

ACT 163

H.B. NO. 1038

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

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

PART I

SECTION 1. Section 88-45, Hawaii Revised Statutes, is amended to read as follows:

“§88-45 Employee contributions. After June 30, 1988, each class A and class B member shall contribute seven and eight-tenths per cent of the member's compensation to the annuity savings fund; provided that after June 30, 1989, all firefighters, police officers, corrections officers, investigators of the departments of the prosecuting attorney and of the attorney general, narcotics enforcement investigators, water safety officers not making the election under section 88-271, and public safety investigations staff investigators shall contribute twelve and two-tenths per cent of their compensation to the annuity savings fund for service in that capacity[-]; provided further that each class A and class B member who becomes a member after June 30, 2012, shall contribute nine and eight-tenths per cent of the member's compensation to the annuity savings fund; provided further that all firefighters, police officers, corrections officers, investigators of the departments of the prosecuting attorney and of the attorney general, narcotics enforcement investigators, and public safety investigations staff investigators who become members after June 30, 2012, shall contribute fourteen and two-tenths per cent of their compensation to the annuity savings fund for service in that capacity.”

SECTION 2. Section 88-59.5, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

“(a) Any member who on July 1, 1991, was serving or previously served as an assistant clerk or assistant sergeant at arms of either house of the legislature and becomes eligible for retirement benefits as a class A member as provided under sections 88-73(a), ~~[88-74(a)(3);]~~ 88-74(d), and 88-76 shall be entitled to full service credit as a class A member for any eligible service prior to July 1, 1991; provided that:

- (1) The member claims those years as membership service credit and purchases that membership service credit in accordance with section 88-59; and
- (2) Notwithstanding any other law to the contrary:
 - (A) If the member was a class A member of the system and elected to become a class C member pursuant to section 88-271, the member repurchases all the years of service as a class C member in accordance with the procedures under section 88-59 to regain standing as a contributory member; and
 - (B) A class C member shall be credited for service as an assistant clerk or assistant sergeant at arms under section 88-59 in a lump sum nonrefundable payment and receive retirement benefits as provided in this section.”

SECTION 3. Section 88-62, Hawaii Revised Statutes, is amended to read as follows:

“**§88-62 Return to service of a former member.** (a) For members who became members before July 1, 2012:

- (1) If a former member who has ~~[less]~~ fewer than five years of credited service and who has been out of service for a period of four full calendar years or more after the year in which the former member left service, or if a former member who withdrew the former member’s accumulated contributions returns to service, the former member shall become a member in the same manner and under the same conditions as anyone first entering service; however, the former member may obtain membership service credit in the manner provided by applicable law for credited service that was forfeited by the member upon termination of the member’s previous membership. If the member did not withdraw the former member’s accumulated contributions prior to the former member’s return to service, the accumulated contributions shall be returned to the member as part of the process of enrolling the member in the system if the member’s accumulated contributions are \$1,000 or less at the time of distribution. If the accumulated contributions for the service the member had when the member previously terminated employment are greater than \$1,000 and the member does not make written application, prior to or contemporaneously with the member’s return to service, for return of the accumulated contributions, the member may not withdraw 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[-];

- ~~[(b)]~~ (2) If a former member with ~~[less]~~ fewer than five years of credited service and who did not withdraw the former member's accumulated contributions returns to service within four full calendar years after the year in which the former member left service, the former member shall again become a member in the same manner and under the same conditions as anyone first entering service, except that the member shall be credited with service credit for the service the member had when the member terminated employment and:
- ~~[(4)]~~ (A) If the member returns to service as a class A or class B member, the member's new and previous accumulated contributions shall be combined; or
- ~~[(2)]~~ (B) If the member returns to service after June 30, 2006, as a class H member, section 88-321(b) shall apply[-]; and
- ~~[(e)]~~ (3) If a former member with five or more years of credited service who did not withdraw ~~[his]~~ the former member's contributions returns to service, ~~[his]~~ the former member's status shall be in accordance with the provisions described in section 88-97.
- (b) For members who become members after June 30, 2012:
- (1) If a former member who has fewer than ten years of credited service and who has been out of service for a period of four full calendar years or more after the year in which the former member left service, or if a former member who withdrew the former member's accumulated contributions returns to service, the former member shall become a member in the same manner and under the same conditions as anyone first entering service; however, the former member may obtain membership service credit in the manner provided by applicable law for credited service that was forfeited by the member upon termination of the member's previous membership. If the member did not withdraw the former member's accumulated contributions prior to the former member's return to service, the accumulated contributions shall be returned to the member as part of the process of enrolling the member in the system if the member's accumulated contributions are \$1,000 or less at the time of distribution. If the accumulated contributions for the service the member had when the member previously terminated employment are greater than \$1,000 and the member does not make written application, prior to or contemporaneously with the member's return to service, for return of the accumulated contributions, the member may not withdraw 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;

- (2) If a former member with fewer than ten years of credited service and who did not withdraw the former member's accumulated contributions returns to service within four full calendar years after the year in which the former member left service, the former member shall again become a member in the same manner and under the same conditions as anyone first entering service, except that the member shall be credited with service credit for the service the member had when the member terminated employment:
 - (A) If the member returns to service as a class A or class B member, the member's new and previous accumulated contributions shall be combined; or
 - (B) If the member returns to service as a class H member, section 88-321(b) shall apply; and
- (3) If a former member with ten or more years of credited service who did not withdraw the former member's contributions returns to service, the former member's status shall be in accordance with the provisions described in section 88-97."

