited service as  
13 a judge after June 30, 1999, but before July 1,  
14 2012, and has attained the age of fifty-five, for  
15 each year of credited service as a judge, three  
16 and one-half per cent of the member's average  
17 final compensation as computed under section 88-  
18 81(e)(3), in addition to an annuity that is the  
19 actuarial equivalent of the member's accumulated  
20 contributions allocable to the period of service.  
21 If the member has not attained age fifty-five,





1 the member's retirement allowance shall be  
2 computed as though the member had attained age  
3 fifty-five, reduced for age as provided in  
4 subsection (e); ~~and~~

5 (C) For a member who first earned credited service as  
6 a judge after June 30, 2012, but before July 1,  
7 2031, and has attained the age of sixty, for each  
8 year of credited service as a judge, three per  
9 cent of the member's average final compensation  
10 as computed under section 88-81(e)(3), in  
11 addition to an annuity that is the actuarial  
12 equivalent of the member's accumulated  
13 contributions allocable to the period of service.  
14 If the member has not attained age sixty, the  
15 member's retirement allowance shall be computed  
16 as though the member had attained age sixty,  
17 reduced for age as provided in subsection (i);  
18 and

19 (D) For a member who first earned credited service as  
20 a judge after June 30, 2031, and has attained the  
21 age of sixty, for each year of credited service



1           as a judge, one and three-fourths per cent of the  
2           member's average final compensation as computed  
3           under section 88-81(e) (3), in addition to an  
4           annuity that is the actuarial equivalent of the  
5           member's accumulated contributions allocable to  
6           the period of service. If the member has not  
7           attained age sixty, the member's retirement  
8           allowance shall be computed as though the member  
9           had attained age sixty, reduced for age as  
10          provided in subsection (i); and

11          (6) For each year of credited service not included in  
12          paragraph (1), (2), (3), (4), or (5), the average  
13          final compensation as computed under section 88-  
14          81(e) (4) shall be multiplied by two per cent for  
15          credited service earned as a class A or class H  
16          member, two and one-half per cent for credited service  
17          earned as a class B member, and one and one-quarter  
18          per cent for credited service earned as a class C  
19          member. If the member has not attained age fifty-  
20          five, the member's retirement allowance shall be



1           computed as though the member had attained age fifty-  
2           five, reduced for age as provided in subsection (e).  
3   The total retirement allowance shall not exceed seventy-five per  
4   cent of the member's highest average final compensation  
5   calculated under section 88-81(e) (1), (2), (3), or (4). If the  
6   allowance exceeds this limit, it shall be adjusted by reducing  
7   any annuity accrued under paragraphs (1), (2), (3), (4), and (5)  
8   and the portion of the accumulated contributions specified in  
9   these paragraphs in excess of the requirements of the reduced  
10   annuity shall be returned to the member upon the member's  
11   retirement or paid to the member's designated beneficiary upon  
12   the member's death while in service or while on authorized leave  
13   without pay. If a member has service credit as an elective  
14   officer or as a legislative officer in addition to service  
15   credit as a judge, then the retirement benefit calculation  
16   contained in this subsection shall supersede the formula  
17   contained in subsection (c)."

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

19           "(f) If a member, who becomes a member after June 30,  
20   2012, has attained age sixty, the member's maximum retirement  
21   allowance shall be one and three-fourths per cent of the



1 member's average final compensation multiplied by the total  
2 number of years of the member's credited service as a class A  
3 and class B member, excluding any credited service as a judge,  
4 elective officer, or legislative officer, plus a retirement  
5 allowance of one and one-fourth per cent of the member's average  
6 final compensation multiplied by the total number of years of  
7 prior credited service as a class C member, plus a retirement  
8 allowance of one and three-fourths per cent of the member's  
9 average final compensation multiplied by the total number of  
10 years of prior credited service as a class H member; provided  
11 that:

12 (1) If the member has at least ten years of credited  
13 service, of which the last five or more years [~~prior~~  
14 ~~to~~] before retirement is credited service as a  
15 firefighter, a police officer, a sheriff, a deputy  
16 sheriff, or an investigator of the department of the  
17 prosecuting attorney;

