ARTICLE 14 - COMPENSATION ADJUSTMENTS

A. GENERAL PROVISIONS.

1. For the purpose of clarification, the provisions of this Article shall not be applicable where an employee moves from one governmental jurisdiction to another, except as specifically provided herein.

2. For purposes of this Article, "basic rate of pay" means the rate of pay assigned to the pay range and step an employee is receiving as compensation. For an employee whose position is not assigned to a pay range, "basic rate of pay" shall mean the actual rate of compensation the employee is receiving as a remuneration for services performed in a particular position, not including any differentials.

3. When the effective dates of more than one personnel action coincide, pay adjustments shall be made in the following order:

   a. Step movement;
   b. Negotiated wage increase;
   c. Changeover to a new pay schedule;
   d. Repricing;
   e. Promotion;
   f. Reallocation;
   g. Other personnel actions.

4. A leave of absence without pay shall end [upon] on the day before the [first working] day an employee [properly] reports for duty, provided that [and an employee shall be entitled to receive compensation as of the first working day the employee properly reports for duty. Each calendar day from the beginning to the end of an employee's leave of absence without pay shall be charged as leave without pay provided that an employee who is granted leave of absence without pay and who returns to duty after being absent from work for only one working day or less, shall be charged for one day of leave of absence without pay or less, as applicable, even though one or more scheduled or normal-non-working days or a holiday may have preceded the employee's return to
if a paid leave or a holiday immediately precedes the Employee's return to

duty, the leave of absence without pay shall end upon the day before such paid
leave or holiday.

5. An employee who leaves the service without having worked on all scheduled
working days for that month shall be compensated pursuant to the following formula:
Employee's monthly basic rate of pay plus TD, CD, SD, RD or SAD as applicable X
(number of days worked/number of working days in a month, including holidays).

6. An employee who suffers a disabling personal injury arising out of and in the
course of employment, except for an injury caused by the employee's negligence, willful
intention to injure the employee or others, or by the employee's intoxication or because of
the influence of a non-prescribed controlled substance, shall be credited for a full day's
work on the day of the injury regardless of the time the employee is injured.

7. An employee who initially was properly compensated following a promotion,
the adoption of a new pay schedule, a temporary assignment, pricing or repricing, or any
other personnel action affecting pay, shall not be required to make reimbursement when it
is found subsequently that an overpayment in salary occurred due to the retroactive
feature of a position classification action. However, the proper pay adjustment shall be
made as of the first pay period following the date of notice of action by the director.

B. COMPENSATION ADJUSTMENT UPON PROMOTION.

1. As used in this paragraph, "promotion" means the movement of a regular
employee from the position in which the employee last held a permanent appointment to a
vacant civil service position:

   a. which is assigned to a class with a higher pay range in the same
      salary schedule; or

   b. which is assigned to a class with a higher maximum rate of compensation in
      a different salary schedule and the dollar difference between the two maximum rates is
      more than the dollar difference between the first and second step of the former pay range.

2. A regular employee who is promoted shall be compensated at the step in
the higher pay range which corresponds to the Employee's existing step (i.e., the
movement shall be from Step A to Step A, or Step B to Step B).
3. Regular employees who return to their permanent positions after a promotion on a temporary appointment basis or are released from a new probationary appointment following a promotion shall be compensated as though they had remained in their permanent positions continuously.

C. COMPENSATION ADJUSTMENT UPON DEMOTION.

1. The following definitions shall be applicable to this paragraph:

a. "Demotion" means the movement of a regular employee from the position in which the employee last held a permanent appointment to a vacant civil service position:

   1) which is assigned to a class with a lower pay range in the same salary schedule; or

   2) which is assigned to a class with a lower maximum rate of compensation in a different salary schedule and the dollar difference between the two maximum rates is more than the dollar difference between the minimum and second step of the former pay range.

b. "Demotion due to a reorganization" means a demotion of an employee as a result of a reorganization action.

c. "Demotion to avoid layoff" means a demotion accepted by an employee to avoid being laid off.

d. "Disciplinary demotion" means a demotion action taken by the appointing authority for disciplinary reasons.

e. "Involuntary demotion" means a demotion action taken by the appointing authority due to the employee's inability to perform the duties and responsibilities of the employee's position, or due to the employee's failure to meet qualification requirements for the position.

f. "Non-service connected disability demotion" means the movement of an employee to a vacant civil service position assigned to a class with a lower pay range in the salary schedule, due to a disability sustained by the employee other than while performing the duties and responsibilities of the employee's position.

g. "Service Connected Disability Demotion" means the movement of a regular employee or an employee serving an initial probationary period to a vacant civil service
position assigned to a class with a lower pay range in the salary schedule, due to a
disability sustained by the employee while performing the duties and responsibilities of the
employee's position.

h. "Voluntary demotion" means a demotion requested by an employee and
   granted by the appointing authority.