SECTION 4. Section 88-73, Hawaii Revised Statutes, is amended by amending subsections (a) and (b) to read as follows:

"(a) Any member who:

- (1) Became a member before July 1, 2012, and has at least five years of credited service and [who] has attained age fifty-five [or any member who has];
- (2) Became a member before July 1, 2012, and has at least twenty-five years of credited service [or any member who has];
- (3) Has at least ten years of credited service, which includes service as a judge before July 1, 1999, an elective officer, or a legislative officer[;];
- (4) Becomes a member after June 30, 2012, and has at least ten years of credited service and has attained age sixty; or
- (5) Becomes a member after June 30, 2012, and has at least twenty-five years of credited service and has attained age fifty-five.

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

(b) Any member who first earned credited service as a judge after June 30, 1999, but before July 1, 2012, and who has at least five years of credited service and has attained age fifty-five or has at least twenty-five years of credited service shall become eligible to receive a retirement allowance after the member has terminated service. Any member who first earned credited service as a judge after June 30, 2012, and has at least ten years of credited service and has attained age sixty or has at least twenty-five years of credited service and has attained age fifty-five shall be eligible to receive a retirement allowance after the member has terminated service."

SECTION 5. Section 88-74, Hawaii Revised Statutes, is amended to read as follows:

"§88-74 Allowance on service retirement. (a) Upon retirement from service, a member shall receive a maximum retirement allowance as [~~follows:~~] provided in this section.

[(+)] (b) If [the] a member, who became a member before July 1, 2012, has attained age fifty-five, [a] the member's maximum retirement allowance [ef] shall be two per cent of the member's average final compensation multiplied by

the total number of years of the member's credited service as a class A and class B member, excluding any credited service as a judge, elective officer, or legislative officer, plus a retirement allowance of one and one-fourth per cent of the member's average final compensation multiplied by the total number of years of prior credited service as a class C member, plus a retirement allowance of two per cent of the member's average final compensation multiplied by the total number of years of prior credited service as a class H member; provided that:

[(A)] (1) After June 30, 1968, if the member has at least ten years of credited service of which the last five or more years prior to retirement is credited service as a firefighter, police officer, or an investigator of the department of the prosecuting attorney;

[(B)] (2) After June 30, 1977, if the member has at least ten years of credited service of which the last five or more years prior to retirement is credited service as a corrections officer;

[(C)] (3) After June 16, 1981, if the member has at least ten years of credited service of which the last five or more years prior to retirement is credited service as an investigator of the department of the attorney general;

[(D)] (4) After June 30, 1989, if the member has at least ten years of credited service of which the last five or more years prior to retirement is credited service as a narcotics enforcement investigator;

[(E)] (5) After December 31, 1993, if the member has at least ten years of credited service of which the last five or more years prior to retirement is credited service as a water safety officer;

[(F)] (6) After June 30, 1994, if the member has at least ten years of credited service, of which the last five or more years prior to retirement are credited service as a public safety investigations staff investigator;

[(G)] (7) After June 30, 2002, if the member:

[(i)] (A) Has at least ten years of credited service as a firefighter;

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

[(iii)] (C) Continues employment in a class A or B position other than a firefighter; and

[(H)] (8) After June 30, 2004, if the member:

[(i)] (A) Has at least ten years of credited service as a police officer;

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

[(iii)] (C) Continues employment in a class A or B position other than a police officer;

then for each year of service as a firefighter, police officer, corrections officer, investigator of the department of the prosecuting attorney, investigator of the department of the attorney general, narcotics enforcement investigator, water safety officer, or public safety investigations staff investigator, the retirement allowance shall be two and one-half per cent of the member's average final compensation. The maximum retirement allowance for those members shall not exceed eighty per cent of the member's average final compensation. If the member has not attained age fifty-five, the member's retirement allowance shall be computed as though the member had attained age fifty-five, reduced for age as provided in subsection [(b);] (e).

~~[(2)]~~ (c) If ~~[the]~~ a member, who became a member prior to July 1, 2012, has credited service as a judge, the member's retirement allowance shall be computed on the following basis:

~~[(A)]~~ (1) For a member who has credited service as a judge before July 1, 1999, irrespective of age, for each year of credited service as a judge, three and one-half per cent of the member's average final compensation in addition to an annuity that is the actuarial equivalent of the member's accumulated contributions allocable to the period of service; ~~[and~~

~~[(B)]~~ (2) For a member who first earned credited service as a judge after June 30, 1999, but before July 1, 2012, for each year of credited service as a judge, three and one-half per cent of the member's average final compensation in addition to an annuity that is the actuarial equivalent of the member's accumulated contributions allocable to the period of service. If the member has not attained age fifty-five, the member's retirement allowance shall be computed as though the member had attained age fifty-five, reduced for age as provided in subsection ~~[(b); or]~~ (e);

~~[(C)]~~ (3) For a member who first earned credited service as a judge after June 30, 2012, for each year of credited service as a judge, three per cent of the member's average final compensation in addition to an annuity that is the actuarial equivalent of the member's accumulated contributions allocable to the period of service. If the member has not attained age sixty, the member's retirement allowance shall be computed as though the member had attained age sixty, reduced for age as provided in subsection (i);

(4) For a judge with other credited service, as provided in ~~[paragraph (4)-]~~ subsection (b). If the member has not attained age fifty-five, the member's retirement allowance shall be computed as though the member had attained age fifty-five, reduced for age as provided in subsection ~~[(b); or]~~ (e); or

~~[(D)]~~ (5) For a judge with credited service as an elective officer or as a legislative officer, as provided in ~~[paragraph (3)-]~~ subsection (d).

