
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 88-74, Hawaii Revised Statutes, is
3 amended as follows:

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

5 "(d) If a member, who became a member before July 1, 2012,
6 has credited service as an elective officer or as a legislative
7 officer, the member's retirement allowance shall be derived by
8 adding the allowances computed separately under paragraphs (1),
9 (2), (3), (4), (5), and (6) as follows:

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



- 1 (2) For a member, who first earned credited service as an
2 elective officer after June 30, 2012, irrespective of
3 age, for each year of credited service as an elective
4 officer, three per cent of the member's average final
5 compensation as computed under section 88-81(e)(1), in
6 addition to an annuity that is the actuarial
7 equivalent of the member's accumulated contributions
8 allocable to the period of service;
- 9 (3) For a member who has credited service as a legislative
10 officer before July 1, 2012, irrespective of age, for
11 each year of credited service as a legislative
12 officer, three and one-half per cent of the member's
13 average final compensation as computed under section
14 88-81(e)(2), 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 (4) For a member who first earned credited service as a
18 legislative officer after June 30, 2012, irrespective
19 of age, for each year of credited service as a
20 legislative officer, three per cent of the member's
21 average final compensation as computed under section



1 88-81(e) (2), in addition to an annuity that is the
2 actuarial equivalent of the member's accumulated
3 contributions allocable to the period of service;

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

7 (A) For a member who has credited service as a judge
8 before July 1, 1999, irrespective of age, for
9 each year of credited service as a judge, three
10 and one-half per cent of the member's average
11 final compensation as computed under section 88-
12 81(e) (3), in addition to an annuity that is the
13 actuarial equivalent of the member's accumulated
14 contributions allocable to the period of service;

15 (B) For a member who first earned credited service as
16 a judge after June 30, 1999, but before July 1,
17 2012, and has attained the age of fifty-five, for
18 each year of credited service as a judge, three
19 and one-half per cent of the member's average
20 final compensation as computed under section 88-
21 81(e) (3), in addition to an annuity that is the



1 actuarial equivalent of the member's accumulated
2 contributions allocable to the period of service.
3 If the member has not attained age fifty-five,
4 the member's retirement allowance shall be
5 computed as though the member had attained age
6 fifty-five, reduced for age as provided in
7 subsection (e); and

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



1 (D) For a member who has credited service as a judge
2 after January 31, 2025, irrespective of age, for
3 each year of credited service as a judge, one and
4 three-fourths per cent of the member's average
5 final compensation as computed under section 88-
6 81(e) (3); and

7 (6) For each year of credited service not included in
8 paragraph (1), (2), (3), (4), or (5), the average
9 final compensation as computed under section 88-
10 81(e) (4) shall be multiplied by two per cent for
11 credited service earned as a class A or class H
12 member, two and one-half per cent for credited service
13 earned as a class B member, and one and one-quarter
14 per cent for credited service earned as a class C
15 member. If the member has not attained age fifty-
16 five, the member's retirement allowance shall be
17 computed as though the member had attained age fifty-
18 five, reduced for age as provided in subsection (e).

19 The total retirement allowance shall not exceed seventy-five per
20 cent of the member's highest average final compensation
21 calculated under section 88-81(e) (1), (2), (3), or (4). If the



1 allowance exceeds this limit, it shall be adjusted by reducing
2 any annuity accrued under paragraphs (1), (2), (3), (4), and (5)
3 and the portion of the accumulated contributions specified in
4 these paragraphs in excess of the requirements of the reduced
5 annuity shall be returned to the member upon the member's
6 retirement or paid to the member's designated beneficiary upon
7 the member's death while in service or while on authorized leave
8 without pay. If a member has service credit as an elective
9 officer or as a legislative officer in addition to service
10 credit as a judge, then the retirement benefit calculation
11 contained in this subsection shall supersede the formula
12 contained in subsection (c)."

