
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:

1 SECTION 1. Section 88-21.5, Hawaii Revised Statutes, is
2 amended to read as follows:
3 "**§88-21.5 Compensation.** [~~Unless~~] (a) For service before
4 July 1, 2011, unless a different meaning is plainly required by
5 context, as used in this part, "compensation" means normal
6 periodic payments of money for service the right to which
7 accrues on a regular basis in proportion to the service
8 performed; overtime, differentials, and supplementary payments;
9 bonuses and lump sum salary supplements; and elective salary
10 reduction contributions under sections 125, 403(b), and 457(b)
11 of the Internal Revenue Code of 1986, as amended. Bonuses and
12 lump sum salary supplements shall be deemed earned when payable;
13 provided that bonuses or lump sum salary supplements in excess
14 of one-twelfth of compensation for the twelve months prior to
15 the month in which the bonus or lump sum salary supplement is
16 payable, exclusive of overtime, bonuses, and lump sum salary
17 supplements, shall be deemed earned:



1 (1) During the period agreed-upon by the employer and
2 employee, but in any event over a period of not less
3 than twelve months; or

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

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

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

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

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

20 (C) For service beginning on July 1, 2013, through
21 June 30, 2014, seventy per cent of additional
22 compensation;



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

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

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

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

12 (2) For members who become members on or after July 1,
13 2011, "compensation" means regular compensation and
14 does not include additional compensation.

15 For purposes of this subsection:

16 "Additional compensation" includes any other additional or
17 extra payments, excluding regular compensation, to an employee
18 or officer, including overtime, bonuses, lump sum salary
19 supplements, allowances, and differentials, including
20 differentials for stand-by duty, temporary unusual work hazards,
21 compression differentials, and temporary differentials; provided



1 that "additional compensation" does not include twelve-month
2 differentials for employees of the department of education.

3 "Regular compensation" means normal periodic payments of
4 money for services performed, the right to which accrues on an
5 hourly, daily, monthly, or annual basis; shortage differentials;
6 and elective salary reduction contributions under sections 125,
7 403(b), and 457(b) of the Internal Revenue Code of 1986, as
8 amended."

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

11 SECTION 3. This Act shall take effect on July 1, 2050;
12 provided that with respect to individuals who became members of
13 the employees' retirement system of the State of Hawaii before
14 July 1, 2011, the member's benefits accrued up to June 30, 2011,
15 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)

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