

ACT 213

H.B. NO. 1814

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

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

SECTION 1. Section 88-46, Hawaii Revised Statutes, is amended to read as follows:

“§88-46 Deducting employee contributions from salary and employer pick up of employee contributions. (a) The head of each state department and the finance director of each county shall [cause to be deducted] deduct from the [salary] compensation of each class A or class B member on each and every payroll under [his] their respective jurisdiction, [for each and every payroll period,] the percentage of compensation of each member as provided under section 88-45. The total amount of deductions made from the salaries of employees and a record of the amount deducted from each member's compensation shall be transmitted to the system monthly or at such other times as may be agreed upon by the board of trustees. The amounts [so] deducted shall be paid into the annuity savings fund and shall be credited to the individual account of the member from whose compensation the deductions were made. Regular interest shall also be credited to the individual account of the member in the annuity savings fund.

(b) The State and each county, pursuant to section 414(h)(2) of the federal Internal Revenue Code of [1954,] 1986, as amended, shall pick up and pay the contributions which would otherwise be payable by each class A or class B member [for service], including contributions designated by the member relating to the acquisition of membership service as provided under section 88-59, from compensation paid after December 31, 1987. The contributions so picked up shall be treated as employer contributions for [purposes] the purpose of determining the [amounts] amount of federal income [taxes] tax to withhold from each class A or class B member's compensation.

(c) Member contributions picked up by the employer shall be paid from the same source of funds used for the payment of compensation to a member. A deduction shall be made from each class A or class B member's compensation equal to the amount of the member's contributions picked up by the employer, provided that such deduction shall not reduce the member's compensation for [purposes] the purpose of computing benefits under this chapter.

(d) Member contributions picked up by the employer shall be transmitted to the system in accordance with subsection (a). Such contributions shall be credited to a separate account within [the] each member's individual [accounts] account in the annuity savings fund [and the post retirement fund], so that [amounts] the amount contributed by the member before January 1, 1988, may be distinguished from the member contributions picked up by the employer. Regular interest shall also be credited to the individual account of the member in the annuity savings fund.”

SECTION 2. Section 88-59, Hawaii Revised Statutes, is amended to read as follows:

“§88-59 Acquisition of [credit for previous] membership service. Under [such] rules as the board of trustees may adopt, any member may file with the board a statement of all service as an employee or other service paid for by the State or a county rendered prior to the member's last becoming a member which is not [otherwise] credited to the member, for which the member claims prior service credit, and also a statement of such services for which the member claims membership service credit and for which the member agrees to have additional deductions made from the member's compensation or to make a lump sum payment as [hereinafter] described[.] in this section.

After the filing of the statement, the board shall verify the service [therein] claimed and determine the service credit allowable [therefor]. Verified prior service shall be credited [forthwith. Verified] and verified membership service shall be paid for by the member in any one of the following methods, at the member's option:

- (1) By deductions from the member's compensation pursuant to section 414(h)(2) of the federal Internal Revenue Code of 1986, as amended, under the employer pick up plan under section 88-46. An irrevocable payroll authorization filed by the member for a period not to exceed sixty months shall remain in effect until the completion of the payroll payments or termination of employment, whichever is earlier. The member may elect to have:
 - [(1)] (A) [By deductions] Deductions from the member's compensation of twice the contribution rate provided for in section 88-45 over a period equal to the period for which membership service credit is allowable[;] not to exceed sixty months; or
 - [(2)] (B) [By deductions] Deductions from the member's compensation of one and one-half times the contribution rate provided for in section 88-45 over a period equal to twice the period for which membership service credit is allowable[;] not to exceed sixty months; or
- [(3)] (2) By lump sum payment of contributions computed at the contribution rate provided for in section 88-45 applied to the member's monthly rate of compensation at the time of payment multiplied by the number of months for which membership service credit is allowable; provided that after July 1, 1982, this method shall not be available to any new member with fewer than five years of membership service exclusive of any previous service acquired under [the provisions of paragraphs] paragraph (1) [and (2)].

The deductions from compensation or lump sum payment shall be paid to the system and shall be credited to the member's individual account and become part of the member's accumulated contributions.

Membership service credit in addition to any other service credited to the member shall be allowed [the member] for the period for which the deductions from compensation or lump sum payment have been made as [hereinaabove] described[.] in this section.

The contribution rates [provided for in] under section 88-45 shall be reduced by one and eight-tenths per cent for any service being claimed that was rendered prior to July 1, 1961.

Any member of the legislature who reenrolls as an active member in accordance with section 88-62 and who desires to obtain membership service for a period of service as a member of the legislature during which the member received a retirement allowance shall, in addition to complying with [the provisions of] this

section, refund while a reenrolled active member the retirement allowance received during the period of legislative service.’’

SECTION 3. Statutory material to be repealed is bracketed. New statutory material is underscored.

SECTION 4. This Act shall take effect on January 1, 1998.

(Approved June 16, 1997.)