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

14 "(f) If a member, who becomes a member after June 30,
15 2012, has attained age sixty, the member's maximum retirement
16 allowance shall be one and three-fourths per cent of the
17 member's average final compensation multiplied by the total
18 number of years of the member's credited service as a class A
19 and class B member, excluding any credited service as a judge,
20 elective officer, or legislative officer, plus a retirement
21 allowance of one and one-fourth per cent of the member's average



1 final compensation multiplied by the total number of years of
2 prior credited service as a class C member, plus a retirement
3 allowance of one and three-fourths per cent of the member's
4 average final compensation multiplied by the total number of
5 years of prior credited service as a class H member; provided
6 that:

7 (1) If the member has at least ten years of credited
8 service of which the last five or more years prior to
9 retirement is credited service as a firefighter,
10 police officer, or an investigator of the department
11 of the prosecuting attorney;

12 (2) If the member has at least ten years of credited
13 service of which the last five or more years prior to
14 retirement is credited service as a corrections
15 officer;

16 (3) If the member has at least ten years of credited
17 service of which the last five or more years prior to
18 retirement is credited service as an investigator of
19 the department of the attorney general;

20 (4) If the member has at least ten years of credited
21 service of which the last five or more years prior to



- 1 retirement is credited service as a narcotics
2 enforcement investigator;
- 3 (5) If the member has at least ten years of credited
4 service, of which the last five or more years prior to
5 retirement is credited service as a law enforcement
6 investigations staff investigator;
- 7 (6) If the member:
- 8 (A) Has at least ten years of credited service as a
9 firefighter;
- 10 (B) Is deemed permanently medically disqualified due
11 to a service related disability to be a
12 firefighter by the employer's physician; and
- 13 (C) Continues employment in a class A or class B
14 position other than a firefighter; and
- 15 (7) If the member:
- 16 (A) Has at least ten years of credited service as a
17 police officer;
- 18 (B) Is deemed permanently medically disqualified due
19 to a service related disability to be a police
20 officer by the employer's physician; and



1 (C) Continues employment in a class A or class B
2 position other than a police officer,
3 then for each year of service as a firefighter, police officer,
4 corrections officer, sheriffs and deputies, investigator of the
5 department of the prosecuting attorney, investigator of the
6 department of the attorney general, narcotics enforcement
7 investigator, or law enforcement investigations staff
8 investigator, the retirement allowance shall be two and one-
9 fourth per cent of the member's average final compensation. The
10 maximum retirement allowance for those members shall not exceed
11 eighty per cent of the member's average final compensation. If
12 the member has not attained age sixty, the member's retirement
13 allowance shall be computed as though the member had attained
14 age sixty, reduced for age as provided in subsection (i)."

PART II

16 SECTION 2. The legislature finds that employees who became
17 members of the employees' retirement system before July 1, 2012,
18 commonly referred to as "Tier 1 members", are required to have a
19 minimum of five years of credited service to be eligible for
20 vested benefit status, which, among other things, permits a
21 member to receive a retirement allowance upon service



1 retirement. By contrast, employees who become members after
2 June 30, 2012, commonly referred to as "Tier 2 members", are
3 required to have a minimum of ten years of credited service to
4 be eligible for vested benefit status.

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

15 The legislature also finds that reducing the minimum number
16 of years of credited service Tier 2 members must have to be
17 eligible for vested benefit status from ten years to five years
18 would help state and county employers with the recruitment and
19 retention of qualified employees. Reducing employee turnover
20 and retaining employees on the job longer may also help to
21 reduce employer costs. The legislature further finds that these



1 benefits outweigh impacts to the employees' retirement system's
2 unfunded liability and projected full funding period, as well as
3 to employer contributions.

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

- 6 (1) Reduce the minimum number of years of credited service
7 qualified Tier 2 members must have to be eligible for
8 vested benefit status for service retirement allowance
9 purposes from ten years to five years; and
10 (2) Increase employer contributions to offset the
11 liability produced by the vesting changes.