2. Disciplinary or Involuntary Demotion.
   a. A regular employee who is involuntarily demoted or who is demoted for
disciplinary reasons shall be compensated at the corresponding step in the lower salary
   range or any lower step in the lower salary range.
   b. Upon release from a disciplinary demotion given on a temporary basis, a
   regular employee shall be compensated as though the employee had remained in the
   former position continuously.

3. Demotion to Avoid Layoff; Demotion due to Reorganization; Service
   Connected Disability Demotion.
   An employee who accepts a demotion to avoid layoff; or is demoted due to a
   reorganization; or who receives a service connected disability demotion, shall retain the
   employee's basic rate of pay; provided:
   a. If the employee's basic rate of pay falls between two steps in the lower pay
   range, the employee shall be compensated at the lower step in the lower pay range whose
   rate is immediately below the employee's basic rate of pay and shall be entitled to a
   temporary differential.
   b. If the employee's basic rate of pay falls above the maximum step in the
   lower pay range, the employee shall be compensated at the maximum step and shall be
   entitled to a temporary differential.

   An employee who receives a non-service connected disability demotion shall be
   compensated as provided below:
   a. A regular employee who has fifteen or more years of continuous service in
   the civil service of the employee's governmental jurisdiction shall retain the employee's
   basic rate of pay; provided that:
1) If the employee's basic rate of pay falls between two steps in the lower pay range, the employee shall be compensated at the lower step in the lower pay range whose rate of pay is immediately below the employee's basic rate of pay and shall be entitled to a temporary differential.

2) If the employee's basic rate of pay falls above the maximum step in the lower pay range, the employee shall be compensated at the maximum step and shall be entitled to a temporary differential.

b. A regular employee with at least five years but less than fifteen years of continuous service in the civil service of the employee's governmental jurisdiction shall retain the employee's basic rate of pay for a period beyond the effective date of the demotion as follows:

<table>
<thead>
<tr>
<th>Years of Service</th>
<th>Months of Compensation Retention</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>12</td>
</tr>
<tr>
<td>6</td>
<td>14</td>
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<td>7</td>
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<td>13</td>
<td>28</td>
</tr>
<tr>
<td>14</td>
<td>30</td>
</tr>
</tbody>
</table>

1) If the employee's basic rate of pay falls between two steps in the lower pay range, the employee shall be compensated at the lower step in the lower pay range whose rate of pay is immediately below the employee's basic rate of pay and shall be entitled to a temporary differential.

2) If the employee's basic rate of pay falls above the maximum step in the lower pay range, the employee shall be compensated at the maximum step and shall be entitled to a temporary differential.

c. The basic rate of pay of a regular employee with less than five years of continuous service in the civil service of the employee's governmental jurisdiction, or a
regular employee whose retention period as prescribed in clause b., has expired, shall be
adjusted in the manner of adjustments for service connected disability demotion, provided
the employee shall not be entitled to temporary differential.

5. Voluntary Demotion.
   a. A regular employee who accepts a voluntary demotion shall be
      compensated at the highest step in the lower pay range which rate is not greater than
      ninety-five percent of the employee's basic rate of pay. If there is no step in the lower pay
      range which rate is not greater than ninety-five percent of the employee's basic rate of pay,
      the employee shall be compensated at the minimum step.
   b. Upon return to the position in which an employee last held a permanent
      appointment, a regular employee who is demoted on a temporary appointment basis or
      who is released from a new probationary appointment following a demotion shall be
      compensated as though the employee had remained in the former position continuously.

D. COMPENSATION ADJUSTMENT UPON TRANSFER.
   1. "Transfer" means the movement of a regular employee from the position in
      which the employee last held a permanent appointment to a vacant civil service position
      which is assigned to a class:
         a. with the same maximum rate of compensation; or
         b. In a different salary schedule with a higher maximum rate of compensation,
            and the dollar difference between the two maximum rates is less than or equal to the dollar
            difference between the minimum and second step of the former pay range; or
         c. In a different salary schedule with a lower maximum rate of compensation
            and the dollar difference between the two maximum rates is less than or equal to the dollar
            difference between the minimum and second step of the former pay range.
   2. A regular employee who is transferred shall continue at the same basic rate
      of pay.