No allowance shall exceed seventy-five per cent of the member's average final compensation. If the allowance exceeds this limit, it shall be adjusted by reducing the annuity included in ~~[subparagraphs (A) and (B)]~~ paragraphs (1), (2), and (3) and the portion of the accumulated contributions specified in ~~[the subparagraphs]~~ paragraphs (1), (2), and (3) in excess of the requirements of the reduced annuity shall be returned to the member upon the member's retirement or paid to the member's designated beneficiary upon the member's death while in service or while on authorized leave without pay. The allowance for judges under this ~~[paragraph,]~~ subsection, together with the retirement allowance provided by the federal government for similar service, shall in no case exceed seventy-five per cent of the member's average final compensation~~[-or]~~.

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

~~[(A)]~~ Irrespective] (1) For a member who has credited service as an elective officer before July 1, 2012, irrespective of age, for each year of credited service as an elective officer, three and one-half per cent of the member's average final compensation as computed under section 88-81(e)(1), in addition to an annuity that is the actuarial

equivalent of the member's accumulated contributions allocable to the period of service; ~~and~~

- (2) For a member who first earned credited service as an elective officer after June 30, 2012, irrespective of age, for each year of credited service as an elective officer, three per cent of the member's average final compensation as computed under section 88-81(e)(1), in addition to an annuity that is the actuarial equivalent of the member's accumulated contributions allocable to the period of service; ~~[(B) Irrespective]~~ (3) For a member who has credited service as a legislative officer before July 1, 2012, irrespective of age, for each year of credited service as a legislative officer, three and one-half per cent of the member's average final compensation as computed under section 88-81(e)(2), in addition to an annuity that is the actuarial equivalent of the member's accumulated contributions allocable to the period of service;
- (4) For a member who first earned credited service as a legislative officer after June 30, 2012, irrespective of age, for each year of credited service as a legislative officer, three per cent of the member's average final compensation as computed under section 88-81(e)(2), in addition to an annuity that is the actuarial equivalent of the member's accumulated contributions allocable to the period of service; ~~[(C)]~~ (5) If the member has credited service as a judge, the member's retirement allowance shall be computed on the following basis:
- ~~[(i)]~~ (A) For a member who has credited service as a judge before July 1, 1999, irrespective of age, for each year of credited service as a judge, three and one-half per cent of the member's average final compensation as computed under section 88-81(e)(3), in addition to an annuity that is the actuarial equivalent of the member's accumulated contributions allocable to the period of service; ~~and~~
- (ii) (B) For a member who first earned credited service as a judge after June 30, 1999, but before July 1, 2012, and has attained the age of fifty-five, for each year of credited service as a judge, three and one-half per cent of the member's average final compensation as computed under section 88-81(e)(3), in addition to an annuity that is the actuarial equivalent of the member's accumulated contributions allocable to the period of service. If the member has not attained age fifty-five, the member's retirement allowance shall be computed as though the member had attained age fifty-five, reduced for age as provided in subsection ~~[(b)];~~ (e); and
- (C) For a member who first earned credited service as a judge after June 30, 2012, and has attained the age of sixty, for each year of credited service as a judge, three per cent of the member's average final compensation as computed under section 88-81(e)(3), in addition to an annuity that is the actuarial equivalent of the member's accumulated contributions allocable to the period of service. If the member has not attained age sixty, the member's retirement allowance shall be computed as though the member had attained age sixty, reduced for age as provided in subsection (i); and
- ~~[(D)]~~ (6) For each year of credited service not included in ~~[subparagraph (A), (B), or (C)];~~ paragraph (1), (2), (3), (4), or (5), the average final compensation as computed under section 88-81(e)(4) shall be

multiplied by two per cent for credited service earned as a class A or class H member, two and one-half per cent for credited service earned as a class B member, and one and one-quarter per cent for credited service earned as a class C member. If the member has not attained age fifty-five, the member's retirement allowance shall be computed as though the member had attained age fifty-five, reduced for age as provided in subsection ~~[(b)-]~~ (e).

The total retirement allowance shall not exceed seventy-five per cent of the member's highest average final compensation calculated under section 88-81(e)(1), (2), (3), or (4). If the allowance exceeds this limit, it shall be adjusted by reducing any annuity accrued under ~~[subparagraphs (A), (B), and (C)]~~ paragraphs 1, 2, 3, 4, and 5 and the portion of the accumulated contributions specified in these ~~[subparagraphs]~~ paragraphs in excess of the requirements of the reduced annuity shall be returned to the member upon the member's retirement or paid to the member's designated beneficiary upon the member's death while in service or while on authorized leave without pay. If a member has service credit as an elective officer or as a legislative officer in addition to service credit as a judge, then the retirement benefit calculation contained in this ~~[paragraph]~~ subsection shall supersede the formula contained in ~~[paragraph (2)-]~~ subsection (c).

~~[(b)]~~ (e) Except as provided in ~~[subsection (a)-]~~ subsections (b), (c), and (d), if a member, who became a member before July 1, 2012, has not attained age fifty-five at the date of retirement, the member's retirement allowance shall be reduced, for each month the member's age at the date of retirement is below age fifty-five, as follows:

- (1) 0.4166 per cent for each month below age fifty-five and above age forty-nine and eleven months; plus
- (2) 0.3333 per cent for each month below age fifty and above age forty-four and eleven months; plus
- (3) 0.2500 per cent for each month below age forty-five and above age thirty-nine and eleven months; plus
- (4) 0.1666 per cent for each month below age forty;

provided that no reduction shall be made if the member has at least twenty-five years of credited service as a firefighter, police officer, corrections officer, investigator of the department of the prosecuting attorney, investigator of the department of the attorney general, narcotics enforcement investigator, public safety investigations staff investigator, sewer worker, or water safety officer, of which the last five or more years prior to retirement is credited service in these capacities.

