



1 "Agency" or "attached agency" means a political subdivision  
2 of state or county government that is administratively attached  
3 to a department of state or county government.

4 "Directly affected" means an employee who receives official  
5 reduction-in-force notification of displacement from the  
6 employee's position because of a senior employee exercising  
7 reduction-in-force rights, or because the employee's position is  
8 part of a workforce restructuring plan, including privatization.

9 "Employee" means an individual employed by the state or  
10 county government or those governments' attached agencies in a  
11 position subject to chapter 88, which has been identified for  
12 abolishment or directly affected because of a reduction in-force  
13 or workforce restructuring plan, including privatization.

14 "Other jurisdictions" means the city and county of  
15 Honolulu, the county of Hawaii, the county of Maui, the county  
16 of Kauai, the department of education, the judiciary, the Hawaii  
17 health systems corporation, the office of Hawaiian affairs, and  
18 the legislative branches of the state and county governments.

19 "Reduction-in-force" includes layoffs under chapter 76 or  
20 89.



1 "State executive branch" includes the University of Hawaii,  
2 but excludes the Hawaii health systems corporation and the  
3 department of education, which are considered separate personnel  
4 jurisdictions under this chapter.

5 "Vested member" means a member of the employees' retirement  
6 system of the State of Hawaii who has sufficient credited  
7 service to be eligible to receive the service retirement benefit  
8 in effect under section 88-74, 88-282, or 88-332, upon becoming  
9 eligible under section 88-73, 88-281, or 88-331, respectively,  
10 to receive a retirement allowance.

11 § -2 Voluntary severance benefit. (a) Any employee:  
12 (1) Affected by Act 103, Session Laws of Hawaii 2015;  
13 (2) Entitled to reduction-in-force rights under chapter 76  
14 or 89; and  
15 (3) Who receives official notification that the employee's  
16 position is being abolished or is directly affected by  
17 a reduction-in-force or workforce restructuring plan,  
18 including privatization;  
19 may elect to receive a voluntary severance benefit provided  
20 under this section in lieu of exercising any reduction-in-force



1 rights under chapter 89 or 89C, as applicable, and in lieu of  
2 receiving any special retirement benefit under section -3.

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

8 For the purposes of this section, "annual base salary"  
9 means an employee's annual salary for the position from which  
10 the employee is to be separated, excluding all other forms of  
11 compensation paid or accrued, whether a bonus, allowance,  
12 differential, or value of leave or compensatory time off  
13 credits. Compensation excluded from base salary includes  
14 shortage category differential, night shift differential,  
15 overtime, compensatory time off credits, vacation or sick leave  
16 credits, and workers' compensation benefits.

17 (c) A voluntary severance benefit shall be in addition to  
18 any payment owing to the employee upon separation from service,  
19 including accumulated unused vacation allowances or compensatory  
20 time credits.



1 (d) All voluntary severance benefits paid under this  
2 section shall be subject to applicable state income tax laws and  
3 rules.

4 (e) A voluntary severance benefit provided under this  
5 section shall not be considered as a part of a discharged  
6 employee's salary, service credit, or a cost item as defined by  
7 section 89-2 when calculating retirement benefits or sick and  
8 vacation leave.

9 § -3 Special retirement benefit. (a) Notwithstanding  
10 section 88-99 or any other law to the contrary, the employees'  
11 retirement system may provide, regardless of whether the  
12 actuarial value of the system's assets is one hundred per cent  
13 of the system's actuarial accrued liability, the benefits  
14 authorized under this section. Any employee who receives  
15 official notification that the employee's position is being  
16 abolished or who is directly affected by a reduction-in-force or  
17 workforce restructuring plan, including privatization, proposed  
18 by a department may elect, if the employee is a vested member of  
19 the employees' retirement system and meets any of the criteria  
20 specified in subsection (c), the special retirement benefit  
21 provided by this section in lieu of exercising any reduction-in-



1 force rights under chapter 89 or 89C, as applicable, and in lieu  
2 of receiving any voluntary severance benefits under section

3 -2. To receive the special retirement benefit offered under  
4 this section, the employee shall comply with the application and  
5 time frame requirements specified in subsection (b).