18 (2) If the member has at least ten years of credited  
19 service, of which the last five or more years [~~prior~~  
20 ~~to~~] before retirement is credited service as a  
21 corrections officer;



1 (3) If the member has at least ten years of credited  
2 service, of which the last five or more years [~~prior~~  
3 ~~to~~] before retirement is credited service as an  
4 investigator of the department of the attorney  
5 general;

6 (4) If the member has at least ten years of credited  
7 service, of which the last five or more years [~~prior~~  
8 ~~to~~] before retirement is credited service as a  
9 narcotics enforcement investigator;

10 (5) If the member has at least ten years of credited  
11 service, of which the last five or more years [~~prior~~  
12 ~~to~~] before retirement is credited service as a law  
13 enforcement investigations staff investigator;

14 (6) If the member:

15 (A) Has at least ten years of credited service as a  
16 firefighter;

17 (B) Is deemed permanently medically disqualified due  
18 to a service related disability to be a  
19 firefighter by the employer's physician; and

20 (C) Continues employment in a class A or class B  
21 position other than a firefighter; and



1 (7) If the member:

2 (A) Has at least ten years of credited service as a  
3 police officer;

4 (B) Is deemed permanently medically disqualified due  
5 to a service related disability to be a police  
6 officer by the employer's physician; and

7 (C) Continues employment in a class A or class B  
8 position other than a police officer,

9 then for each year of service as a firefighter, police officer,

10 [~~corrections officer,~~] sheriff, deputy sheriff, investigator of

11 the department of the prosecuting attorney, corrections officer,

12 investigator of the department of the attorney general,

13 narcotics enforcement investigator, or law enforcement

14 investigations staff investigator, the retirement allowance

15 shall be two and one-fourth per cent of the member's average

16 final compensation. The maximum retirement allowance for those

17 members shall not exceed eighty per cent of the member's average

18 final compensation. If the member has not attained age sixty,

19 the member's retirement allowance shall be computed as though

20 the member had attained age sixty, reduced for age as provided

21 in subsection (i)."



## 1 PART II

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

12 Although the two-tier member structure has assisted the  
13 employees' retirement system in its efforts to achieve full  
14 funding of its actuarial accrued liability, actuaries have  
15 determined that reducing the minimum number of years of credited  
16 service Tier 2 members must have to be eligible for vested  
17 benefit status from ten years to five years to match Tier 1  
18 members would increase the projected full funding period only by  
19 an estimated four additional months and would require an  
20 increase in employer contribution rates of less than a quarter  
21 per cent.



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

11       Notwithstanding section 88-99, Hawaii Revised Statutes, the  
12 purpose of this part is to:

- 13       (1) Reduce the minimum number of years of credited service  
14       qualified Tier 2 members must have to be eligible for  
15       vested benefit status for service retirement allowance  
16       purposes from ten years to five years; and  
17       (2) Increase employer contributions to offset the  
18       liability produced by the vesting changes.

19       SECTION 4. Section 88-62, Hawaii Revised Statutes, is  
20 amended by amending subsection (b) to read as follows:





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

3       (1)   If a former member who has fewer than ten years of  
4           credited service and who has been out of service for a  
5           period of four full calendar years or more after the  
6           year in which the former member left service, or if a  
7           former member who withdrew the former member's  
8           accumulated contributions returns to service, the  
9           former member shall become a member in the same manner  
10          and under the same conditions as anyone first entering  
11          service; ~~[however,]~~ provided that the former member  
12          may obtain membership service credit in the manner  
13          provided by applicable law for credited service that  
14          was forfeited by the member upon termination of the  
15          member's previous membership. If the member did not  
16          withdraw the former member's accumulated contributions  
17          ~~[prior to]~~ before the former member's return to  
18          service, the accumulated contributions shall be  
19          returned to the member as part of the process of  
20          enrolling the member in the system if the member's  
21          accumulated contributions are \$1,000 or less at the