(f) If a member, who becomes a member after June 30, 2012, has attained age sixty, the member's maximum retirement allowance shall be one and three-fourths per cent of the member's average final compensation multiplied by the total number of years of the member's credited service as a class A and class B member, excluding any credited service as a judge, elective officer, or legislative officer, plus a retirement allowance of one and one-fourth per cent of the member's average final compensation multiplied by the total number of years of prior credited service as a class C member, plus a retirement allowance of one and three-fourths per cent of the member's average final compensation multiplied by the total number of years of prior credited service as a class H member; provided that:

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

- (2) If the member has at least ten years of credited service of which the last five or more years prior to retirement is credited service as a corrections officer;
- (3) If the member has at least ten years of credited service of which the last five or more years prior to retirement is credited service as an investigator of the department of the attorney general;
- (4) If the member has at least ten years of credited service of which the last five or more years prior to retirement is credited service as a narcotics enforcement investigator;
- (5) If the member has at least ten years of credited service of which the last five or more years prior to retirement is credited service as a water safety officer;
- (6) If the member has at least ten years of credited service, of which the last five or more years prior to retirement is credited service as a public safety investigations staff investigator;
- (7) If the member:
 - (A) Has at least ten years of credited service as a firefighter;
 - (B) Is deemed permanently medically disqualified due to a service related disability to be a firefighter by the employer's physician; and
 - (C) Continues employment in a class A or class B position other than a firefighter; and
- (8) If the member:
 - (A) Has at least ten years of credited service as a police officer;
 - (B) Is deemed permanently medically disqualified due to a service related disability to be a police officer by the employer's physician; and
 - (C) Continues employment in a class A or class B position other than a police officer.

then for each year of service as a firefighter, police officer, corrections officer, investigator of the department of the prosecuting attorney, investigator of the department of the attorney general, narcotics enforcement investigator, water safety officer, or public safety investigations staff investigator, the retirement allowance shall be two and one-fourth per cent of the member's average final compensation. The maximum retirement allowance for those members shall not exceed eighty per cent of the member's average final compensation. If the member has not attained age sixty, the member's retirement allowance shall be computed as though the member had attained age sixty, reduced for age as provided in subsection (i).

(g) If a member, who becomes a member after June 30, 2012, has credited service as a judge, the member's retirement allowance shall be computed on the following basis:

- (1) For each year of credited service as a judge, three per cent of the member's average final compensation in addition to an annuity that is the actuarial equivalent of the member's accumulated contributions allocable to the period of service. If the member has not attained age sixty, the member's retirement allowance shall be computed as though the member had attained age sixty, reduced for age as provided in subsection (i);
- (2) For a judge with other credited service, as provided in subsection (f). If the member has not attained age sixty, the member's retirement allowance shall be computed as though the member had attained age sixty, reduced for age as provided in subsection (i); and

- (3) For a judge with credited service as an elective officer or as a legislative officer, as provided in subsection (h).

No allowance shall exceed seventy-five per cent of the member's average final compensation. If the allowance exceeds this limit, it shall be adjusted by reducing the annuity included in paragraph (1) and the portion of the accumulated contributions specified in paragraph (1) in excess of the requirements of the reduced annuity shall be returned to the member upon the member's retirement or paid to the member's designated beneficiary upon the member's death while in service or while on authorized leave without pay. The allowance for judges under this subsection, together with the retirement allowance provided by the federal government for similar service, shall in no case exceed seventy-five per cent of the member's average final compensation.

(h) If a member, who becomes a member after June 30, 2012, has credited service as an elective officer or as a legislative officer, the member's retirement allowance shall be derived by adding the allowances computed separately under paragraphs (1), (2), (3), and (4) as follows:

- (1) Irrespective of age, for each year of credited service as an elective officer, three per cent of the member's average final compensation as computed under section 88-81(f)(1), in addition to an annuity that is the actuarial equivalent of the member's accumulated contributions allocable to the period of service;
- (2) Irrespective of age, for each year of credited service as a legislative officer, three per cent of the member's average final compensation as computed under section 88-81(f)(2), in addition to an annuity that is the actuarial equivalent of the member's accumulated contributions allocable to the period of service;
- (3) For each year of credited service as a judge, three per cent of the member's average final compensation as computed under section 88-81(f)(3), in addition to an annuity that is the actuarial equivalent of the member's accumulated contributions allocable to the period of service. If the member has not attained age sixty, the member's retirement allowance shall be computed as though the member had attained age sixty, reduced for age as provided in subsection (i); and
- (4) For each year of credited service not included in paragraph (1), (2), or (3), the average final compensation as computed under section 88-81(f)(4) shall be multiplied by one and three-fourth per cent for credited service earned as a class A or class H member, two and one-fourth per cent for credited service earned as a class B member, and one and one-fourth per cent for credited service earned as a class C member. If the member has not attained age sixty, the member's retirement allowance shall be computed as though the member had attained age sixty, reduced for age as provided in subsection (i).

The total retirement allowance shall not exceed seventy-five per cent of the member's highest average final compensation calculated under section 88-81(f) (1), (2), (3), or (4). If the allowance exceeds this limit, it shall be adjusted by reducing any annuity accrued under paragraphs (1), (2), and (3) and the portion of the accumulated contributions specified in these paragraphs in excess of the requirements of the reduced annuity shall be returned to the member upon the member's retirement or paid to the member's designated beneficiary upon the member's death while in service or while on authorized leave without pay. If a member has service credit as an elective officer or as a legislative officer in addition to service credit as a judge, then the retirement benefit calculation contained in this subsection shall supersede the formula contained in subsection (g).

