A BILL FOR AN ACT

RELATING TO THE DEFINITION OF COMPENSATION FOR PURPOSES OF THE EMPLOYEES' RETIREMENT SYSTEM.

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

SECTION 1. Section 88-21.5, Hawaii Revised Statutes, is amended to read as follows:

"§88-21.5 Compensation. [Unless] (a) For service before July 1, 2011, unless a different meaning is plainly required by context, as used in this part, "compensation" means normal periodic payments of money for service the right to which accrues on a regular basis in proportion to the service performed; overtime, differentials, and supplementary payments; bonuses and lump sum salary supplements; and elective salary reduction contributions under sections 125, 403(b), and 457(b) of the Internal Revenue Code of 1986, as amended. Bonuses and lump sum salary supplements shall be deemed earned when payable; provided that bonuses or lump sum salary supplements in excess of one-twelfth of compensation for the twelve months prior to the month in which the bonus or lump sum salary supplement is payable, exclusive of overtime, bonuses, and lump sum salary supplements, shall be deemed earned:
(1) During the period agreed-upon by the employer and employee, but in any event over a period of not less than twelve months; or

(2) In the absence of an agreement between the employer and the employee, over the twelve months prior to the date on which the bonus or lump sum salary supplement is payable.

(b) For service after June 30, 2011, unless a different meaning is plainly required by context, as used in this part:

(1) For members who become members before July 1, 2011, "compensation" means regular compensation, plus additional compensation for the following years of service in the following ratios:

(A) For service beginning on July 1, 2011, through June 30, 2012, one hundred per cent of additional compensation;

(B) For service beginning on July 1, 2012, through June 30, 2013, seventy-five per cent of additional compensation;

(C) For service beginning on July 1, 2013, through June 30, 2014, seventy per cent of additional compensation;
(D) For service beginning on July 1, 2014, through June 30, 2015, sixty-five per cent of additional compensation;

(E) For service beginning on July 1, 2015, through June 30, 2016, sixty per cent of additional compensation; and

(F) For service beginning on July 1, 2016, through June 30, 2017, fifty-five per cent of additional compensation; and

(G) For service beginning on or after July 1, 2017, fifty per cent of additional compensation; and

(2) For members who become members on or after July 1, 2011, "compensation" means regular compensation and does not include additional compensation.

For purposes of this subsection:

"Additional compensation" includes any other additional or extra payments, excluding regular compensation, to an employee or officer, including overtime, bonuses, lump sum salary supplements, allowances, and differentials, including differentials for stand-by duty, temporary unusual work hazards, compression differentials, and temporary differentials; provided
that "additional compensation" does not include twelve-month differentials for employees of the department of education.

"Regular compensation" means normal periodic payments of money for services performed, the right to which accrues on an hourly, daily, monthly, or annual basis; shortage differentials; and elective salary reduction contributions under sections 125, 403(b), and 457(b) of the Internal Revenue Code of 1986, as amended."

SECTION 2. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 3. This Act shall take effect on July 1, 2050; provided that with respect to individuals who became members of the employees' retirement system of the State of Hawaii before July 1, 2011, the member's benefits accrued up to June 30, 2011, shall not be diminished or impaired.
Report Title:
Employees' Retirement System; Calculation of Retirement Benefits

Description:
Amends the definition of "compensation" for the purpose of calculating retirement benefits. Provides a gradual stepped-down calculation for additional compensation for members who are members as of 6/30/2011. Eliminates additional compensation for new members for the purpose of calculating retirement benefits. Effective 7/1/2050. (SD2)