

---

---

# A BILL FOR AN ACT

RELATING TO SEPARATION BENEFITS.

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

**PART I**

1  
2           SECTION 1. The purpose of this part is to provide options  
3 to assist public employees who may be displaced through the  
4 privatization or closure of a Hawaii health systems corporation  
5 facility and reduce the need for layoffs. Specifically, this  
6 part authorizes the Hawaii health systems corporation to offer a  
7 severance or a special retirement benefit to an employee who  
8 elects to separate from service when the employee's position is  
9 identified for abolishment or when the employee is directly  
10 affected by a reduction-in-force or workforce restructuring  
11 plan, including privatization.

12           SECTION 2. The Hawaii Revised Statutes is amended by  
13 adding a new chapter to be appropriately designated and to read  
14 as follows:

**"CHAPTER**

**SEPARATION BENEFITS**

17           § -1 **Definitions.** For the purposes of this chapter:



1 "Actuarial present value" means the difference in value  
2 between a member's benefit reflecting termination of service  
3 without the special retirement provision and the value of the  
4 member's benefit reflecting the special retirement benefit.

5 "Agency" or "attached agency" means the Hawaii health  
6 systems corporation.

7 "Directly affected" refers to when an employee receives  
8 official reduction-in-force notification of displacement from  
9 the employee's position because of a senior employee exercising  
10 reduction-in-force rights, or because the employee's position is  
11 part of a workforce restructuring plan, including privatization.

12 "Employee" means an individual:

13 (1) Employed by the state government or an attached agency  
14 in a position subject to chapters 88 and 89;

15 (2) Whose position has been identified for abolishment or  
16 directly affected because of a reduction-in-force or  
17 workforce restructuring plan, including privatization;  
18 and

19 (3) Whose employment is subject to Act 103, Session Laws  
20 of Hawaii 2015.



1 "Exclusive representative" has the same meaning as defined  
2 in section 89-2.

3 "Public employer" has the same meaning as defined in  
4 section 89-2.

5 "Reduction-in-force" includes layoffs under chapter 89.

6 § -2 **Voluntary severance benefit.** (a) Any employee  
7 entitled to reduction-in-force rights under chapter 89 and who  
8 receives official notification that the employee's position is  
9 being abolished or who is directly affected by a reduction-in-  
10 force or workforce restructuring plan, including privatization,  
11 may elect to receive a voluntary severance benefit provided  
12 under this section in lieu of exercising any reduction-in-force  
13 rights under chapter 89 and in lieu of receiving any special  
14 retirement benefit under section -3.

15 (b) A one-time lump sum cash bonus severance benefit shall  
16 be calculated at five per cent of the employee's base salary for  
17 every year of service worked, not to exceed ten years, and shall  
18 not exceed fifty per cent of the employee's annual base salary.

19 For the purposes of this section, "annual base salary"  
20 means an employee's annual salary for the position from which  
21 the employee is to be separated, excluding all other forms of



1 compensation paid or accrued, whether a bonus, allowance,  
2 differential, or value of leave or compensatory time off  
3 credits. Compensation excluded from base salary includes  
4 shortage category differential, night shift differential,  
5 overtime, compensatory time off credits, vacation or sick leave  
6 credits, and workers' compensation benefits.

7 (c) A severance benefit shall be in addition to any  
8 payment owing to the employee upon separation from service,  
9 including accumulated unused vacation allowances or compensatory  
10 time credits.

11 (d) All severance benefits paid under this section shall  
12 be subject to applicable state income tax laws and rules.

13 (e) A severance benefit provided under this section shall  
14 not be considered as a part of a discharged employee's salary,  
15 service credit, or a cost item as defined in section 89-2 when  
16 calculating retirement benefits or sick and vacation leave.

17 § -3 **Special retirement benefit.** (a) Notwithstanding  
18 section 88-99 or any other law to the contrary, the employees'  
19 retirement system may provide, regardless of whether the  
20 actuarial value of the system's assets is one hundred per cent  
21 of the system's actuarial accrued liability, the benefits



1 authorized under this section. Any employee who receives  
2 official notification that the employee's position is being  
3 abolished or who is directly affected by a reduction-in-force or  
4 workforce restructuring plan, including privatization, proposed  
5 by an agency may elect, if the employee is eligible to receive  
6 benefits from the employees' retirement system and meets any of  
7 the criteria specified in subsection (c), the special retirement  
8 benefit provided by this section in lieu of exercising any  
9 reduction-in-force rights under chapter 89 and in lieu of  
10 receiving any severance benefits under section -2. To  
11 receive the special retirement benefit offered under this  
12 section, the employee shall comply with the application and time  
13 frame requirements specified in subsection (b).

14 (b) Any employee who elects to retire and receive the  
15 special retirement benefit under this section shall notify the  
16 employee's employing agency and file a formal application for  
17 retirement with the employees' retirement system not less than  
18 thirty days or more than one hundred fifty days prior to the  
19 date of retirement.