(i) Except as provided in subsections (f), (g), and (h), if a member, who becomes a member after June 30, 2012, has not attained age sixty at the date of retirement, the member's retirement allowance shall be reduced, for each month the member's age at the date of retirement is below age sixty, as follows:

- (1) 0.4166 per cent for each month below age fifty-nine and above age fifty-four and eleven months; plus
- (2) 0.3333 per cent for each month below age fifty-five and above age forty-nine and eleven months; plus
- (3) 0.2500 per cent for each month below age fifty and above age forty-four and eleven months; plus
- (4) 0.1666 per cent for each month below age forty-five;

provided that no reduction shall be made if the member has attained the age of fifty-five and has at least twenty-five years of credited service as a firefighter, police officer, corrections officer, investigator of the department of the prosecuting attorney, investigator of the department of the attorney general, narcotics enforcement investigator, public safety investigations staff investigator, sewer worker, water safety officer, or emergency medical technician, of which the last five or more years prior to retirement is credited service in these capacities."

SECTION 6. Section 88-74.6, Hawaii Revised Statutes, is amended to read as follows:

“§88-74.6 Unreduced allowance on service retirement; when applicable.

In addition to those positions identified in section [88-74(b)] 88-74(e) and notwithstanding any law in this part that requires a member to attain age fifty-five to qualify for an unreduced service retirement allowance, if [the] a member, who became a member before July 1, 2012, has at least [thirty]:

- (1) Thirty years of credited service through June 30, 2003; [~~twenty-nine~~]
- (2) Twenty-nine years of credited service on or after July 1, 2004; [~~twenty-eight~~]
- (3) Twenty-eight years of credited service on or after July 1, 2005; [~~twenty-seven~~]
- (4) Twenty-seven years of credited service on or after July 1, 2006; [~~twenty-six~~]
- (5) Twenty-six years of credited service on or after July 1, 2007; [~~and twenty-five~~] or
- (6) Twenty-five years of credited service on or after July 1, 2008,

as an emergency medical technician, of which the last five or more years prior to retirement is credited service in that capacity, then upon retirement and irrespective of age, that member's service retirement allowance shall not be reduced for actuarial purposes.”

SECTION 7. Section 88-76, Hawaii Revised Statutes, is amended to read as follows:

“§88-76 Allowance on ordinary disability retirement. Upon retirement for ordinary disability, a member shall receive a maximum retirement allowance of one and three-fourths per cent of the member's average final compensation for each year of credited service; except that for each year of credited service as a judge, an elective officer, or a legislative officer, the member shall receive a maximum retirement allowance computed as provided in section [88-74(a)(2) ~~or (3)~~] 88-74(c), (d), (g), or (h), as applicable. The minimum retirement allowance

payable under this section shall be thirty per cent of the member's average final compensation."

SECTION 8. Section 88-81, Hawaii Revised Statutes, is amended to read as follows:

"§88-81 Average final compensation. (a) Average final compensation is the average annual compensation pay or salary upon which a member has made contributions as required by parts II, VII, and VIII of this chapter.

(b) The average final compensation of members shall be calculated as follows:

- (1) For employees who become members [~~prior to~~] before January 1, 1971:
 - (A) During the member's five highest paid years of credited service, including vacation pay, or the three highest paid years of credited service excluding vacation pay, whichever is greater; or
 - (B) If the member has [~~less~~] fewer than three years of credited service, during the member's actual years of credited service[-];
- (2) For employees who become members [~~on or after January 1, 1971;~~] after December 31, 1970, but before July 1, 2012:
 - (A) During the member's three highest paid years of credited service, excluding vacation pay; or
 - (B) If the member has [~~less~~] fewer than three years of credited service, during the member's actual years of credited service[-]; and
- (3) For employees who become members after June 30, 2012:
 - (A) During the member's five highest paid years of credited service, excluding vacation pay; or
 - (B) If the member has fewer than five years of credited service, during the member's actual years of credited service.

(c) In computing the compensation of a judge, the compensation paid to the judge by the United States as well as by the Territory shall be included.

(d) For service rendered as a member of the legislature from and after November 5, 1968, the actual annual salary of a member shall be the only amount used for determining the member's average final compensation. For service rendered as a member of the legislature prior to November 5, 1968, and after admission of this State into the Union, the annual compensation of a member shall be computed, for the purpose of determining the member's average final compensation, as follows: [~~during~~]

- (1) During a year in which a general session was held, it shall be deemed to have been an amount equal to four times the salary of a member of the legislature for a general session; and [~~during~~]
- (2) During a year in which a budget session was held, it shall be deemed to have been an amount equal to six times the salary of a member of the legislature for a budget session.

For service rendered as a member of the legislature prior to the admission of this State into the Union, the annual compensation of a member shall be deemed to have been four times the salary of a member of the legislature for a regular session for each year during the member's term of office.

(e) If a member, who became a member before July 1, 2012, has credited service rendered as an elective officer or as a legislative officer, the member's average final compensation shall be computed separately for each category of service as follows:

- (1) For the three highest paid years of credited service as an elective officer, or if the member has [less] fewer than three years of credited service in that capacity, then the member's actual years of credited service;
- (2) For the three highest paid years of credited service as a legislative officer, or if the member has [less] fewer than three years of credited service in that capacity, then the member's actual years of credited service;
- (3) For the three highest paid years of credited service as a judge, or if the member has [less] fewer than three years of credited service in that capacity, then the member's actual years of credited service; and
- (4) For the three highest paid years of credited service not included in paragraph (1), (2), or (3), or if the member has [less] fewer than three years of credited service in that capacity, then the member's actual years of credited service.

(f) If a member, who becomes a member after June 30, 2012, has credited service rendered as an elective officer or as a legislative officer, the member's average final compensation shall be computed separately for each category of service as follows:

- (1) For the five highest paid years of credited service as an elective officer, or if the member has fewer than five years of credited service in that capacity, then the member's actual years of credited service;
- (2) For the five highest paid years of credited service as a legislative officer, or if the member has fewer than five years of credited service in that capacity, then the member's actual years of credited service;
- (3) For the five highest paid years of credited service as a judge, or if the member has fewer than three years of credited service in that capacity, then the member's actual years of credited service; and
- (4) For the five highest paid years of credited service not included in paragraph (1), (2), or (3), or if the member has fewer than five years of credited service in that capacity, then the member's actual years of credited service."

