SUPREME COURT OF HAWAI'I

Chun v. Board of Trustees of the Employees' Retirement System of the State of Hawai'i

106 Hawai'i 416, 106 P.3d 339 (2005) · No. No. 23892 · Decided January 31, 2005

SUMMARY

The Supreme Court of Hawai'i reviewed orders concerning attorneys' fees, postjudgment interest, and a stay of enforcement in a class action involving recalculated public employee retirement benefits. The court held that the State was immune from postjudgment interest under HRS § 478-3 in an HRS § 661-1 action, upheld the 25 percent common-fund attorneys' fee award and related exclusions, and affirmed the stay order while reversing the postjudgment-interest award.

CASE DETAILS

COURT	Supreme Court of Hawai'i
WRITING FOR THE COURT	Levinson, J.; Moon, C.J.; Nakayama, J.; Acoba, J.; Masuoka, Circuit Judge, in place of Duffy, J., recused
JURISDICTION	Hawaii
DECIDED	January 31, 2005
DOCKET	No. 23892
DISPOSITION	reversed
PROCEDURAL POSTURE	Consolidated appeals and cross-appeals from postjudgment orders of the First Circuit Court concerning attorneys' fees, postjudgment interest, and a stay pending appeal following remand in a class action against the Employees' Retirement System.
STANDARD OF REVIEW	Findings of fact are reviewed for clear error; conclusions of law are reviewed under the right/wrong standard; mixed questions of fact and law are reviewed for clear error; rulings and amounts concerning postjudgment interest and attorneys' fees are reviewed for abuse of discretion.
PRECEDENTIAL VALUE	Published, precedential decision of the Supreme Court of Hawai'i
PARTIES	Michael A.S. Chun, Gladys Farm, Herbert T. Imanaka, Jimmy T. Izu, Samuel Y. Kakazu, Billy G. Southwood, Eishin Tengan, Thomas Y. Yano, Valerie Yamada Southwood, Barbara Jane Luke v. Board of

Trustees of the Employees' Retirement System of the State of Hawai'i, Employees' Retirement System of the State of Hawai'i

TOPICS

attorney fees · administrative law · appellate procedure · prejudgment interest · remedies

PRACTICE AREAS

administrative law · appellate procedure · class actions · attorney fees · sovereign immunity

QUESTIONS PRESENTED

1. Whether sovereign immunity barred an award of postjudgment interest under HRS § 478-3 in an action against the State under HRS § 661-1.
2. Whether postjudgment interest should have been included in the common fund for calculating attorneys' fees.
3. Whether the offset withheld pursuant to the 1996 final order should have been included in the common fund.
4. Whether the circuit court abused its discretion by using a 25 percent common-fund benchmark rather than awarding one-third of the fund as attorneys' fees.
5. Whether the circuit court exceeded the scope of the Supreme Court's remand by failing to award investment income.
6. Whether the teachers were entitled to prejudgment interest under a stipulation between the ERS and the principals and vice principals.
7. Whether the circuit court should have conditioned the stay pending appeal on payment of postjudgment interest.

HOLDINGS

1. The State is immune from awards of HRS § 478-3 postjudgment interest in actions brought under HRS § 661-1 because no statute expressly waives sovereign immunity from such interest.
2. The circuit court properly excluded postjudgment interest from the common fund because the ERS was immune from the interest award.
3. The offset was properly excluded from the common fund because the 1996 final order expressly deducted it from the amounts payable to class members.
4. The circuit court did not abuse its discretion by adopting a 25 percent benchmark and declining to award one-third of the common fund.
5. The circuit court properly declined to award investment income because the Supreme Court's remand was limited to further proceedings concerning the method of calculating attorneys' fees.
6. The teachers were not entitled to prejudgment interest because the stipulation applied only to the ERS and the principals and vice principals and did not extend to the teachers through consolidation.