20 (c) Notwithstanding the age and length of service  
21 requirements of sections 88-73, 88-281, and 88-331, an employee



1 shall qualify for the special retirement benefit if, on the  
2 employee's retirement date, the employee meets any one of the  
3 following criteria:

- 4 (1) Has at least five years of credited service as a  
5 contributory class A or B member and is at least fifty  
6 years of age;
- 7 (2) Has at least twenty years of credited service as a  
8 contributory class A or B member, irrespective of age;
- 9 (3) Has at least ten years of credited service as a  
10 noncontributory class C member and is at least fifty-  
11 seven years of age;
- 12 (4) Has at least twenty-five years of credited service as  
13 a noncontributory class C member, irrespective of age;
- 14 (5) A class H member who became a member prior to July 1,  
15 2012, has at least five years of credited service and  
16 is at least fifty-seven years of age;
- 17 (6) A class H member who became a member prior to July 1,  
18 2012, and has at least twenty-five years of credited  
19 service, irrespective of age;



1           (7) A class H member who became a member after June 30,  
2                   2012, has at least ten years of credited service and  
3                   is at least sixty years of age; or

4           (8) A class H member who became a member after June 30,  
5                   2012, has at least twenty-five years of credited  
6                   service and is at least fifty-five years of age.

7           (d) Any employee who exercises the option of the special  
8           retirement benefit under this section because the employee does  
9           not qualify with respect to the age and length of service  
10          requirements under section 88-73, 88-281, or 88-331, to receive  
11          a retirement benefit without penalty, shall not have the  
12          retirement benefit reduced in accordance with the actuarial  
13          formula normally used by the employees' retirement system for  
14          the calculation of early retirement benefits.

15          (e) The head of the agency shall transmit a list of  
16          employees who elected and received the special retirement  
17          benefit to the board of trustees of the employees' retirement  
18          system not less than thirty days but not more than one hundred  
19          fifty days prior to the employee's retirement date. The head of  
20          the agency shall certify that the employees on the list have in  
21          fact selected the special retirement benefit in lieu of



1 receiving the severance benefit under section -2 and  
2 exercising any reduction-in-force rights under chapter 89.

3 (f) The board of trustees of the employees' retirement  
4 system shall make payments with respect to all eligible  
5 employees who retire pursuant to this section. The board shall  
6 determine the portion of the additional actuarial present value  
7 of benefits to be charged to the State based upon retirements  
8 authorized under this section. If necessary, the State shall  
9 make additional payments to the employees' retirement system in  
10 the amounts required to amortize the additional actuarial  
11 present value of benefits over a period of five years. The  
12 unfunded actuarial present values of benefits payable under this  
13 section shall be considered part of the unfunded accrued  
14 liability of the employees' retirement system under sections  
15 88-122 and 88-123.

16 § -4 **Restrictions.** No severance benefit or special  
17 retirement benefit under this chapter shall be payable to an  
18 employee discharged for lawful disciplinary reasons or for  
19 reasons other than a reduction-in-force or workforce  
20 restructuring plan.





1           §   -5 Reemployment. Any employee who has received either  
2 a severance benefit or a special retirement benefit under this  
3 chapter and returns to public service within two years as an  
4 employee or contractor shall repay the severance benefit or the  
5 special retirement benefit to the State or the employees'  
6 retirement system, as the case may be, within thirty days of  
7 reemployment with a public employer.

8           §   -6 Payments; lapse of unexpended funds. After  
9 payments of all costs associated with the severance benefits and  
10 special retirement benefits, the public employer's remaining  
11 payroll balances shall not be expended for any purpose and shall  
12 be lapsed into the appropriate fund.

13          §   -7 Reporting requirements; reduction in personnel  
14 counts. The head of the agency that provided benefits under  
15 this chapter shall:

- 16           (1) Transmit a report of every position identified for  
17               abolishment and vacated under this chapter to the  
18               directors of finance and human resources development,  
19               who shall abolish these positions from the appropriate  
20               budget and personnel files. The governor shall report  
21               this information to the legislature no later than



1           twenty days prior to the convening of each regular  
2           session beginning with the regular session of 2017;

3           (2) Reduce its personnel count by every position  
4           identified for abolishment and vacated under this  
5           chapter, whether the former incumbent vacated the  
6           position as a result of accepting a severance benefit  
7           or special retirement benefit authorized under this  
8           chapter or of exercising reduction-in-force rights;  
9           and

10          (3) Transmit a list that includes each employee who  
11          received benefits under this chapter and the benefit  
12          received by the employee to the directors of finance  
13          and human resources development.

14          §   -8 **Guidelines; development and administration.** The  
15          departments of human resources development and budget and  
16          finance shall develop and administer guidelines and time frames  
17          with the exclusive representatives of affected public employees  
18          to implement the voluntary severance benefits and special  
19          retirement benefits under this chapter. The department of human  
20          resources development, the department of labor and industrial  
21          relations, the employees' retirement system, and the Hawaii



1 employer-union health benefits trust fund shall work  
2 cooperatively to ensure that briefings are provided prior to the  
3 implementation of any workforce restructuring plan to educate  
4 the employees whose positions are being abolished or who are  
5 directly affected by a reduction-in-force or workforce  
6 restructuring plan.