SECTION 9. Section 88-90, Hawaii Revised Statutes, is amended to read as follows:

"§88-90 Post retirement allowances. (a) There shall be payable to each person receiving any pension, annuity or retirement allowance, a post retirement allowance which shall consist of an amount equivalent to one and one-half per cent of the monthly pension, annuity, or retirement allowance as originally computed, approved, and paid. This benefit shall be added to the monthly pension, annuity, or retirement allowance on the first day of July in each year following June 30, 1961, as follows:

- (1) To each person receiving a pension, annuity, or retirement allowance on June 30, 1961, payment of the benefit shall commence on July 1, 1961, except that after June 30, 1963, the monthly benefits payable under this subsection shall be computed and paid on the basis of the number of years that has elapsed since the person entitled thereto first became the recipient of the pension, annuity, or retirement allowance from which the benefit is derived~~[-]; and~~
- (2) To each person first receiving a pension, annuity, or retirement allowance after June 30, 1961, payment of the benefit shall commence

on the first of July following the calendar year in which the payment of the pension, annuity, or retirement allowance is effective.

(b) After June 30, 1970, the post retirement allowance shall consist of an amount equivalent to two and one-half per cent of the monthly pension, annuity, or retirement allowance as originally computed and paid. This benefit shall be payable on the first day of July in each year following June 30, 1970, as follows:

- (1) To each person, who on June 30, 1970, was receiving a post retirement allowance as described under subsection (a) hereof, payment of the benefit shall commence on July 1, 1970[-]; and
- (2) To each person first receiving a pension, annuity, or retirement allowance after December 31, 1968, payment of the benefit shall commence on the first day of July following the calendar year in which the payment of the pension, annuity, or retirement allowance is effective.

(c) Notwithstanding subsections (a) and (b), for employees who become members after June 30, 2012, and for any person who receives a monthly pension, annuity or retirement allowance as a beneficiary or survivor of the employee, the post retirement allowance shall consist of an amount equivalent to one and one half per cent of the monthly pension, annuity, or retirement allowance as originally computed and paid. Payment of the benefit shall commence on the first day of July following the calendar year in which the payment of the pension, annuity or retirement allowance is effective."

SECTION 10. Section 88-96, Hawaii Revised Statutes, is amended by amending subsections (a) and (b) to read as follows:

"(a) Any member who ceases to be an employee and who became a member before July 1, 2012, and has fewer than five years of credited service, excluding unused sick leave, or who becomes a member after June 30, 2012, and has fewer than ten years of credited service, excluding sick leave, shall, upon application to the board, [~~shall~~] be paid all of the member's accumulated contributions and the member's membership shall thereupon terminate and all credited service shall be forfeited; provided that a member shall not be paid the member's accumulated contributions:

- (1) If the member becomes an employee again within fifteen calendar days from the date the member ceased to be an employee; or
- (2) If, at the time the application for return of accumulated contributions is received by the board, the member has become an employee again.

Regular interest shall be credited to the former employee's account until the former employee's accumulated contributions are returned to the former employee; provided that the former employee's membership shall not continue after the fourth full year following the calendar year in which the individual's employment terminates. Upon termination of the former employee's membership, the former employee's credited service shall be forfeited and, if the former employee's accumulated contributions are \$1,000 or less at the time of distribution, the system shall return the former employee's contributions to the former employee. If the former employee does not become an employee again and if the former employee's accumulated contributions have not been withdrawn by the former employee or previously returned by the system to the former employee, the system shall return the former employee's accumulated contributions to the former employee as soon as possible after the former employee attains age sixty-two.

(b) Any member ~~[having five or more years of credited service]~~ who ceases to be an employee~~[-]~~ and who became a member before July 1, 2012, and has more than five years of credited service, excluding unused sick leave, or who becomes a member after June 30, 2012, and has more than ten years of credited service, excluding sick leave, shall, upon application to the board, ~~[shall]~~ be paid all of the member's accumulated contributions and thereupon the former employee's membership shall terminate and all credited service shall be forfeited; provided that a member shall not be paid the member's accumulated contributions:

- (1) If the member becomes an employee again within fifteen calendar days from the date the member ceased to be an employee; or
- (2) If, at the time the application for return of accumulated contributions is received by the board, the member has become an employee again.

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

SECTION 11. Section 88-311, Hawaii Revised Statutes, is amended by amending the definition of "hypothetical account balance" to read as follows:

"Hypothetical account balance" means:

- (1) For members who became members before July 1, 2012, the sum of:
 - ~~[(+)]~~ ~~(A)~~ One and one-half times the sum of:
 - ~~[(A)]~~ (i) Employee contributions made, either by the member or on behalf of the member, pursuant to section 88-325; ~~[and~~
 - ~~(B)]~~ (ii) Accumulated interest at the regular interest rate on the employee contributions; and
 - ~~[(2)]~~ ~~(B)~~ Any employee contributions, including rollovers and contributions used to convert credited service to class H credited service, or used to purchase service, and accumulated interest on the employee contributions at the regular interest rate~~[-]; or~~
- (2) For members who become members after June 30, 2012, the sum of:
 - ~~(A)~~ One and one-fifth times the sum of:
 - (i) Employee contributions made, either by the member or on behalf of the member, pursuant to section 88-325; and
 - (ii) Accumulated interest at the regular interest rate on the employee contributions; and
 - ~~(B)~~ Any employee contributions, including rollovers and contributions used to convert credited service to class H credited service, or used to purchase service, and accumulated interest on the employee contributions at the regular interest rate."