6 (b) Any employee who elects to retire and receive the  
7 special retirement benefit under this section shall notify the  
8 employee's employing department and file a formal application  
9 for retirement with the employees' retirement system not less  
10 than thirty days or more than one hundred fifty days prior to  
11 the date of retirement.

12 (c) Notwithstanding the age and length of service  
13 requirements of sections 88-73, 88-281, and 88-331, an employee  
14 member shall qualify for the special retirement benefit if, on  
15 the employee's retirement date, the employee is within five  
16 years of the employee's qualified retirement age.

17 (d) Any employee who exercises the option of the special  
18 retirement benefit under this section because the employee does  
19 not qualify with respect to the age and length of service  
20 requirements under section 88-73, 88-281, or 88-331, to receive  
21 a retirement benefit without penalty, shall not have the



1 retirement benefit reduced in accordance with the actuarial  
2 formula normally used by the employees' retirement system for  
3 the calculation of early retirement benefits.

4 (e) The head of each affected department or agency shall  
5 transmit a list of employees who elected and received the  
6 special retirement benefit to the board of trustees of the  
7 employees' retirement system not less than thirty days, but not  
8 more than one hundred fifty days prior to the employee's  
9 retirement date. The head of each affected department or agency  
10 shall certify that the employees on the list have in fact  
11 selected the special retirement benefit in lieu of receiving the  
12 voluntary severance benefit and exercising any reduction-in-  
13 force rights under chapter 89 or 89C, as applicable.

14 (f) The board of trustees of the employees' retirement  
15 system shall make payments with respect to all eligible  
16 employees who retire pursuant to this section. The board shall  
17 determine the portion of the additional actuarial present value  
18 of benefits to be charged to the State based upon retirements  
19 authorized under this section. If necessary, the State shall  
20 make additional payments to the employees' retirement system in  
21 the amounts required to amortize the additional actuarial



1 present value of benefits over a period of five years. The  
2 unfunded actuarial present values of benefits payable under this  
3 section shall be considered part of the unfunded accrued  
4 liability of the employees' retirement system under sections 88-  
5 122 and 88-123.

6 § -4 Restrictions. No voluntary severance benefit or  
7 special retirement benefit shall be payable to an employee  
8 discharged for lawful disciplinary reasons or for reasons other  
9 than a reduction-in-force or workforce restructuring plan.

10 § -5 Reemployment. Any employee who has received either  
11 a voluntary severance benefit or a special retirement benefit  
12 under this chapter and returns to public service within two  
13 years as an employee or contractor shall repay the voluntary  
14 severance benefit or the special retirement benefit to the  
15 public employer or the employees' retirement system, as the case  
16 may be, within thirty days of reemployment with a public  
17 employer. Any employee who received a special retirement  
18 benefit under this chapter and returns to work shall meet the  
19 age and service requirements in effect when the individual first  
20 entered state employment.





1           §   -6   Payments; lapse of unexpended funds. After  
2 payments of all costs associated with the voluntary severance  
3 benefits and special retirement benefits, the public employer's  
4 remaining payroll balances shall not be expended for any purpose  
5 and shall be lapsed into the appropriate fund.

6           §   -7   Reporting requirements; reduction in personnel  
7 counts. The head of each affected department or agency that  
8 provided benefits under this chapter shall:

9           (1)   Transmit a report of every position identified for  
10               abolishment and vacated under this chapter to the  
11               directors of finance and human resources development  
12               who shall abolish these positions from the appropriate  
13               budget and personnel files. The governor shall report  
14               this information to the legislature no later than  
15               twenty days prior to the convening of each regular  
16               session beginning with the regular session of 2017;

17           (2)   Reduce its personnel count by every position  
18               identified for abolishment and vacated under this  
19               chapter, whether the former incumbent vacated the  
20               position as a result of accepting a voluntary  
21               severance benefit or special retirement benefit



1 authorized under this chapter or of exercising  
2 reduction-in-force rights; and  
3 (3) Transmit a list that includes each employee who  
4 received benefits under this chapter and the benefit  
5 received by the employee to the directors of finance  
6 and human resources development.