E. COMPENSATION ADJUSTMENT UPON REALLOCATION.
   1. The following definitions shall be applicable to this paragraph:
1. "Reallocation Downward" means the reallocation of a position to a class
2. assigned to lower pay range in the salary schedule.
3. "Reallocation Upward" means the reallocation of a position to a class
4. assigned to a higher pay range in the salary schedule.
5. Compensation following reallocation upwards shall be adjusted in the
6. manner as adjustments for promotion.
7. Compensation adjustment for a reallocation downwards shall be in the
8. manner prescribed in paragraph C.3. However, when downward reallocations are due to
9. disciplinary, involuntary, or voluntary reasons, the employee’s basic rate of pay shall be
10. adjusted in the manner as adjustments for disciplinary, involuntary, or voluntary
11. demotions, as applicable.
12. Compensation following reallocation of a position in a class to the same pay
13. range shall be adjusted in the manner of adjustments for transfer.
14. Upon return to the original classification of the employee’s position after a
15. temporary reallocation upward, the employee shall be compensated at the rate the
16. employee would have received were it not for the temporary reallocation.

F. COMPENSATION ADJUSTMENT UPON REPRICING.
1. The basic rate of pay of an employee whose position is in a class which is
2. repriced to a higher pay range shall be adjusted in the manner as adjustments for
3. promotion.
4. The basic rate of pay of an employee whose position is in a class which is
5. repriced to a lower pay range shall be adjusted in the manner as adjustments are
6. prescribed in paragraph C.3.

G. COMPENSATION OF EMPLOYEES SELECTED FROM AN OPEN
1. COMPETITIVE LIST RESULTING FROM A RECRUITMENT ABOVE THE MINIMUM.
2. Notwithstanding any paragraph in this Article, employees selected through an open
3. competitive recruitment which permits hiring above the first step of the pay range may be
4. compensated at a rate determined by the Employer upon their appointment from the open
5. competitive list; provided that the amounts the employees will receive are not less than the
amounts the employees would have received if the employees were compensated in accordance with the applicable paragraph.

H. COMPENSATION FOR TEMPORARY ASSIGNMENT PERFORMED.

Compensation for temporary assignment shall be as follows:

1. Except as provided in subparagraph 6, the basic rate of an employee who performs temporary assignment involving a position assigned to a class in a higher pay range in the salary schedule shall be adjusted in the manner as adjustments for promotion except that any temporary differential which the employee was receiving shall not be added to the basic rate of pay but shall be retained by the employee while performing the temporary assignment. Any employee who performs temporary assignment involving a position for which an adjusted entry rate has been prescribed by the Employer, and whose rate of pay, when adjusted hereunder is below the adjusted entry rate, shall be entitled to an additional amount of compensation which shall be the difference between the employee's adjusted rate of pay and the adjusted entry rate prescribed by the Employer. This difference, to be referred to as a temporary assignment differential, (TAD) shall not be considered as part of the employee's base pay. The TAD shall end upon completion of the temporary assignment.

2. An employee who performs a temporary assignment involving a position assigned to the same or lower pay range in the salary schedule shall continue to be compensated at the employee's basic rate of pay prior to the temporary assignment. It is provided that any employee who performs temporary assignment involving a position for which an adjusted entry rate has been prescribed by the Employer, and whose basic rate of pay is below the adjusted entry rate, shall be entitled to an additional amount of compensation which shall be the difference between the employee's basic rate of pay and the adjusted entry rate prescribed by the Employer. This difference, to be referred to as a temporary assignment differential, (TAD) shall not be considered as part of the employee's base pay. The TAD shall end upon completion of the temporary assignment.

3. Whenever a temporary assignment involves the assumption of duties and responsibilities of an exempt position not assigned to a pay range (regardless of whether the exempt position is within the bargaining unit or outside of the bargaining unit),
employees will be compensated at the prescribed statutory rate of pay if such rate is higher than the employee's existing basic rate of pay. If there is no prescribed statutory rate, the appointing authority may exercise discretion in setting compensation for temporary assignment; provided, the compensation shall be no less than the employee's basic rate of pay.

4. Whenever a temporary assignment is made for an exempt employee whose position is not assigned to the salary schedule, and whose temporary assignment involves the assumption of the significant duties and responsibilities of a position assigned to a salary schedule outside of the bargaining unit (other than the Excluded Managerial Compensation Plan), the following will be used to determine whether the assignment is to a higher pay range:

The maximum rate for the class to which temporary assignment is made is higher than the employee's existing rate; provided, the dollar difference between the two is more than 5% of the employee's existing basic rate of pay.