12 SECTION 3. Section 88-62, Hawaii Revised Statutes, is
13 amended by amending subsection (b) to read as follows:

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

- 16 (1) If a former member who has fewer than ten years of
17 credited service and who has been out of service for a
18 period of four full calendar years or more after the
19 year in which the former member left service, or if a
20 former member who withdrew the former member's
21 accumulated contributions returns to service, the



1 former member shall become a member in the same manner
2 and under the same conditions as anyone first entering
3 service; however, the former member may obtain
4 membership service credit in the manner provided by
5 applicable law for credited service that was forfeited
6 by the member upon termination of the member's
7 previous membership. If the member did not withdraw
8 the former member's accumulated contributions prior to
9 the former member's return to service, the accumulated
10 contributions shall be returned to the member as part
11 of the process of enrolling the member in the system
12 if the member's accumulated contributions are \$1,000
13 or less at the time of distribution. If the
14 accumulated contributions for the service the member
15 had when the member previously terminated employment
16 are greater than \$1,000 and the member does not make
17 written application, prior to or contemporaneously
18 with the member's return to service, for return of the
19 accumulated contributions, the member may not withdraw
20 the member's accumulated contributions, except as
21 provided by section 88-96 or 88-341, until the member



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

- 15 (2) If a former member with fewer than ten years of
16 credited service and who did not withdraw the former
17 member's accumulated contributions returns to service
18 within four full calendar years after the year in
19 which the former member left service, the former
20 member shall again become a member in the same manner
21 and under the same conditions as anyone first entering



1 service, except that the member shall be credited with
2 service credit for the service the member had when the
3 member terminated employment:

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

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

9 (3) If a former member ~~[with ten or more years of credited~~
10 ~~service who did not withdraw the former member's~~
11 ~~contributions]~~ who has vested benefit status as
12 provided in section 88-96(b) returns to service, the
13 former member's status shall be in accordance with the
14 provisions described in section 88-97~~[7]~~;

15 (4) If a former member who has fewer than five years of
16 credited service and who has been out of service for a
17 period of four full calendar years or more after the
18 year in which the former member left service, or if a
19 former member withdrew the former member's accumulated
20 contributions returns to service and remains in
21 service as of July 1, 2027, or returns to service

1 after June 30, 2027, the former member shall become a
2 member in the same manner and under the same
3 conditions as anyone first entering service; provided
4 that the former member may obtain membership service
5 credit in the manner provided by applicable law for
6 credited service that was forfeited by the member upon
7 termination of the member's previous membership. If
8 the member did not withdraw the former member's
9 accumulated contributions before the former member's
10 return to service, the accumulated contributions shall
11 be returned to the member as part of the process of
12 enrolling the member in the system if the member's
13 accumulated contributions are \$1,000 or less at the
14 time of distribution. If the accumulated
15 contributions for the service the member had when the
16 member previously terminated employment are greater
17 than \$1,000 and the member does not make written
18 application, before or contemporaneously with the
19 member's return to service, for return of the
20 accumulated contributions, the member may not withdraw
21 the member's accumulated contributions, except as



provided by section 88-96 or 88-341, until the member
retires or attains age sixty-two. The member shall
not be entitled to service credit by reason of the
system's retention of the member's accumulated
contributions for the service the member had when the
member previously terminated employment. To be
eligible for any benefit, the member shall fulfill the
membership service requirements for the benefit
through membership service after again becoming a
member, in addition to meeting any other eligibility
requirement established for the benefit; provided that
the membership service requirement shall be exclusive
of any former service acquired in accordance with
section 88-59 or any other section in part II, VII, or
VIII; and

- (5) If a former member who has fewer than five years of
credited service and who did not withdraw the former
member's accumulated contributions returns to service
and remains in service as of July 1, 2027, or returns
to service after June 30, 2027, and who returns to
service within four full calendar years after the year



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

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

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

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

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

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

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

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



- 1 (3) Has at least ten years of credited service, which
2 includes service as a judge before July 1, 1999, an
3 elective officer, or a legislative officer;
- 4 (4) Becomes a member after June 30, 2012, and has at least
5 ten years of credited service and has attained age
6 sixty; ~~[or]~~
- 7 (5) Becomes a member after June 30, 2012, and has at least
8 twenty-five years of credited service and has attained
9 age fifty-five~~[r]~~; or
- 10 (6) Becomes a member after June 30, 2012, and who is in
11 service as of July 1, 2027, or who returns to service
12 or becomes a member after June 30, 2027, and has at
13 least five years of credited service and has attained
14 the age of sixty,
- 15 shall become eligible to receive a retirement allowance after
16 the member has terminated service.