1 time of distribution. If the accumulated  
2 contributions for the service the member had when the  
3 member previously terminated employment are greater  
4 than \$1,000 and the member does not make written  
5 application, [~~prior to~~] before or contemporaneously  
6 with the member's return to service, for return of the  
7 accumulated contributions, the member may not withdraw  
8 the member's accumulated contributions, except as  
9 provided by section 88-96 or 88-341, until the member  
10 retires or attains age sixty-two. The member shall  
11 not be entitled to service credit by reason of the  
12 system's retention of the member's accumulated  
13 contributions for the service the member had when the  
14 member previously terminated employment. To be  
15 eligible for any benefit, the member shall fulfill the  
16 membership service requirements for the benefit  
17 through membership service after again becoming a  
18 member, in addition to meeting any other eligibility  
19 requirement established for the benefit; provided that  
20 the membership service requirement shall be exclusive  
21 of any former service acquired in accordance with



1 section 88-59 or any other section in part II, VII, or  
2 VIII;

3 (2) If a former member with fewer than ten years of  
4 credited service and who did not withdraw the former  
5 member's accumulated contributions returns to service  
6 within four full calendar years after the year in  
7 which the former member left service, the former  
8 member shall again become a member in the same manner  
9 and under the same conditions as anyone first entering  
10 service[~~, except~~]; provided that the member shall be  
11 credited with service credit for the service the  
12 member had when the member terminated employment[+];  
13 provided further that:

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

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

19 (3) If a former member [~~with ten or more years of credited~~  
20 ~~service who did not withdraw the former member's~~  
21 ~~contributions~~] who has vested benefit status as



1 provided in section 88-96(b) returns to service, the  
2 former member's status shall be in accordance with the  
3 provisions described in section 88-97[-];

4 (4) If a former member who has fewer than five years of  
5 credited service and who has been out of service for a  
6 period of four full calendar years or more after the  
7 year in which the former member left service, or if a  
8 former member withdrew the former member's accumulated  
9 contributions, returns to service and remains in  
10 service as of July 1, 2027, or returns to service  
11 after June 30, 2027, the former member shall become a  
12 member in the same manner and under the same  
13 conditions as anyone first entering service; provided  
14 that the former member may obtain membership service  
15 credit in the manner provided by applicable law for  
16 credited service that was forfeited by the member upon  
17 termination of the member's previous membership. If  
18 the member did not withdraw the former member's  
19 accumulated contributions before the former member's  
20 return to service, the accumulated contributions shall  
21 be returned to the member as part of the process of



1 enrolling the member in the system if the member's  
2 accumulated contributions are \$1,000 or less at the  
3 time of distribution. If the accumulated  
4 contributions for the service the member had when the  
5 member previously terminated employment are greater  
6 than \$1,000 and the member does not make written  
7 application, before or contemporaneously with the  
8 member's return to service, for return of the  
9 accumulated contributions, the member may not withdraw  
10 the member's accumulated contributions, except as  
11 provided by section 88-96 or 88-341, until the member  
12 retires or attains age sixty-two. The member shall  
13 not be entitled to service credit by reason of the  
14 system's retention of the member's accumulated  
15 contributions for the service the member had when the  
16 member previously terminated employment. To be  
17 eligible for any benefit, the member shall fulfill the  
18 membership service requirements for the benefit  
19 through membership service after again becoming a  
20 member, in addition to meeting any other eligibility  
21 requirement established for the benefit; provided that



1       the membership service requirement shall be exclusive  
2       of any former service acquired in accordance with  
3       section 88-59 or any other section in part II, VII, or  
4       VIII; and

5       (5) If a former member who has fewer than five years of  
6       credited service and who did not withdraw the former  
7       member's accumulated contributions returns to service  
8       and remains in service as of July 1, 2027, or returns  
9       to service after June 30, 2027, and who returns to  
10       service within four full calendar years after the year  
11       in which the former member left service, the former  
12       member shall again become a member in the same manner  
13       and under the same conditions as anyone first entering  
14       service; provided that the member shall be credited  
15       with service credit for the service the member had  
16       when the member terminated employment; provided  
17       further that:

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



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

3           SECTION 5. Section 88-73, Hawaii Revised Statutes, is  
4 amended as follows:

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

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

7           (1) Became a member before July 1, 2012, ~~[and]~~ has at  
8           least five years of credited service, and has attained  
9           age fifty-five;