If the temporary assignment is to a position in a higher pay range, as determined above, the employee will be compensated at that step in the higher pay range which exceeds the employee's existing rate by 5%. If there is no step in the higher pay range which rate exceeds the employee's basic rate of pay by at least 5%, the employee shall be compensated at the maximum step in the higher pay range or at the employee's basic rate of compensation, whichever is greater.

If the temporary assignment does not involve a higher pay range as determined above, the employee shall be compensated pursuant to subparagraph 2.

TAD shall be provided in the same manner as provided in subparagraphs 1 and 2.

5. Whenever a temporary assignment involves the assumption of the duties and responsibilities of a position assigned to a salary schedule outside of the bargaining unit (other than the Excluded Managerial Compensation Plan), the following will be used to determine whether the assignment is to a higher pay range:

The position is in a class for which the maximum rate for the class is higher than the maximum rate for the employee's class; provided, the dollar difference between the two maximum rates is more than the dollar difference between the minimum and second step of the employee's pay range.
If the temporary assignment involves a position in a higher pay range, as
determined above, then the employee will be compensated at that step in the higher pay
range which exceeds the employee's existing rate by 5%. If there is no step in the higher
pay range which rate exceeds the employee's basic rate of pay by at least 5%, the
employee shall be compensated at the maximum step in the higher pay range or at the
employee's basic rate of compensation, whichever is greater.

If the temporary assignment does not involve a higher pay range as determined
above, the employee shall be compensated pursuant to subparagraph 2.

TAD shall be provided in the same manner as provided in subparagraphs 1 and 2.

6. Compensation adjustments shall not be provided for the following:
   a. An employee whose position includes assuming the duties and
      responsibilities of the employee's superior in the absence of the superior and which
      assignment is recognized in the employee's position classification and pricing.
   b. An employee who performs duties in accordance with the terms of a formal
      training agreement entered into with the employee's department head and approved by
      the director.

I. TEMPORARY DIFFERENTIAL PAY AND COMPRESSION DIFFERENTIAL
   PAY.

   1. An employee shall be eligible for temporary differential pay as may be
      provided in this Article. The amount of TD pay shall be the difference between the
      employee's basic rate of pay prior to the action taken and the employee's new basic rate of
      pay.

   2. The TD pay shall not be considered part of an employee's basic rate of pay.

   3. The TD pay shall be reduced by an amount equal to any adjustment in the
      employee's basic rate of pay due to promotion, upward reallocation, or repricing upward
      actions. When the adjustment due to these actions is greater than or equal to the TD pay,
      the TD pay shall be terminated.

   4. When an employee with TD pay is demoted or transferred, or whose
      position is reallocated to a class in the same or lower pay range, the TD shall be continued
      in the new pay range.
5. When an employee with a compression differential (CD) is demoted, or transferred, or whose position is reallocated to a class in the same or lower pay range, the CD shall be continued in the new pay range.

6. When a regular employee is released from a probational or temporary appointment and returns to the position to which the employee last held a permanent appointment, the CD shall be restored as though the employee had remained in the former position continuously.

J. COMPENSATION ADJUSTMENT FOR NON-REGULAR EMPLOYEES

1. Movements of non-regular employees to other civil service positions shall not be classified as promotions, transfers, or demotions, but shall be considered as new appointments and compensation adjustments upon these new appointments shall be as prescribed in this paragraph.

2. A non-regular employee who is moved from the position in which the employee was serving a probational appointment to another position assigned to the same salary range shall continue at the same basic rate of pay.

3. A non-regular employee who is moved from the position in which the employee was serving a temporary appointment to another position in the same pay range and pay schedule and in the same department shall continue at the same basic rate of pay.

4. Non-regular employees serving temporary appointments who are converted to initial probational or permanent appointments in the same positions that the employees were serving temporary appointments will continue to receive the same basic rate of pay they were receiving while serving temporary appointment.

5. The compensation of a non-regular employee after a personnel transaction other than as described in subparagraphs 2, 3, and 4 shall be at the initial step of the salary range.

K. COMPENSATION ADJUSTMENT FOR EXEMPT EMPLOYEES ACCEPTING CIVIL SERVICE APPOINTMENTS, OR WHOSE EXEMPT POSITIONS ARE CONVERTED TO CIVIL SERVICE POSITIONS.
1. Exempt employees who move to civil service positions or who are granted civil service status pursuant to legislation shall not have the transaction considered as promotions, transfers, or demotions. Such transactions shall be considered new appointments and pay adjustments upon these new appointments shall be as prescribed in this paragraph.

