

ACT 212

H.B. NO. 759

A Bill for an Act Relating to Employees' Retirement System.

Be It Enacted by the Legislature of the State of Hawaii:

SECTION 1. The legislature finds that providing an early retirement incentive is an effective way to:

- (1) Reduce employee compensation costs without imposing forced reductions in current staffing;
- (2) Maintain or increase the current level of employee productivity with the same or lesser compensation costs; and
- (3) Increase opportunities for lower and middle-level employees to move upward by filling the vacancies created by senior employees who retire.

According to the "Report of the Actuary on the 67th Annual Actuarial Valuation of the Employees' Retirement System of the State of Hawaii," as of March 31, 1992, there were 55,410 employees in active service enrolled in the employees' retirement system. Among contributory plan members, approximately 5,098 employees had more than twenty-five years of service. In the noncontributory plan, 1,054 employees had more than twenty-five years of service.

The legislature further finds that, in these times of economic turmoil, this Act would be instrumental in reducing costs and facilitating greater efficiency in government at the state and county levels. However, it is not the intent of the legislature to negatively impact education.

The purpose of this Act is to reduce the current payroll costs of the State and county governments by providing an early retirement incentive to those employees covered under the employees' retirement system who meet the requirements of this Act.

SECTION 2. (a) Any member of the employees' retirement system who has never been a retiree of the system shall be eligible for a one-time early retirement bonus under chapter 88, Hawaii Revised Statutes, of two additional years of service credit, which shall provide an unreduced benefit; provided that:

- (1) The member is:
 - (A) Not employed by the department of education or the University of Hawaii, formally notifies the employing agency by October 1, 1994, files a formal application for retirement not less than thirty days nor more than ninety days prior to the effective date of retirement, and retires by December 31, 1994; or

- (B) Employed by the department of education or the University of Hawaii, formally notifies the employing agency by October 1, 1994, files a formal application for retirement not less than thirty days nor more than ninety days prior to the effective date of retirement, and retires on June 30, 1995;
 - (2) The member has at least twenty-five years of credited service as a contributory class A or class B member or a noncontributory class C member as of December 31, 1994, exclusive of the bonus provided in this subsection;
 - (3) The additional service credit shall not increase the amount of total credited service or retirement allowance of the member beyond any maximum limitation on service credit or retirement allowance established by chapter 88, Hawaii Revised Statutes; and
 - (4) The member shall forfeit the additional service credit and any other benefit provided by chapter 88, Hawaii Revised Statutes, that was based on the early retirement bonus upon subsequent reentry into the employees' retirement system.
- (b) The mayor of the respective county, the board of education, the board of regents, and the chief justice may exercise discretion with respect to participation in this program and shall transmit a list of participants to the board of trustees of the employees' retirement system by November 1, 1994.
- (c) The department heads of the executive and legislative branches shall transmit a list of participants to the board of trustees of the employees' retirement system by November 1, 1994.

SECTION 3. (a) Except for positions in the department of education and the University of Hawaii, with respect to positions in the executive branch vacated pursuant to section 2:

- (1) Thirty per cent of the positions vacated in each department may be refilled by the head of the department to ensure the continued ability of the department to carry out its public purpose;
 - (2) Thirty per cent of the positions vacated in each department shall be held vacant for fiscal year 1995-1996 and shall be assigned to a statewide personnel pool; provided that after June 30, 1996, the governor may propose the transfer of vacant positions between executive departments as necessary to fill essential positions, subject to approval by the legislature through the executive budget; and
 - (3) Forty per cent of the positions vacated in each department shall be eliminated.
- (b) With respect to positions in the judiciary vacated pursuant to section 2:
- (1) Thirty per cent of the positions vacated may be refilled by the chief justice to ensure the continued ability of the judiciary to carry out its public purpose;
 - (2) Thirty per cent of the positions vacated shall be held vacant for fiscal year 1995-1996; and
 - (3) Forty per cent of the positions vacated shall be eliminated.
- (c) With respect to positions in the University of Hawaii vacated pursuant to section 2:
- (1) Seventy per cent of the positions vacated may be refilled by the president of the University of Hawaii, with the approval of the board of regents; provided that these positions shall be reallocated as necessary to restructure and organize the university to ensure the

continued provision of appropriate, direct, student-related services; and

- (2) Thirty per cent of the positions vacated shall be held vacant for fiscal year 1995-1996; provided that after June 30, 1996, the president of the University of Hawaii may propose the transfer of vacant positions between divisions, programs, and departments as necessary to fill essential positions, subject to approval by the legislature through the executive budget.

(d) With respect to positions in the department of education vacated pursuant to section 2, twenty per cent of the vacated statewide administrative positions shall be eliminated.

(e) Funding allocations for positions vacated pursuant to this Act and refilled pursuant to this section shall be computed on the basis of the average monthly salary of the department from which the person retired, and shall be distributed accordingly. All amounts already allocated for positions vacated pursuant to this Act shall be returned to the general fund. Each department shall report its position reallocations to the director of finance, who shall report this information to the legislature no later than twenty days prior to the convening of the regular session of 1996.

SECTION 4. The board of trustees of the employees' retirement system shall make payments with respect to all eligible employees who retire pursuant to this Act.

The board shall determine the amount equal to the actuarial present value of the difference between the allowances members receive after the receipt of service credit under this Act and the allowances members would have received without the two years of additional service credit. The board shall also determine the portion of the additional actuarial present value of benefits to be charged to the State and to each county, based on retirements during the early retirement incentive bonus period. The State and counties shall make separate additional payments to the employees' retirement system in the amounts required to liquidate the additional actuarial present value of benefits over a period of five years beginning July 1, 1997.

SECTION 5. There is appropriated out of the general revenues of the State of Hawaii the sum of \$150,000, or so much thereof as may be necessary for fiscal year 1994-1995, to carry out the purposes of this Act.

The sum appropriated shall be expended by the department of budget and finance for the purposes of this Act.

SECTION 6. This Act shall take effect on July 1, 1994.

(Approved June 22, 1994.)