SECTION 12. Section 88-325, Hawaii Revised Statutes, is amended to read as follows:

~~“§§88-325”~~ **Employee contributions.** (a) Each class H member, who became a member before July 1, 2012, shall contribute six per cent of the member’s compensation to the annuity savings fund; provided that each sewer worker, water safety officer, and emergency medical technician who became a member before July 1, 2012, and is a class H member shall contribute nine and [seventy-five one-hundredths] three-fourths per cent of the member’s compensation to the annuity savings fund for service in that capacity.

(b) Each class H member, who becomes a member after June 30, 2012, shall contribute eight per cent of the member’s compensation to the annuity savings fund; provided that each sewer worker, water safety officer, and emergency medical technician who becomes a member after June 30, 2012, and is a class H member shall contribute eleven and three-fourths per cent of the member’s compensation to the annuity savings fund for service in that capacity.”

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

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

“(a) A class H member who:

- (1) Became a member before July 1, 2012, has at least five years of credited service, and has attained age sixty-two[~~], or a class H member with];~~
- (2) Became a member before July 1, 2012, has at least thirty years of credited service [wh~~o~~], and has attained the age of fifty-five; or
- (3) Becomes a member after June 30, 2012, has at least ten years of credited service, and has attained age sixty-five; or
- (4) Becomes a member after June 30, 2012, has at least thirty years of credited service, and has attained age sixty.

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

(b) A class H member who became a member before July 1, 2012, and has at least twenty-five years of credited service as a sewer worker or water safety officer, of which the last five or more years prior to retirement is credited service in that capacity, shall become eligible to receive a retirement allowance unreduced for age after the member has terminated service. A class H member who becomes a member after June 30, 2012, and has at least twenty-five years of credited service as a sewer worker or water safety officer, of which the last five or more years prior to retirement is credited service in that capacity, and has attained age fifty-five shall become eligible to receive a retirement allowance unreduced for age after the member has terminated service.”

2. By amending subsection (d) to read:

“(d) If a class H member, who became a member before July 1, 2012, has at least twenty-eight years of credited service on or after July 1, 2005; twenty-seven years of credited service on or after July 1, 2006; twenty-six years of credited service on or after July 1, 2007; and twenty-five years of credited service on or after July 1, 2008, as an emergency medical technician, of which the last five or more years prior to retirement is credited service in that capacity, the member shall be eligible to receive a retirement benefit unreduced for age after the member has terminated service. If a class H member, who becomes a member after June 30, 2012, has at least twenty-five years of credited service as an emergency medical technician, of which the last five or more years prior to retirement is credited service in that capacity, and has attained age fifty-five, the member shall be eligible to receive a retirement benefit unreduced for age after the member has terminated service.”

SECTION 14. Section 88-332, Hawaii Revised Statutes, is amended to read as follows:

“§88-332 Service retirement allowance. (a) Upon retirement from service, a class H member who became a member before July 1, 2012, shall receive a maximum retirement allowance as follows:

- (1) If the member has met the requirements in section 88-331(a), (b), or (d), a maximum retirement allowance of two per cent of the average final compensation multiplied by the number of years of class H credited service, plus a retirement allowance at the rate of one and one-fourth per cent of the member’s average final compensation multiplied by the number of years of class C credited service; or
- (2) If the member has met the requirements in section 88-331(c), an early retirement allowance equal to the maximum retirement allowance calculated as provided in paragraph (1), reduced by 0.4166 per cent for each month the member is less than age sixty-two at retirement.

(b) Upon retirement from service, a class H member who becomes a member after June 30, 2012, shall receive a maximum retirement allowance as follows:

- (1) If the member has met the requirements in section 88-331(a), (b), or (d), a maximum retirement allowance of one and three-fourths per cent of the average final compensation multiplied by the number of years of class H credited service, plus a retirement allowance at the rate of one and one-fourth per cent of the member’s average final compensation multiplied by the number of years of class C credited service; or
- (2) If the member has met the requirements in section 88-331(c), an early retirement allowance equal to the maximum retirement allowance calculated as provided in paragraph (1), reduced by 0.4166 per cent for each month the member is less than age sixty-five at retirement.”

SECTION 15. Section 88-341, Hawaii Revised Statutes, is amended by amending subsections (a) and (b) to read as follows:

“(a) Any class H member who ceases to be an employee and who became a member before July 1, 2012, and has fewer than five years of credited service, excluding unused sick leave, or who becomes a member after June 30, 2012, and has fewer than ten years of credited service, excluding unused sick leave, shall, upon application to the board, be paid all of the former employee’s accumulated contributions, and the former employee’s membership shall thereupon terminate and all credited service shall be forfeited; provided that an individual shall not be paid the individual’s accumulated contributions if either:

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

Regular interest shall be credited to the former employee’s account until the former employee’s accumulated contributions are withdrawn; provided that the former employee’s membership shall not continue after the fourth full year following the calendar year in which the individual’s employment terminates. If the former employee does not become an employee again and has not withdrawn the former employee’s accumulated contributions, the system shall return the

former employee's accumulated contributions to the former employee as soon as possible after the former employee attains age sixty-two.