2. An exempt employee who is granted civil service status pursuant to legislation shall retain the basic rate of pay the employee was receiving immediately prior to being granted civil service status; provided:
   a. If the employee's rate of pay falls between two steps in the salary schedule, the employee shall be compensated at the lower step.
   b. If the employee's rate of pay falls below the minimum step of the salary schedule, the employee shall be compensated at the minimum step.
   c. If the employee's rate of pay falls above the maximum step of the salary schedule, the employee shall be compensated at the maximum step.

3. Exempt employees selected from an open competitive list to civil service positions other than as described in subparagraph 1, shall be compensated at the initial step of the salary range.

L. COMPENSATION ADJUSTMENT FOR EMPLOYEES MOVING TO EXEMPT APPOINTMENTS.

Movements of employees to exempt positions shall not be classified as promotions, transfers, or demotions, but shall be considered as new appointments and compensation adjustments upon these new appointments shall be as follows:

1. The employee shall be compensated at the prescribed statutory rate for the exempt position; or,

2. If there is no prescribed statutory rate, then the rate determined by the appointing authority.

M. COMPENSATION ADJUSTMENTS FOR REGULAR EMPLOYEES SERVING LIMITED TERM APPOINTMENTS, TEMPORARY APPOINTMENTS, OR NEW PROBATIONAL APPOINTMENTS, IN ANOTHER POSITION.
1. Regular employees serving limited term appointments, temporary appointments, or new probational appointments, who are promoted, transferred, or demoted, or whose permanent position is reallocated or repriced shall have their compensation adjusted from their permanent positions pursuant to paragraphs B, C, D, E, or F, as applicable, except as follows:

   a. An employee who is moved from the position in which the employee was serving a probational appointment to another position assigned to the same salary range shall continue at the same basic rate of pay.

   b. An employee who is moved from the position in which the employee was serving a temporary appointment to another position in the same class and in the same department shall continue at the same basic rate of pay.

2. Regular employees serving limited term or other temporary appointments who are converted to probational or permanent appointments in the same positions that they were serving on a limited term or other temporary appointment basis shall continue to receive the same basic rate of pay they were receiving while serving the limited term or temporary appointment.

N. COMPENSATION ADJUSTMENTS FOLLOWING AN INTERGOVERNMENTAL MOVEMENT MADE PURSUANT TO LAW

When an intergovernmental movement has been made pursuant to law, the compensation of the regular employee involved shall be adjusted as follows:

1. If the result of the intergovernmental movement is that the employee moves to a position assigned to a class with a higher pay range in the salary schedule than the previous pay range, the employee's compensation shall be adjusted in the manner as adjustments for promotion.

2. If the result of the intergovernmental movement is that the employee moves to a position assigned to a class with the same pay range in the salary schedule as the previous pay range, the employee's compensation shall be adjusted in the manner of adjustments for transfer.

3. If the result of the intergovernmental movement is that the employee moves to a position assigned to a class with a lower pay range in the salary schedule than the
previous pay range, the employee's compensation shall be adjusted in the manner as
adjustments for voluntary demotion.

O. Step Movement
1. The cost of step movements under this paragraph shall be included in the
costs of collective bargaining and submitted to the respective legislative bodies for
approval at the appropriate time.
2. For purposes of this paragraph, "continuous creditable service" shall mean
service within bargaining unit 02 in all Employer jurisdiction without any break in service
provided that the following shall not be considered as time creditable:
   (a) absences without pay (other than authorized leave of absence without pay
for the purpose of sabbatical, recuperating from an injury for which workers' compensation
weekly payments are made or military leave where the President of the United States or
the governor of the State has called the Employee to active duty);
b) absence due to suspension; or
c) any period of substandard performance.
3. Step Movement
   a. Employees who have at least ten (10) years but less than fifteen (15)
years of continuous creditable service shall move to Step L1 on the first day of the
pay period immediately following the completion of ten (10) years of continuous
creditable service.
   b. Employees who have at least fifteen (15) years but less than twenty
(20) years of continuous creditable service shall move to Step L2 on the first day of
the pay period immediately following the completion of fifteen (15) years of
continuous creditable service.
   c. Employees who have at least twenty (20) years of continuous
creditable service shall move to Step L3 on the first day of the pay period
immediately following the completion of twenty (20) years of continuous
creditable service.
P. OTHER COMPENSATION ADJUSTMENT.