10          (2) Became a member before July 1, 2012, and has at least  
11          twenty-five years of credited service;

12          (3) Has at least ten years of credited service, which  
13          includes service as a judge before July 1, 1999, an  
14          elective officer, or a legislative officer;

15          (4) Becomes a member after June 30, 2012, ~~[and]~~ has at  
16          least ten years of credited service, and has attained  
17          age sixty; ~~[or]~~

18          (5) Becomes a member after June 30, 2012, ~~[and]~~ has at  
19          least twenty-five years of credited service, and has  
20          attained age fifty-five~~[r]~~;



- 1        (6) Becomes a member after June 30, 2012, and who is in  
2        service as of July 1, 2027, or who returns to service  
3        after June 30, 2027, and has at least five years of  
4        credited service and has attained the age of sixty; or  
5        (7) Becomes a member after June 30, 2027, and has at least  
6        five years of credited service and has attained the  
7        age of sixty,

8 shall become eligible to receive a retirement allowance after  
9 the member has terminated service.

10        (b) Any member who first earned credited service as a  
11 judge after June 30, 1999, but before July 1, 2012, and who has  
12 at least five years of credited service and has attained age  
13 fifty-five or has at least twenty-five years of credited service  
14 shall become eligible to receive a retirement allowance after  
15 the member has terminated service. Any member who first earned  
16 credited service as a judge after June 30, 2012, and has at  
17 least ten years of credited service and has attained age sixty  
18 or has at least twenty-five years of credited service and has  
19 attained age fifty-five shall be eligible to receive a  
20 retirement allowance after the member has terminated service.  
21 Any member who first earned credited service as a judge after





1 June 30, 2012, and who is in service as of July 1, 2027, or who  
2 returns to service after June 30, 2027, and has at least five  
3 years of credited service and has attained age sixty; or who  
4 becomes a member after June 30, 2027, and has at least five  
5 years of credited service and has attained age sixty, shall be  
6 eligible to receive a retirement allowance after the member has  
7 terminated service."

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

9 "(f) A member's right to the member's accrued retirement  
10 benefit is nonforfeitable upon the attainment of normal  
11 retirement age and the completion of the requisite years of  
12 credited service.

13 For the purpose of this subsection:

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

15 "Requisite years of credited service" means five years for  
16 class A and B members who became members before July 1, 2012,  
17 and ten years for class A and B members who became members after  
18 June 30, 2012[-]; five years for class A and B members who  
19 became members after June 30, 2012, and who are in service as of  
20 July 1, 2027, or who returned to service after June 30, 2027;



1 and five years for class A and B members who became members  
2 after June 30, 2027."

3 SECTION 6. Section 88-96, Hawaii Revised Statutes, is  
4 amended by amending subsections (a) and (b) to read as follows:

5 "(a) Any member who ceases to be an employee and who  
6 became a member before July 1, 2012, and has fewer than five  
7 years of credited service, excluding unused sick leave[7]; or  
8 who becomes a member after June 30, 2012, and has fewer than ten  
9 years of credited service, excluding unused sick leave[7]; or  
10 who becomes a member after June 30, 2012, and who is in service  
11 as of July 1, 2027, or who returns to service after June 30,  
12 2027, and has fewer than five years of credited service,  
13 excluding unused sick leave; or who becomes a member after  
14 June 30, 2027, and has fewer than five years of credited  
15 service, excluding unused sick leave, shall, upon application to  
16 the board, be paid all of the member's accumulated contributions  
17 and the member's membership shall thereupon terminate and all  
18 credited service shall be forfeited; provided that a member  
19 shall not be paid the member's accumulated contributions:



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

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

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



1 contributions to the former employee as soon as possible after  
2 the later of [~~+~~—(A)] the former employee attaining age sixty-  
3 two[+] or [~~(B)~~] the termination of the former employee's  
4 membership.