17 (b) Any member who first earned credited service as a
18 judge after June 30, 1999, but before July 1, 2012, and who has
19 at least five years of credited service and has attained age
20 fifty-five or has at least twenty-five years of credited service
21 shall become eligible to receive a retirement allowance after



1 the member has terminated service. Any member who first earned
2 credited service as a judge after June 30, 2012, and has at
3 least ten years of credited service and has attained age sixty
4 or has at least twenty-five years of credited service and has
5 attained age fifty-five shall be eligible to receive a
6 retirement allowance after the member has terminated service.
7 Any member who first earned credited service as a judge after
8 June 30, 2012, and who is in service as of July 1, 2027, or
9 thereafter, and has at least five years of credited service and
10 has attained age sixty, shall be eligible to receive a
11 retirement allowance after the member has terminated service."

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

13 "(f) A member's right to the member's accrued retirement
14 benefit is nonforfeitable upon the attainment of normal
15 retirement age and the completion of the requisite years of
16 credited service.

17 For the purpose of this subsection:

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

19 "Requisite years of credited service" means five years for
20 class A and B members who became members before July 1, 2012,
21 and ten years for class A and B members who became members after



1 June 30, 2012[7]; and five years for class A and B members who
2 became members after June 30, 2012, and who are in service as of
3 July 1, 2027, or who returned to service or became a member
4 after June 30, 2027."

5 SECTION 5 Section 88-96, Hawaii Revised Statutes, is
6 amended by amending subsections (a) and (b) to read as follows:

7 "(a) Any member who ceases to be an employee and who
8 became a member before July 1, 2012, and has fewer than five
9 years of credited service, excluding unused sick leave[7] or who
10 becomes a member after June 30, 2012, and has fewer than ten
11 years of credited service, excluding unused sick leave[7]; or
12 who becomes a member after June 30, 2012, and who is in service
13 as of July 1, 2027, or who returns to service after June 30,
14 2027, and has fewer than five years of credited service,
15 excluding unused sick leave; or who becomes a member after June
16 30, 2027, and has fewer than five years of credited service,
17 excluding unused sick leave, shall, upon application to the
18 board, be paid all of the member's accumulated contributions and
19 the member's membership shall thereupon terminate and all
20 credited service shall be forfeited; provided that a member
21 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-two;
3 or (B) the termination of the former employee's membership.

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

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



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

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

14 SECTION 6. Section 88-122, Hawaii Revised Statutes, is
15 amended by amending subsection (e) to read as follows:

16 "(e) Commencing with fiscal year 2005-2006 and each
17 subsequent fiscal year until fiscal year 2007-2008, the employer
18 contributions for normal cost and accrued liability for each of
19 the two groups of employees in subsection (a) shall be based on
20 fifteen and three-fourths per cent of the member's compensation
21 for police officers, firefighters, and corrections officers and



1 thirteen and three-fourths per cent of the member's compensation
2 for all other employees. Commencing with fiscal year 2008-2009
3 and each subsequent fiscal year until fiscal year 2011-2012, the
4 employer contributions for normal cost and accrued liability for
5 each of the two groups of employees in subsection (a) shall be
6 based on nineteen and seven-tenths per cent of the member's
7 compensation for police officers, firefighters, and corrections
8 officers and fifteen per cent of the member's compensation for
9 all other employees. In fiscal year 2012-2013, 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-two per cent of the member's compensation for police
13 officers, firefighters, and corrections officers and fifteen and
14 one-half per cent of the member's compensation for all other
15 employees. In fiscal year 2013-2014, the employer contributions
16 for normal cost and accrued liability for each of the two groups
17 of employees in subsection (a) shall be based on twenty-three
18 per cent of the member's compensation for police officers,
19 firefighters, and corrections officers and sixteen per cent of
20 the member's compensation for all other employees. In fiscal
21 year 2014-2015, the employer contributions for normal cost and



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



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



1 the total unfunded accrued liability of the entire plan over a
2 period not to exceed the maximum funding period.