Compensation adjustments not expressly provided for by this Agreement but
necessitated by authorized personnel movements or situations shall be made by the chief
executive personnel or human resources executive, as applicable; provided that
consultation shall take place with the Union prior to effecting any adjustments under this
paragraph.
ARTICLE 40 – KALAUPAPA TRAIL

A. Employees of Kalaupapa Settlement whose permanent residence is on the
topside of Molokai and who are provided quarters in Kalaupapa as a matter of
convenience will be granted one (1) of the following choices:

1. Three (3) round trips by air to topside (Molokai Airport) per month, or

2. One (1) hour travel pay for traveling down the trail once a week and one (1)
hour travel pay for traveling up the trail once a week. Travel time will not be included as
hours worked for the determination of total hours worked for overtime determination.

B. Employees covered under Paragraph A must declare their monthly choice to
the Employer before the start of each month. In any month, if an Employee elects to travel
by trail the Employee will not be able to enjoy the benefits of travel by air until the next
month, or vice versa.

C. Employees of Kalaupapa Settlement whose permanent residence is in
Kalaupapa will be granted one (1) round trip by air to topside (Molokai Airport) per month.
In lieu of three (3) monthly round trips topside, Employees who are permanent
residents of the Settlement shall be granted one (1) intrastate round trip by air each
quarter of the calendar year. Accumulated intrastate round trips must be taken
within the calendar year in which the trips were earned.

D. Whenever Employees are assigned to perform maintenance work of the
Kalaupapa Trail, time spent in such work shall be deemed to be time worked and in
addition will receive one (1) hour or travel pay.

E. Travel pay will be computed at the Employee’s straight time pay.
The existing Article 51 is deleted in its entirety and replaced with the following:

ARTICLE 51 – SALARIES

A. The salary schedule in effect on June 30, 2005 shall be designated as Exhibit A.

B. Subject to the approval of the respective legislative bodies and effective July 1, 2005, the salary schedule designated as Exhibit A shall be amended as follows and designated as Exhibit B:

   1. The L1 pay rates shall be two percent (2%) more than the Step A pay rates; and
   2. The L2 pay rates shall be two percent (2%) more than the L1 pay rates; and
   3. A new longevity step L3 shall be added and the L3 pay rates shall be two percent (2%) more than the L2 pay rates.

C. Subject to the approval of the respective legislative bodies and effective July 1, 2005, Employees who are eligible for step movements from July 1, 2005 through June 30, 2006 in accordance with Paragraph O of Article 14, Compensation Adjustments, shall receive their step movements on the first day of the pay period immediately following the completion of the required years of continuous creditable service. Notwithstanding any provision of this Agreement to the contrary, including Paragraph O of Article 14, Compensation Adjustments, Employees who have completed at least twenty (20) years of continuous creditable service in the bargaining unit as of June 30, 2005 shall be placed on Step L3 on July 1, 2005.

D. Subject to the approval of the respective legislative bodies and effective October 1, 2005:

   1. The salary schedule designated as Exhibit B shall be amended to reflect a three and one-half percent (3.5%) increase and such amended schedule shall be designated as Exhibit C.
2. Following D.1. above, Employees shall be assigned to the corresponding pay range and step of Exhibit C.

3. Employees not administratively assigned to the salary schedule shall receive a three and one-half percent (3.5%) pay increase.

4. It is provided that any Employee who is receiving a compression differential shall be entitled to retain such differential, subject to the conditions in the Model Conversion Plan.

E. Subject to the approval of the respective legislative bodies and effective July 1, 2006, Employees who are eligible for step movements from July 1, 2006 through June 30, 2007 in accordance with Paragraph O of Article 14, Compensation Adjustments, shall receive their step movements on the first day of the pay period immediately following completion of the required years of continuous creditable service.

F. Subject to the approval of the respective legislative bodies and effective October 1, 2006:

1. The salary schedule designated as Exhibit C shall be amended to reflect a three and one-half percent (3.5%) increase and such amended schedule shall be designated as Exhibit D.

2. Following F.1. above, Employees shall be assigned to the corresponding pay range and step of Exhibit D.

3. Employees not administratively assigned to the salary schedule shall receive a three and one-half percent (3.5%) pay increase.

