
A BILL FOR AN ACT

RELATING TO GOVERNMENT.

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

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PART I

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

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

(1) Class A shall consist of:

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

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

(C) Those members in service prior to July 1, 1984, 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



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

3 (2) Class B shall consist of:

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

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

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

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

20 (A) First enter service after June 30, 1984, but
21 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 [~~+~~]; or
14 who becomes a member after June 30, 2012, and has more than ten
15 years of credited service, excluding unused sick leave [~~+~~]; 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.