5 (b) Any member who ceases to be an employee and who became  
6 a member before July 1, 2012, and has more than five years of  
7 credited service, excluding unused sick leave[~~7~~]; or who becomes  
8 a member after June 30, 2012, and has more than ten years of  
9 credited service, excluding unused sick leave[~~7~~]; or who becomes  
10 a member after June 30, 2012, and who is in service as of  
11 July 1, 2027, or who returns to service after June 30, 2027, and  
12 has more than five years of credited service, excluding unused  
13 sick leave; or who becomes a member after June 30, 2027, and has  
14 more than five years of credited service, excluding unused sick  
15 leave, shall, upon application to the board, be paid all of the  
16 member's accumulated contributions and thereupon the former  
17 employee's membership shall terminate and all credited service  
18 shall be forfeited; provided that a member shall not be paid the  
19 member's accumulated contributions:



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

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

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

17 SECTION 7. Section 88-122, Hawaii Revised Statutes, is  
18 amended by amending subsection (e) to read as follows:

19 "(e) Commencing with fiscal year 2005-2006 and each  
20 subsequent fiscal year until fiscal year 2007-2008, the employer  
21 contributions for normal cost and accrued liability for each of



1 the two groups of employees in subsection (a) shall be based on  
2 fifteen and three-fourths per cent of the member's compensation  
3 for police officers, firefighters, and corrections officers and  
4 thirteen and three-fourths per cent of the member's compensation  
5 for all other employees. Commencing with fiscal year 2008-2009  
6 and each subsequent fiscal year until fiscal year 2011-2012, the  
7 employer contributions for normal cost and accrued liability for  
8 each of the two groups of employees in subsection (a) shall be  
9 based on nineteen and seven-tenths per cent of the member's  
10 compensation for police officers, firefighters, and corrections  
11 officers and fifteen per cent of the member's compensation for  
12 all other employees. In fiscal year 2012-2013, the employer  
13 contributions for normal cost and accrued liability for each of  
14 the two groups of employees in subsection (a) shall be based on  
15 twenty-two per cent of the member's compensation for police  
16 officers, firefighters, and corrections officers and fifteen and  
17 one-half per cent of the member's compensation for all other  
18 employees. In fiscal year 2013-2014, the employer contributions  
19 for normal cost and accrued liability for each of the two groups  
20 of employees in subsection (a) shall be based on twenty-three  
21 per cent of the member's compensation for police officers,



1 firefighters, and corrections officers and sixteen per cent of  
2 the member's compensation for all other employees. In fiscal  
3 year 2014-2015, the employer contributions for normal cost and  
4 accrued liability for each of the two groups of employees in  
5 subsection (a) shall be based on twenty-four per cent of the  
6 member's compensation for police officers, firefighters, and  
7 corrections officers and sixteen and one-half per cent of the  
8 member's compensation for all other employees. Commencing with  
9 fiscal year 2015-2016 until fiscal year 2016-2017, the employer  
10 contributions for normal cost and accrued liability for each of  
11 the two groups of employees in subsection (a) shall be based on  
12 twenty-five per cent of the member's compensation for police  
13 officers, firefighters, and corrections officers and seventeen  
14 per cent of the member's compensation for all other employees.  
15 In fiscal year 2017-2018, the employer contributions for normal  
16 cost and accrued liability for each of the two groups of  
17 employees in subsection (a) shall be based on twenty-eight per  
18 cent of the member's compensation for police officers,  
19 firefighters, and corrections officers and eighteen per cent of  
20 the member's compensation for all other employees. In fiscal  
21 year 2018-2019, the employer contributions for normal cost and



1 accrued liability for each of the two groups in subsection (a)  
2 shall be based on thirty-one per cent of the member's  
3 compensation for police officers, firefighters, and corrections  
4 officers and nineteen per cent of the member's compensation for  
5 all other employees. In fiscal year 2019-2020, the employer  
6 contributions for normal cost and accrued liability for each of  
7 the two groups in subsection (a) shall be based on thirty-six  
8 per cent of the member's compensation for police officers,  
9 firefighters, and corrections officers and twenty-two per cent  
10 of the member's compensation for all other employees.  
11 Commencing with fiscal year 2020-2021 and each subsequent fiscal  
12 year[7] until fiscal year 2024-2025, the employer contributions  
13 for normal cost and accrued liability for each of the two groups  
14 in subsection (a) shall be based on forty-one per cent of the  
15 member's compensation for police officers, firefighters, and  
16 corrections officers and twenty-four per cent of the member's  
17 compensation for all other employees. Commencing with fiscal  
18 year 2025-2026 and each subsequent fiscal year, the employer  
19 contributions for normal cost and accrued liability for each of  
20 the two groups in subsection (a) shall be based on 41.19 per  
21 cent of the member's compensation for police officers,





1 firefighters, and corrections officers and 24.19 per cent of the  
2 member's compensation for all other employees. The contribution  
3 rates shall amortize the total unfunded accrued liability of the  
4 entire plan over a period not to exceed the maximum funding  
5 period.

