
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. Section 88-105, Hawaii Revised Statutes, is
2 amended by amending subsection (a) to read as follows:
3 "(a) At least once in each five-year period, commencing
4 with fiscal year 1994-1995, the actuary shall make an actuarial
5 investigation of the experience of the system and shall
6 recommend to the board of trustees the adoption for actuarial
7 valuation of the system of [~~such~~] mortality, service, and other
8 tables as shall be deemed appropriate and necessary, and the
9 actuary shall recommend to the legislature for its adoption the
10 investment yield rate [~~and annual salary increase assumption~~].
11 The actuary shall further recommend the acceptable funded ratio
12 for the system, taking into consideration the guaranties of
13 article XVI, section 2 of the state constitution, section
14 88-107, and section 88-127."

15 SECTION 2. Section 88-122, Hawaii Revised Statutes, is
16 amended as follows:

17 1. By amending subsection (b) to read:



1 "(b) The actuarial valuations made for years after
2 June 30, 1999, shall be based on an eight per cent investment
3 yield rate, [assumed] salary [~~increases of four per cent,~~]
4 increase assumptions adopted by the board on the recommendation
5 of the actuary appointed under section 88-29, and tables,
6 contribution rates, and factors adopted by the board or
7 legislature for actuarial valuations of the system, subject to
8 recommendations made by the actuary appointed under section
9 88-29."

10 2. By amending subsection (e) to read:

11 "(e) Commencing with fiscal year 2005-2006 and each
12 subsequent fiscal year, the employer contributions for normal
13 cost and accrued liability for each of the two groups of
14 employees in subsection (a) shall be based on fifteen and three-
15 fourths per cent of the member's compensation for police
16 officers, firefighters, and corrections officers and thirteen
17 and three-fourths per cent of the member's compensation for all
18 other employees. Commencing with fiscal year 2008-2009 and each
19 subsequent fiscal year, the employer contributions for normal
20 cost and accrued liability for each of the two groups of
21 employees in subsection (a) shall be based on nineteen and
22 seven-tenths per cent of the member's compensation for police



1 officers, firefighters, and corrections officers and fifteen per
2 cent of the member's compensation for all other employees. The
3 contribution rates shall amortize the total unfunded accrued
4 liability of the entire plan over a period not to exceed thirty
5 years.

6 The contribution rates shall be subject to adjustment:

- 7 (1) If the actual period required to amortize the unfunded
8 accrued liability exceeds thirty years;
- 9 (2) If [~~the actual period required to amortize the~~
10 ~~unfunded accrued liability falls below the established~~
11 ~~benchmark funding period of twenty five years;~~] there
12 is no unfunded accrued liability; or
- 13 (3) Based on the actuarial investigation conducted in
14 accordance with section 88-105."

15 SECTION 2. Statutory material to be repealed is bracketed
16 and stricken. New statutory material is underscored.

17 SECTION 3. This Act shall take effect on July 1, 2007.

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Report Title:

ERS; Board of Trustees; Powers and Duties; Accrued Liability;
Employer Contributions

Description:

Authorizes the board of trustees of the employees' retirement system to set the salary scale assumptions based on recommendations from the actuary. Increase the employers' contributions to the employees' retirement system; bans benefit enhancements until the employees' retirement system becomes fully funded; and repeals the provision that allows the employer contribution rate to be reduced if the period required to amortize the unfunded actuarial liability falls below twenty-five years.