7 The department of human resources development and the  
8 department of budget and finance shall report to the legislature  
9 on any restructuring activities initiated as a consequence of  
10 this chapter no later than twenty days prior to the convening of  
11 each regular session beginning with the regular session of 2017.

12 The report shall include a description of the abolished  
13 positions, an explanation as to how the new workforce structure,  
14 including resulting service delivery changes, will more  
15 efficiently serve the needs of the agency's clients, the cost of  
16 the benefit per participant, and the total cost to the State.

17 § -9 **Matching funds.** The governor may provide funds to  
18 obtain matching federal moneys to retrain employees in the state  
19 executive branch who separated from service under this chapter.

20 § -10 **Review by employee.** Employees offered a severance  
21 benefit or a special retirement benefit shall be given



1 sufficient time to make an informed decision from the date of  
2 receiving accurate and complete information about the offer."

3 PART II

4 SECTION 3. State contributions; Hawaii health system  
5 corporation employees hired after June 30, 1996, and retired.

6 (a) This section shall apply to state contributions to the  
7 Hawaii employer-union health benefits trust fund for Hawaii  
8 health systems corporation employees hired after June 30, 1996,  
9 and who were separated from service as a result of Act 103,  
10 Session Laws of Hawaii 2015.

11 (b) The State, through the department of budget and  
12 finance, shall pay to the Hawaii employer-union health benefits  
13 trust fund:

14 (1) For retired employees based on the self plan with at  
15 least nine years but fewer than twelve years of  
16 service, a monthly contribution equal to one-half of  
17 the base medicare or non-medicare monthly contribution  
18 set forth under section 87A-33(b), Hawaii Revised  
19 Statutes; provided that retired employees who were  
20 hired after June 30, 1996, but before July 1, 2001,  
21 with dependent-beneficiaries, as that term is defined



1 in section 87A-1, Hawaii Revised Statutes, shall be  
2 eligible for a monthly contribution equal to one-half  
3 of the base medicare or non-medicare monthly  
4 contribution for two-party or family plans, as  
5 applicable, set forth in section 87A-33(b), Hawaii  
6 Revised Statutes;

- 7 (2) For retired employees based on the self plan with at  
8 least twelve years but fewer than twenty years of  
9 service, a monthly contribution equal to seventy-five  
10 per cent of the base medicare or non-medicare monthly  
11 contribution set forth under section 87A-33(b), Hawaii  
12 Revised Statutes; provided that retired employees who  
13 were hired after June 30, 1996, but before July 1,  
14 2001, with dependent-beneficiaries, as that term is  
15 defined in section 87A-1, Hawaii Revised Statutes,  
16 shall be eligible for a monthly contribution equal to  
17 seventy-five per cent of the base medicare or non-  
18 medicare monthly contribution for two-party or family  
19 plans, as applicable, set forth in section 87A-33(b),  
20 Hawaii Revised Statutes;



- 1 (3) For retired employees based on the self plan with  
2 twenty or more years of service, a monthly  
3 contribution equal to one hundred per cent of the base  
4 medicare or non-medicare monthly contribution set  
5 forth under section 87A-33(b), Hawaii Revised  
6 Statutes; provided that retired employees who were  
7 hired after June 30, 1996, but before July 1, 2001,  
8 with dependent-beneficiaries, as that term is defined  
9 in section 87A-1, Hawaii Revised Statutes, shall be  
10 eligible for a monthly contribution equal to one  
11 hundred per cent of the base medicare or non-medicare  
12 monthly contribution for two-party or family plans, as  
13 applicable, set forth in section 87A-33(b), Hawaii  
14 Revised Statutes; and
- 15 (4) Upon the death of a retired employee hired after  
16 June 30, 1996, but before July 1, 2001, for the  
17 dependent-beneficiary who becomes eligible as an  
18 employee-beneficiary, a monthly contribution equal to  
19 paragraphs (1), (2), or (3), as applicable; and upon  
20 the death of a retired employee hired after June 30,  
21 2001, for the dependent-beneficiary who becomes



1 eligible as an employee-beneficiary, a monthly  
2 contribution equal to one-half of paragraphs (1), (2),  
3 or (3), as applicable.

4 PART III

5 SECTION 4. If any provision of this Act, or the  
6 application thereof to any person or circumstance, is held  
7 invalid, the invalidity does not affect other provisions or  
8 applications of the Act that can be given effect without the  
9 invalid provision or application, and to this end the provisions  
10 of this Act are severable.

11 SECTION 5. This Act shall take effect upon its approval,  
12 and shall apply to employees of the Hawaii health systems  
13 corporation who are separated from service as a consequence of  
14 Act 103, Session Laws of Hawaii 2015.



S.B. NO. 2077  
S.D. 1  
H.D. 2  
C.D. 2

**Report Title:**

ERS; HHSC; Separation Benefits; Early Retirement; EUTF

**Description:**

Authorizes HHSC employees facing position abolishment, reduction-in-force, or workforce restructuring to opt to receive either severance benefits or a special retirement benefit in lieu of exercising any reduction-in-force rights. Requires the State to pay a monthly contribution for employees separated from service as a result of Act 103, Session Laws of Hawaii 2015.  
(CD2)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