4. It is provided that any Employee who is receiving a compression differential shall be entitled to retain such differential subject to the conditions in the Model Conversion Plan.
ARTICLE 52 – HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Delete this section in its entirety and replace with the following:

"A. Subject to the applicable provisions of Chapters 87A and 89, Hawaii Revised Statutes, the Employer shall pay monthly contributions which include the cost of the Hawaii Employer-Union Health Benefits Trust Fund (Trust Fund) administrative fees to the Trust Fund effective July 1, 2005, not to exceed the monthly contribution amounts as specified below:

1. For each Employee-Beneficiary with no dependent-beneficiaries enrolled in the following Trust Fund health benefit plans:

<table>
<thead>
<tr>
<th>BENEFIT PLAN</th>
<th>MONTHLY CONTRIBUTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Medical (PPO or HMO) (drug &amp; chiro)</td>
<td>$164.06</td>
</tr>
<tr>
<td>b. Dental</td>
<td>$16.58</td>
</tr>
<tr>
<td>c. Vision</td>
<td>$3.48</td>
</tr>
<tr>
<td>d. Dual coverage (medical, drug, chiro):</td>
<td></td>
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<tr>
<td>(1) HMSA</td>
<td>$103.98</td>
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<tr>
<td>(2) Royal State</td>
<td>$28.12</td>
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<tr>
<td>e. Dual coverage dental</td>
<td>$9.90</td>
</tr>
<tr>
<td>f. Dual coverage vision</td>
<td>$1.50</td>
</tr>
<tr>
<td>g. Stand-alone Drug Plan</td>
<td>$34.10</td>
</tr>
</tbody>
</table>

The Employer shall pay the same monthly contribution for each member enrolled in a self only medical plan (PPO or HMO), regardless of which plan is chosen.
2. For each Employee-Beneficiary with one or more dependent-beneficiaries enrolled in the following Trust Fund health benefit plans:

<table>
<thead>
<tr>
<th>BENEFIT PLAN</th>
<th>MONTHLY CONTRIBUTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Medical (PPO or HMO) (drug &amp; chiro)</td>
<td>$487.38</td>
</tr>
<tr>
<td>b. Dental</td>
<td>$56.04</td>
</tr>
<tr>
<td>c. Vision</td>
<td>$7.40</td>
</tr>
<tr>
<td>d. Dual coverage (medical, drug, chiro)</td>
<td></td>
</tr>
<tr>
<td>(1) HMSA</td>
<td>$309.90</td>
</tr>
<tr>
<td>(2) Royal State</td>
<td>$79.96</td>
</tr>
<tr>
<td>e. Dual coverage dental</td>
<td>$27.98</td>
</tr>
<tr>
<td>f. Dual coverage vision</td>
<td>$3.20</td>
</tr>
<tr>
<td>g. Stand-alone Drug Plan</td>
<td>$102.94</td>
</tr>
</tbody>
</table>

The Employer shall pay the same monthly contribution for each member enrolled in a family medical plan (PPO or HMO), regardless of which plan is chosen.

3. For each Employee-Beneficiary enrolled in the Trust Fund group life insurance plan, the Employer shall pay $4.16 per month which reflects one hundred percent (100%) of the premium and administrative fee.

B. Effective July 1, 2006, for plan year 2006 – 2007, with the exception of 2.b., the Employer shall pay an amount equivalent to sixty percent (60%) of the final premium rates established by the Trust Fund for the respective health benefit plan plus one hundred percent (100%) of all administrative fees. Such monthly contribution shall not exceed the amounts specified in subparagraphs 1 and 2.a. below.

“Health Benefit Plan” shall mean the medical PPO, dental, vision, dual coverage medical, dual coverage dental, dual coverage vision and stand-alone prescription drug plans.
The amounts paid by the Employer in subparagraphs 2.b. and 3. below shall be based on the plan year 2006 – 2007 final monthly premium rates established by the Trust Fund.

1. For each Employee-Beneficiary with no dependent-beneficiaries enrolled in the following Trust Fund health plans, the amount shall not exceed:

<table>
<thead>
<tr>
<th>BENEFIT PLANS</th>
<th>MAXIMUM MONTHLY CONTRIBUTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Medical (PPO or HMO) (drug &amp; chiro)</td>
<td>$177.96</td>
</tr>
<tr>
<td>b. Dental</td>
<td>$17.52</td>
</tr>
<tr>
<td>c. Vision</td>
<td>$3.64</td>
</tr>
<tr>
<td>d. Dual coverage (medical, drug, chiro)</td>
<td></td>
</tr>
<tr>
<td>(1) HMSA</td>
<td>$112.68</td>
</tr>
<tr>
<td>(2) Royal State</td>
<td>$27.94</td>
</tr>
<tr>
<td>e. Dual coverage dental</td>
<td>$10.44</td>
</tr>
<tr>
<td>f. Dual coverage vision</td>
<td>$1.58</td>
</tr>
<tr>
<td>g. Stand-alone Drug Plan</td>
<td>$38.00</td>
</tr>
</tbody>
</table>

The Employer shall pay the same monthly contribution for each member enrolled in a self only medical plan (PPO or HMO), regardless of which plan is chosen.

