SUPPLEMENTAL AGREEMENT

Early Payout Of Accumulated Vacation Leave
For Deferral To The
State Of Hawaii Deferred Compensation Plan
Bargaining Unit 07

This Supplemental Agreement on the Early Payout of Accumulated Vacation Leave for Deferral to the State of Hawaii Deferred Compensation Plan is entered into on this day 2nd of November, 2005, by and between the University of Hawaii ("UNIVERSITY"), State of Hawaii, and the University of Hawaii Professional Assembly ("UNION") on behalf of employees in Bargaining Unit 07.

WHEREAS, the Internal Revenue Service ("IRS") final Treasury Regulations, effective July 11, 2003, prohibit the deferral of vacation pay to the State’s Deferred Compensation Plan, also known as the Island Savings Plan ("PLAN"), under section 457 of the Internal Revenue Code, if that vacation pay is paid and received after an employee has retired or separated from State service;

WHEREAS, this IRS interpretation adversely affects Faculty Members of the University and PLAN participants because pursuant to Article VI of the Unit 07 Collective Bargaining Agreement, the UNIVERSITY pays an employee’s accumulated vacation allowance after the employee has retired; and

WHEREAS, the UNIVERSITY desires to permit that part of a Faculty Member's accumulated vacation leave pay may be paid to the Faculty Member prior to retirement in order to allow the Faculty Member to defer the accumulated vacation leave pay to the PLAN prior to retirement;

NOW, THEREFORE, the UNION and the UNIVERSITY hereby agree as follows:

1. Faculty Members may voluntarily elect to receive an early partial payout of their accumulated vacation leave credits prior to their date of retirement from service for the sole purpose of deferring such leave payment or a portion of the leave payment to the PLAN in accordance with the terms of this Supplemental Agreement.

   a. Early payouts of accumulated vacation leave credits for cash only shall not be allowed.

   b. Faculty Members must have more than ten (10) days of accumulated vacation leave as of the month prior to submission of their request for early partial payout of accumulated vacation leave credits.

2. The UNIVERSITY shall use its best efforts to meet the time frames established by the UNIVERSITY to provide early partial payout of a Faculty Member’s accumulated vacation leave credits for deferral to the PLAN. However, if the UNIVERSITY determines that the audit of a Faculty Member’s accumulated vacation leave record cannot be completed prior to the payroll deadline date established by the UNIVERSITY, the Faculty Member shall only receive payment of the Faculty Member’s accumulated vacation leave credits after the Faculty Member retires from service.
3. Faculty Members who wish to defer part of their accumulated vacation leave pay to the PLAN prior to retiring shall:

   a. Comply with the process and time frames established by the UNIVERSITY for an early partial payout of accumulated vacation leave credits;

   b. Complete and sign the form specified by the UNIVERSITY requesting the early partial payout and deferral to the PLAN; and

   c. Acknowledge and agree to the terms specified in the form.

4. The partial payout shall be based on each Faculty Member’s accumulated vacation leave balance as of the last day of the month preceding the month in which the form is submitted in accordance with time frames established by the UNIVERSITY, and shall exclude at least ten (10) days of accumulated vacation leave credits to provide the Faculty Member with a reserve of vacation days in case the days are needed before the Faculty Member retires.

   If the vacation reserve is not sufficient to cover the requested time off by the Faculty Member prior to retirement from service, the Faculty Member shall be placed on leave without pay.

5. The partial payout shall be subject to the requirements of federal and State laws, including the maximum contribution limits.

   a. A Faculty Member may defer up to the maximum contribution limits to the PLAN; and

   b. Any remaining amount of the partial payout shall be paid to the Faculty Member on the same pay date that the contribution is made to the PLAN.

6. The accumulated vacation leave credits in the reserve, if any, and any additional accumulated vacation leave credits earned prior to retirement shall be paid after the Faculty Member has retired from service in accordance with the provisions of the Collective Bargaining Agreement (CBA) and/or State law.

7. A Faculty Member’s election to receive a partial payout of accumulated vacation leave credits for deferral to the PLAN shall be final. If, for whatever reason, the Faculty Member does not retire from service:

   a. The partial payout shall not be refunded to the Faculty Member; and

   b. The accumulated vacation leave credits used for the partial payout shall not be restored.

8. This Supplemental Agreement shall be effective from July 1, 2005 to, and including, June 30, 2009, unless either of the parties terminates this Agreement by giving thirty (30) days notice in writing to the other party.
IN WITNESS WHEREOF, the parties hereto, by their authorized representative, have executed this Supplemental Agreement on the date specified above.

STATE OF HAWAII
UNIVERSITY OF HAWAII

[Signatures]
Chairperson, Board of Regents

[Signatures]
Vice Chairperson, Board of Regents

[Signatures]
Interim President

Chief Negotiator, State of Hawaii

UNIVERSITY OF HAWAII PROFESSIONAL ASSEMBLY

[Signatures]
Its Executive Director

[Signatures]
Its President

Mary T. Tsuboya