(b) Any class H member ~~[having five or more years of credited service] who ceases to be an employee[.] and who became a member before July 1, 2012, and has more than five years of credited service, excluding unused sick leave, or who becomes a member after June 30, 2012, and has more than ten years of credited service, excluding sick leave, shall, upon application to the board, [shall]~~ be paid an amount equal to the former employee's hypothetical account balance and the former employee's membership shall thereupon terminate and all credited service shall be forfeited; provided that the individual shall not be paid the individual's hypothetical account balance if either:

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

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

PART II

SECTION 16. Section 88-122, Hawaii Revised Statutes, is amended by amending subsection (e) to read as follows:

"(e) Commencing with fiscal year 2005-2006 and each subsequent fiscal year, the employer contributions for normal cost and accrued liability for each of the two groups of employees in subsection (a) shall be based on fifteen and three-fourths per cent of the member's compensation for police officers, firefighters, and corrections officers and thirteen and three-fourths per cent of the member's compensation for all other employees. Commencing with fiscal year 2008-2009 and each subsequent fiscal year[.] until fiscal year 2011-2012, the employer contributions for normal cost and accrued liability for each of the two groups of employees in subsection (a) shall be based on nineteen and seven-tenths per cent of the member's compensation for police officers, firefighters, and corrections officers and fifteen per cent of the member's compensation for all other employees. In fiscal year 2012-2013, the employer contributions for normal cost and accrued liability for each of the two groups of employees in subsection (a) shall be based on twenty-two per cent of the member's compensation for police officers, firefighters, and corrections officers and fifteen and one-half per cent of the member's compensation for all other employees. In fiscal year 2013-2014, the employer contributions for normal cost and accrued liability for each of the two groups of employees in subsection (a) shall be based on twenty-three per cent of the member's compensation for police officers, firefighters, and corrections officers and sixteen per cent of the member's compensation for all other employees. In fiscal year 2014-2015, the employer contributions for normal cost and accrued liability for each of the two groups of employees in subsection (a) shall be based on twenty-four per cent of the member's compensation for police officers, firefighters, and corrections officers and sixteen and one-half per cent of the member's compensation for all other employees. Commencing with fiscal year 2015-2016 and each subsequent fiscal year, the employer contributions for normal cost and accrued liability for each of the two groups of employees in subsection (a) shall be based on twenty-five per cent of the member's compensa-

tion for police officers, firefighters, and corrections officers and seventeen per cent of the member's compensation for all other employees. The contribution rates shall amortize the total unfunded accrued liability of the entire plan over a period not to exceed thirty years. ~~[Effective January 2, 2008 until January 2, 2011, there shall be no benefit enhancements under this chapter for any group of members, including any reduction of retirement age, when there is an unfunded accrued liability.]~~

The contribution rates shall be subject to adjustment:

- (1) If the actual period required to amortize the unfunded accrued liability exceeds thirty years;
- (2) If there is no unfunded accrued liability; or
- (3) Based on the actuarial investigation conducted in accordance with section 88-105."

PART III

SECTION 17. The purpose of this part is to address the employees' retirement system of the State of Hawaii.

More specifically, this part reduces the percentage of regular interest to be credited to a new public employees' retirement account. The legislature finds that a reduced percentage established pursuant to this part is comparable to interest on savings accounts, certificates of deposit, and other similar investment vehicles. The legislature further finds that this part is necessary to control the public employers' contributions to the employees' retirement system.

This part includes a study to be conducted in the future by the board of trustees of the system on the appropriateness of the new regular interest rate. Based on the study, the board shall recommend changing the rate or keeping it the same.

SECTION 18. Section 88-21, Hawaii Revised Statutes, is amended by amending the definition of "regular interest" to read:

"Regular interest":

- (1) For a member who became a member before July 1, 2011, interest at four and one-half per cent a year, compounded annually[-]; and
- (2) For a member who becomes a member after June 30, 2011, interest at two per cent a year, compounded annually."

SECTION 19. Section 88-132, Hawaii Revised Statutes, is amended by amending subsection (d) to read as follows:

"(d) If the State or county, as the case may be, fails to pay the contributions within the time specified in subsection (c), the State or county, as the case may be, shall also pay to the system regular interest ~~[at the rate of four and one-half per cent a year compounded annually]~~ from the date the member returned to state or county government service or the date of the member's death in the performance of the member's military duty until payment is made. ~~[Interest]~~ Regular interest paid on the portion of the contributions that would have been payable by the member shall be included in the member's accumulated contributions."

SECTION 20. Commencing on January 1, 2020, the board of trustees of the employees' retirement system shall conduct a study to determine whether the percentage of regular interest, as defined under section 88-21, Hawaii Revised Statutes, is appropriate. The board shall compare that percentage against the guaranteed percentage of interest paid by other investment or saving vehicles

during the fiscal year 2019-2020. The board shall submit a report of the study to the legislature that shall include a recommendation on whether the percentage of "regular interest" should be changed or remain the same. The board shall submit the report not less than twenty days prior to the convening of the regular session of 2021.

PART IV

SECTION 21. Section 88-105, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) At least once in each five-year period, commencing with fiscal year 1994-1995, the actuary shall make an actuarial investigation of the experience of the system and shall recommend to the board of trustees the adoption for actuarial valuation of the system of mortality, service, and other assumptions, factors, and tables as shall be deemed appropriate and necessary [~~and the actuary shall recommend to the legislature for its adoption the investment yield rate~~]. The actuary shall further recommend the acceptable funded ratio for the system, taking into consideration the guaranties of article XVI, section 2 of the state constitution, section 88-107, and section 88-127."

SECTION 22. Section 88-122, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

"(b) ~~The actuarial valuations [made for years after June 30, 1999,] shall be based on [an eight per cent investment yield rate, salary increase assumptions adopted by the board on the recommendation of the actuary described under section 88-30, and] the contribution rates approved by the legislature, and the tables, [contribution rates,] assumptions, and factors adopted by the board [or legislature] for actuarial valuations of the system [~~subject to recommendations made by the actuary appointed under section 88-29~~]; provided that the investment yield rate assumption for the year ending June 30, 2011, shall be seven and three-quarters per cent."~~

PART V

SECTION 23. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 24. This Act shall take effect on July 1, 2011; provided that part IV shall take effect on June 30, 2011.

(Approved June 23, 2011.)