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# A BILL FOR AN ACT

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM.

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

1           SECTION 1. This Act is necessary to clarify the definition  
2 of compensation eligible for the purposes of calculating  
3 retirement benefits. This clarification will ensure that  
4 retirement benefits are computed fairly and equitably for all  
5 public employees and will facilitate employer reporting of  
6 compensation on a consistent and timely basis.

7           SECTION 2. Section 88-21, Hawaii Revised Statutes, is  
8 amended by amending the definition of "base pay" to read as  
9 follows:

10           ""Base pay" means the [~~normal periodic payments of money~~  
11 ~~for service,~~] base compensation pay rate stated in the  
12 employer's personnel file as reported to the system or the  
13 employee's personnel action report notification or  
14 certification, the right to which accrues on a regular basis in  
15 proportion to the service performed; [~~recurring differentials,~~]  
16 and elective salary reduction contributions under sections 125,



1 403(b), and 457(b) of the Internal Revenue Code of 1986, as  
2 amended."

3 SECTION 3. Section 88-21.5, Hawaii Revised Statutes, is  
4 amended to read as follows:

5 "**§88-21.5 Compensation.** (a) For a member who became a  
6 member before July 1, 2012, unless a different meaning is  
7 plainly required by context, as used in this part,  
8 "compensation" means:

- 9 (1) ~~[Normal periodic payments of money for service]~~ The  
10 base compensation pay rate stated in the employer's  
11 personnel file as reported to the system or the  
12 employee's personnel action report notification or  
13 certification, the right to which accrues on a regular  
14 basis in proportion to the service performed;
- 15 (2) Overtime, differentials, and supplementary payments;
- 16 (3) Bonuses and lump sum salary supplements; and
- 17 (4) Elective salary reduction contributions under  
18 sections 125, 403(b), and 457(b) of the Internal  
19 Revenue Code of 1986, as amended.

20 Bonuses and lump sum salary supplements shall be deemed earned  
21 when payable; provided that bonuses or lump sum salary



1 supplements in excess of one-twelfth of compensation for the  
2 twelve months prior to the month in which the bonus or lump sum  
3 salary supplement is payable, exclusive of overtime, bonuses,  
4 and lump sum salary supplements, shall be deemed earned:

5 (1) During the period [~~agreed-upon~~] agreed upon by the  
6 employer and employee, but in any event over a period  
7 of not less than twelve months; or

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

12 (b) For a member who becomes a member after June 30, 2012,  
13 unless a different meaning is plainly required by context,  
14 "compensation" as used in this part:

15 (1) Means:

16 (A) [~~The normal periodic payments of money for~~  
17 ~~service,~~] The base compensation pay rate stated  
18 in the employer's personnel file as reported to  
19 the system or the employee's personnel action  
20 report notification or certification, the right



1 to which accrues on an hourly, daily, monthly, or  
2 annual basis;

3 [~~(B)~~ Shortage differentials;

4 ~~(G)~~ (B) Elective salary reduction contributions  
5 under sections 125, 403(b), and 457(b) of the  
6 Internal Revenue Code of 1986, as amended; and

7 [~~(D)~~ (C) Twelve-month differentials for employees of  
8 the department of education; and

9 (2) Shall not include any other additional or extra  
10 payments to an employee or officer, including  
11 overtime, supplementary payments, bonuses, lump sum  
12 salary supplements, allowances, or differentials,  
13 including but not limited to differentials for  
14 shortage categories, stand-by duty, temporary unusual  
15 work hazards, compression differentials, or temporary  
16 differentials[~~, except for those expressly authorized~~  
17 ~~pursuant to subsection (b) (1) (B), (b) (1) (C), and~~  
18 ~~(b) (1) (D)~~]."

19 SECTION 4. Statutory material to be repealed is bracketed  
20 and stricken. New statutory material is underscored.



1           SECTION 5. This Act shall take effect on December 25,  
2 2040, and shall apply to personnel and payroll reported after  
3 December 31, 2021.



# H.B. NO. 928 H.D. 1

**Report Title:**

Employees' Retirement System; Compensation

**Description:**

Amends the definitions of "base pay" and "compensation" for the purpose of calculating retirement benefits. Effective 12/25/2040. (HD1)

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