2.a. For each Employee-Beneficiary with one or more dependent-beneficiaries enrolled in the following Trust Fund health benefit plans, the amount shall not exceed:

<table>
<thead>
<tr>
<th>BENEFIT PLANS</th>
<th>MAXIMUM MONTHLY CONTRIBUTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Medical (PPO or HMO) (drug &amp; chiro)</td>
<td>$529.88</td>
</tr>
<tr>
<td>b. Vision</td>
<td>$7.74</td>
</tr>
<tr>
<td>c. Dual coverage (medical, drug, chiro)</td>
<td></td>
</tr>
<tr>
<td>(1) HMSA</td>
<td>$336.94</td>
</tr>
<tr>
<td>(2) Royal State</td>
<td>$79.80</td>
</tr>
</tbody>
</table>
d. Dual coverage dental $29.60

e. Dual coverage vision $3.34

f. Stand-alone Drug Plan $115.12

The Employer shall pay the same monthly contribution for each member enrolled in a family medical plan (PPO or HMO), regardless of which plan is chosen.

2.b. For each Employee-Beneficiary with one or more dependent-beneficiaries enrolled in the Trust Fund’s Dental Plan, the Employer shall pay an amount equivalent to the Trust Fund’s second year Dental Plan final premium rate adjusted as described in Exhibit A, but no more than $59.34 per month.

3. For each Employee-Beneficiary enrolled in the Trust Fund group life insurance plan, the Employer shall pay no more than $4.16 per month which reflects one hundred percent (100%) of the premium and administrative fee.

C. Should legislation be enacted authorizing establishment of Voluntary Employees’ Beneficiary Association Trusts (VEBA), and the Union establishes such a trust, the parties agree to negotiate the Employer’s contribution amounts for the VEBA plan unless the Employer’s contribution amounts are set by law.

D. Whenever the Employer’s monthly contribution to the Hawaii Employer-Union Health Benefits Trust Fund is less than one hundred percent (100%) of the monthly premium amount, such monthly contribution shall be rounded to the nearest cent as provided below:

1. When rounding to the nearest cent results in an even amount, such even amount shall be the Employer’s monthly contribution. For example:

   (a) $11.397 = $11.40 = $11.40 (Employer’s monthly contribution)

   (b) $11.382 = $11.38 = $11.38 (Employer’s monthly contribution)
2. When rounding to the nearest cent results in an odd amount, round to the lower even cent, and such even amount shall be the Employer's monthly contribution. For example:

(a) $11.392 = $11.39 = $11.38 (Employer's monthly contribution)
(b) $11.386 = $11.39 = $11.38 (Employer's monthly contribution)
EXHIBIT A

CALCULATION OF EMPLOYERS' SHARE
OF FAMILY DENTAL COST FOR FY 06-07.

1. Determine the Family Dental Rate without the Administrative Fee. Determine the Single Dental Rate without the Administrative Fee.

2. Multiply the Single Dental Rate by two and subtract from the Family Dental Rate. This results in the attributable Children Dental Cost.

   The Employer will pay 100% of the attributable Children Dental Cost.

3. The Employer will pay 60% of the product of two times the Single Dental Rate (2 X Single Dental rate) plus 100% of the administrative fee, rounded to the lower even cent.

4. In summary, the Employer will pay (rounded as provided in Article 52, paragraph D):
   - 100% of the attributable Children Dental Cost
   - 60% of the product of two times the Single Dental Rate (2 X Single Dental rate), rounded to the lower even cent
   - 100% of Administrative Fee
ARTICLE 54 - DURATION

This Agreement shall become effective as of July 1, 2005 and shall remain in effect to and including June 30, 2007. It shall be renewed thereafter with respect to the subject matter covered, in accordance with statutes unless either party gives written notice to the other party of its desire to amend, modify or terminate the Agreement, and such written notice is given no later than May 15, 2006. After such written notice is given, the parties shall exchange their specific written proposals, if any, no later than June 15, 2006. Negotiations for a new Agreement shall commence on a mutually agreeable date following the exchange of written proposals, as applicable.