7 § -8 Guidelines; development and administration. The  
8 departments of human resources development and budget and  
9 finance shall develop and administer guidelines and time frames  
10 with the affected public employee unions to implement the  
11 voluntary separation benefits and special retirement benefits  
12 under this chapter. The department of human resources  
13 development, the department of labor and industrial relations,  
14 the employees' retirement system, and the Hawaii employer-union  
15 health benefits trust fund shall work cooperatively to ensure  
16 that briefings are provided prior to the implementation of any  
17 workforce restructuring plan to educate the employees of the  
18 various departments of the state executive branch, whose  
19 positions are being abolished or who are directly affected by a  
20 reduction-in-force or workforce restructuring plan.



1           The department of human resources development and the  
2 department of budget and finance shall report to the legislature  
3 on any restructuring activities initiated because of this  
4 chapter no later than twenty days prior to the convening of each  
5 regular session beginning with the regular session of 2017.

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

11           §   -9   **Matching funds.**   The governor may provide funds to  
12 obtain matching federal moneys to retrain employees in the state  
13 executive branch who separated from service under this chapter.

14           §   -10   **Optional participation by other jurisdictions.**  
15 The city and county of Honolulu, the county of Hawaii, the  
16 county of Kauai, the county of Maui, the department of  
17 education, the judiciary, the Hawaii health systems corporation,  
18 the office of Hawaiian affairs, or the legislative branch of the  
19 State or a county may opt to provide the voluntary severance  
20 benefit under section   -2 or the special retirement benefit  
21 under section   -3 to their respective employees under an



1 official reduction-in-force or a workforce restructuring plan as  
2 defined by its separation incentives program guidelines and time  
3 frames developed and administered by the respective  
4 jurisdictions.

5 No civil service employee may elect and receive a  
6 combination of reduction-in force, voluntary severance benefit,  
7 or special retirement benefit when directly affected by a  
8 reduction in-force or workforce restructuring plan. Whenever  
9 any of the other jurisdictions, as defined in this chapter, opts  
10 to provide the voluntary severance benefit or special retirement  
11 benefit, the jurisdiction's separation benefit guidelines and  
12 use of the special retirement benefit shall be consistent with  
13 this chapter.

14 All references to the state executive branch shall apply to  
15 any other jurisdictions, as defined in this chapter, opting to  
16 provide the voluntary severance benefit or the special  
17 retirement benefit. The chief executive or other appropriate  
18 authority of each of the respective other jurisdictions shall  
19 ensure that approval of its respective legislative body is  
20 obtained before offering the voluntary severance benefit under



1 section -2 or the special retirement benefit under section  
2 -3.

3 § -11 Payments to the employer-union health benefits  
4 trust fund. Payments for a voluntary severance benefit or a  
5 special retirement benefit may be deposited into an account at  
6 the employer-union health benefits trust fund. The employer-  
7 union health benefits trust fund shall credit the monthly  
8 premium cost for health care coverage against that account for  
9 the employee who receives either a voluntary severance benefit  
10 or a special retirement benefit.

11 § -12 Review by employee. Employees offered a voluntary  
12 severance benefit or a special retirement benefit shall be given  
13 sufficient time to make an informed decision from the date of  
14 receiving accurate and complete information about the offer."

15 SECTION 3. This Act shall take effect upon its approval,  
16 and shall be repealed on June 30, 2017.



**Report Title:**

ERS; Public Employees; Separation Benefits; Early Retirement

**Description:**

Authorizes public employees facing position abolishment, reduction-in-force, or workforce restructuring to opt to receive either voluntary severance benefits or a special retirement benefit in lieu of exercising any reduction-in-force rights.

(HB2446 HD1)

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