7. The circuit court properly granted the stay without requiring payment of postjudgment interest because sovereign immunity barred the interest award.

KEY QUOTATIONS

> *"HRS § 478-3 is a statute of general application and there is nothing making it explicitly applicable to the State."* (106 Hawai'i at 466)

> *"Thus, insofar as the State has not expressly and statutorily waived its sovereign immunity from postjudgment interest in suits brought pursuant to HRS § 661-1, we hold that the State is immune from awards of HRS § 478-3 postjudgment interest in HRS § 661-1 actions."* (106 Hawai'i at 466)

> *"It is the duty of the trial court, on remand, to comply strictly with the mandate of the appellate court according to its true intent and meaning, as determined by the directions given by the reviewing court."* (106 Hawai'i at 473)

FACTUAL BACKGROUND

The Retirees were former public-school principals, vice principals, and teachers whose retirement benefits were allegedly undercalculated because the Employees' Retirement System excluded lump-sum earned summer salary from average final compensation. The circuit court ultimately ordered recalculation of benefits and payment of retroactive amounts. On remand concerning attorneys' fees and interest, the circuit court determined that the common fund was $4,161,839, awarded fees using a 25 percent percentage method, and awarded the teachers statutory postjudgment interest.

PROCEDURAL HISTORY

The circuit court entered judgment for retired principals, vice principals, and teachers, directing recalculation of retirement benefits and reserving attorneys' fees. In Chun III, the Hawai'i Supreme Court vacated the initial fee award and remanded for further proceedings concerning the method of calculating fees. On remand, the circuit court awarded attorneys' fees based on a 25 percent common-fund calculation and awarded the teachers 10 percent postjudgment interest under HRS § 478-3; it later stayed enforcement of the interest award without conditioning the stay on payment of interest. The Supreme Court affirmed the fee award and stay, but reversed the postjudgment-interest award.

DISPOSITION

reversed

REMAND INSTRUCTIONS

The portion of the October 18, 2000 order awarding postjudgment interest was reversed; the attorneys' fee portion of that order and the February 14, 2001 stay order were affirmed.

CASES CITED

- Chun v. Employees' Retirement System, 73 Haw. 9, 828 P.2d 260 (1992)

- Chun v. Employees' Retirement System, 87 Hawai'i 152, 952 P.2d 1215 (1998)
- Chun v. Board of Trustees of Employees' Retirement System of State of Hawaii, 92 Hawai'i 432, 992 P.2d 127 (2000)
- Montalvo v. Chang, 64 Haw. 345, 641 P.2d 1321 (1982)
- Taylor-Rice v. State, 105 Hawai'i 104, 94 P.3d 659 (2004)
- Fought & Co. v. Steel Engineering and Erection, Inc., 87 Hawai'i 37, 951 P.2d 487 (1998)
- Littleton v. State, 6 Haw. App. 70, 708 P.2d 829 (1985), aff'd, 68 Haw. 220, 708 P.2d 824 (1985)
- Harada v. Ellis, 60 Haw. 467, 591 P.2d 1060 (1979)
- In re Chow, 3 Haw. App. 577, 656 P.2d 105 (1982)
- Torrisi v. Tucson Electric Power Co., 8 F.3d 1370 (9th Cir. 1993)
- Paul, Johnson, Alston & Hunt v. Graulty, 886 F.2d 268 (9th Cir. 1989)
- State v. Lincoln, 72 Haw. 480, 825 P.2d 64 (1992)
- Williams v. MGM-Pathe Communications Co., 129 F.3d 1026 (9th Cir. 1997)
- Gunter v. Ridgewood Energy Corp., 223 F.3d 190 (3d Cir. 2000)
- Familian Northwest, Inc. v. Central Pacific Boiler & Piping, Ltd., 68 Haw. 368, 714 P.2d 936 (1986)
- TSA International Ltd. v. Shimizu Corp., 92 Hawai'i 243, 990 P.2d 713 (1999)