3 The contribution rates shall be subject to adjustment:

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

9 SECTION 7. Section 88-331, Hawaii Revised Statutes, is
10 amended as follows:

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

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

- 14 (1) Became a member before July 1, 2012, has at least five
15 years of credited service, and has attained age sixty-
16 two;
17 (2) Became a member before July 1, 2012, has at least
18 thirty years of credited service, and has attained the
19 age of fifty-five; [~~or~~]



1 (3) Becomes a member after June 30, 2012, has at least ten
2 years of credited service, and has attained age sixty-
3 five; [~~or~~]

4 (4) Becomes a member after June 30, 2012, has at least
5 thirty years of credited service, and has attained age
6 sixty[~~7~~]; or

7 (5) Becomes a member after June 30, 2012, and who is in
8 service as of July 1, 2027, or who returns to service
9 or becomes a member after June 30, 2027, and has at
10 least five years of credited service and has attained
11 the age of sixty-five,

12 shall become eligible to receive a retirement allowance after
13 the member has terminated service."

14 2. By amending subsection (f) to read as follows:

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

19 For the purpose of this subsection:

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



1 "Requisite years of credited service" means five years for
2 class H members who became members before July 1, 2012~~[, and]~~;
3 ten years for class H members who became members after June 30,
4 2012~~[,]~~; and five years for class H members who became members
5 after June 30, 2012, and who are in service as of July 1, 2027,
6 or who returned to service or became a member after June 30,
7 2027."

8 SECTION 8. Section 88-338, Hawaii Revised Statutes, is
9 amended by amending subsection (a) to read as follows:

10 "(a) Upon receipt by the system of proper proof of a class
11 H member's death occurring in service or while on authorized
12 leave without pay and if no pension is payable under section 88-
13 339, there shall be paid to the member's designated beneficiary
14 an ordinary death benefit as follows:

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

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



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

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

9

10 (2) An amount equal to the member's hypothetical account
11 balance shall be paid to the member's designated
12 beneficiary if:

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

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

19 (C) The member became a member after June 30, 2012,
20 and was in service as of July 1, 2027, or who
21 returned to service or became a member after June



1 30, 2027, and had five or more years of credited
2 service at the time of death;

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

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



1 the first or last day of the month shall be allowed.
2 Benefits payable under this paragraph shall be
3 calculated under option 2 of section 88-83 and
4 computed on the basis of section 88-332."

5 SECTION 9. Section 88-341, Hawaii Revised Statutes, is
6 amended by amending subsections (a) and (b) to read as follows:

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



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

4 (2) At the time the application for return of accumulated
5 contributions is received by the board, the individual
6 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 withdrawn; provided that the former employee's membership
10 shall not continue after the fourth full year following the
11 calendar year in which the individual's employment terminates.
12 If the former employee does not become an employee again and has
13 not withdrawn the former employee's accumulated contributions,
14 the system shall return the former employee's accumulated
15 contributions to the former employee as soon as possible after
16 the later of: (A) the former employee attaining age sixty-two;
17 or (B) the termination of the former employee's membership.

18 (b) Any class H member who ceases to be an employee and
19 who became a member before July 1, 2012, and has more than five
20 years of credited service, excluding unused sick leave[7] or who
21 becomes a member after June 30, 2012, and has more than ten



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

- 12 (1) The individual becomes an employee again within
13 fifteen calendar days from the date the individual
14 ceased to be an employee; or
- 15 (2) At the time the application for payment of the
16 individual's hypothetical account balance is received
17 by the board, the individual has become an employee
18 again.

19 If the contributions are not withdrawn by the former
20 employee after the individual's employment terminates, the
21 former employee shall have vested benefit status and shall be



1 eligible for the service retirement benefit in effect at the
2 time of the former employee's retirement, payable in accordance
3 with this chapter."

SECTION 10. This part does not affect the rights, duties, and obligations that matured or were vested, or proceedings that were begun, before its effective date, including but not limited to, any membership that was terminated, credited service that was forfeited, retirement that was finalized, or benefits which were paid.

10 PART III

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

13 SECTION 12. This Act shall take effect upon its approval.

14

Report Title:

ERS; Judges; Retirement Allowance; Tier 2 Employees; Credited Service; Benefits; Employer Contributions

Description:

Sets the retirement allowance for a member who has credited service as a judge after 1/31/2025, irrespective of age, to 1.75 per cent of the judge's average final compensation for each year of credited service as a judge. Reduces the minimum number of years of credited service 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. (Proposed SD1)

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