6 The contribution rates shall be subject to adjustment:

- 7 (1) If the actual period required to amortize the unfunded  
8 accrued liability exceeds the maximum funding period;  
9 (2) If there is no unfunded accrued liability; or  
10 (3) Based on the actuarial investigation conducted in  
11 accordance with section 88-105."

12 SECTION 8. Section 88-331, Hawaii Revised Statutes, is  
13 amended as follows:

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

15 "(a) [A] Notwithstanding section 88-99, a class H member  
16 who:

- 17 (1) Became a member before July 1, 2012, has at least five  
18 years of credited service, and has attained age sixty-  
19 two;



1           (2) Became a member before July 1, 2012, has at least  
2           thirty years of credited service, and has attained the  
3           age of fifty-five; [~~or~~]  
4           (3) Becomes a member after June 30, 2012, has at least ten  
5           years of credited service, and has attained age sixty-  
6           five; [~~or~~]  
7           (4) Becomes a member after June 30, 2012, has at least  
8           thirty years of credited service, and has attained age  
9           sixty[~~r~~];  
10          (5) Becomes a member after June 30, 2012, and who is in  
11          service as of July 1, 2027, or who returns to service  
12          after June 30, 2027, and has at least five years of  
13          credited service and has attained the age of sixty-  
14          five; or  
15          (6) Becomes a member after June 30, 2027, and has at least  
16          five years of credited service and has attained the  
17          age of sixty-five,  
18          shall become eligible to receive a retirement allowance after  
19          the member has terminated service."

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



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

5       For the purpose of this subsection:

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

7       "Requisite years of credited service" means five years for  
8 class H members who became members before July 1, 2012~~[, and]~~;  
9 ten years for class H members who became members after June 30,  
10 2012~~[, ]~~; five years for class H members who became members after  
11 June 30, 2012, and who are in service as of July 1, 2027, or who  
12 returned to service after June 30, 2027; and five years for  
13 class H members who became members after June 30, 2027."

14       SECTION 9. Section 88-338, Hawaii Revised Statutes, is  
15 amended by amending subsection (a) to read as follows:

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



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;

9 (C) The member became a member after June 30, 2012,  
10 and was in service as of July 1, 2027, or who  
11 returned to service after June 30, 2027, and had  
12 less than five years of credited service at the  
13 time of death; or

14 (D) The member became a member after June 30, 2027,  
15 and had less than five years of credited service  
16 at the time of death;

17 (2) An amount equal to the member's hypothetical account  
18 balance shall be paid to the member's designated  
19 beneficiary if:



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

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

7 (C) The member became a member after June 30, 2012,  
8 and was in service as of July 1, 2027, or who  
9 returned to service after June 30, 2027, and had  
10 five or more years of credited service at the  
11 time of death; or

12 (D) The member became a member after June 30, 2027,  
13 and had five or more years of credited service at  
14 the time of death;

15 (3) If the member had ten or more years of credited  
16 service at the time of death, the member's designated  
17 beneficiary may elect to receive in lieu of any other  
18 payment provided in this section, the allowance that  
19 would have been payable as if the member had retired  
20 on the first day of a month following the member's  
21 death, except for the month of December when



1 retirement on the first or last day of the month shall  
2 be allowed. Benefits payable under this paragraph  
3 shall be calculated under option 3 of section 88-83  
4 and computed on the basis of section 88-332, unreduced  
5 for age; or

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

17 SECTION 10. Section 88-341, Hawaii Revised Statutes, is  
18 amended by amending subsections (a) and (b) to read as follows:

19 "(a) Any class H member who ceases to be an employee and  
20 who became a member before July 1, 2012, and has fewer than five  
21 years of credited service, excluding unused sick leave[7]; or



1 who becomes a member after June 30, 2012, and has fewer than ten  
2 years of credited service, excluding unused sick leave[7]; or  
3 who becomes a member after June 30, 2012, and who is in service  
4 as of July 1, 2027, or who returns to service after June 30,  
5 2027, and has fewer than five years of credited service,  
6 excluding unused sick leave; or who becomes a member after June  
7 30, 2027, and has fewer than five years of credited service,  
8 excluding unused sick leave, shall, upon application to the  
9 board, be paid all of the former employee's accumulated  
10 contributions, and the former employee's membership shall  
11 thereupon terminate and all credited service shall be forfeited;  
12 provided that an individual shall not be paid the individual's  
13 accumulated contributions if either:

- 14 (1) The individual becomes an employee again within  
15 fifteen calendar days from the date the individual  
16 ceased to be an employee; or  
17 (2) At the time the application for return of accumulated  
18 contributions is received by the board, the individual  
19 has become an employee again.

20 Regular interest shall be credited to the former employee's  
21 account until the former employee's accumulated contributions



1 are withdrawn; provided that the former employee's membership  
2 shall not continue after the fourth full year following the  
3 calendar year in which the individual's employment terminates.  
4 If the former employee does not become an employee again and has  
5 not withdrawn the former employee's accumulated contributions,  
6 the system shall return the former employee's accumulated  
7 contributions to the former employee as soon as possible after  
8 the later of [~~+~~—(A)] the former employee attaining age sixty-  
9 two[+] or [~~(B)~~] the termination of the former employee's  
10 membership.

11 (b) Any class H member who ceases to be an employee and  
12 who became a member before July 1, 2012, and has more than five  
13 years of credited service, excluding unused sick leave[~~r~~]; or  
14 who becomes a member after June 30, 2012, and has more than ten  
15 years of credited service, excluding unused sick leave[~~r~~]; or  
16 who becomes a member after June 30, 2012, and who is in service  
17 as of July 1, 2027, or who returns to service after June 30,  
18 2027, and has five or more years of credited service, excluding  
19 unused sick leave; or who becomes a member after June 30, 2027,  
20 and has five or more years of credited service, excluding unused  
21 sick leave, shall, upon application to the board, be paid an





1 amount equal to the former employee's hypothetical account  
2 balance and the former employee's membership shall thereupon  
3 terminate and all credited service shall be forfeited; provided  
4 that the individual shall not be paid the individual's  
5 hypothetical account balance if either:

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

9 (2) At the time the application for payment of the  
10 individual's hypothetical account balance is received  
11 by the board, the individual has become an employee  
12 again.

13 If the contributions are not withdrawn by the former  
14 employee after the individual's employment terminates, the  
15 former employee shall have vested benefit status and shall be  
16 eligible for the service retirement benefit in effect at the  
17 time of the former employee's retirement, payable in accordance  
18 with this chapter."

19 PART III

20 SECTION 11. The preceding parts do not affect the rights,  
21 duties, benefits, and obligations that matured or were vested,



1 or proceedings that were begun, before its effective date,  
2 including but not limited to any membership that was terminated,  
3 credited service that was forfeited, retirement that was  
4 finalized, or benefits that were paid.

5 SECTION 12. Statutory material to be repealed is bracketed  
6 and stricken. New statutory material is underscored.

7 SECTION 13. This Act shall take effect on July 1, 3000.



**Report Title:**

ERS; Sheriffs; Deputy Sheriffs; Tier 2 Members; Credited Service; Benefits; Employer Contributions; Judges; Retirement Allowance

**Description:**

Amends the retirement allowance for a member who first earns credited service as a judge after 6/30/2031 to 1.75 per cent of the judge's average final compensation for each year of credited service as a judge. Includes sheriffs and deputy sheriffs to the enhanced retirement benefits category. Reduces the minimum number of years of credited service that qualified Tier 2 Employees' Retirement System members must have to be eligible for vested benefit status for service retirement allowance purposes from ten years to five years. Increases employer contributions to offset the resulting liability. Effective 7/1/3000. (HD3)

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

