

JAN 26 2009

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# 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. The purpose of this Act is to segregate  
2 teachers from all other employees, for determination of employer  
3 normal cost and accrued liability contributions; and for  
4 determination of amount of annual contributions by the State and  
5 counties. The segregation of teachers will properly reflect  
6 contributions to the employees' retirement system attributable  
7 to teachers as of the June 30, 2008 actuarial valuation report.

8           SECTION 2. Section 88-122, Hawaii Revised Statutes, is  
9 amended to read as follows:

10           "**§88-122 Determination of employer normal cost and accrued**  
11 **liability contributions.** (a) Based on regular interest and  
12 such mortality and other tables as are adopted by the board of  
13 trustees, the actuary engaged by the board, on the basis of  
14 successive annual actuarial valuations, shall determine the  
15 employer's normal cost and accrued liability contributions for  
16 each fiscal year beginning July 1 separately for the following  
17 [~~two~~] three groups of employees:



1 (1) Police officers, firefighters, and corrections  
2 officers; [and]

3 (2) Teachers; and

4 [~~2~~] (3) All other employees.

5 (b) The actuarial valuations made for years after June 30,  
6 1999, shall be based on an eight per cent investment yield rate,  
7 salary increase assumptions adopted by the board on the  
8 recommendation of the actuary described under section 88-30, and  
9 tables, contribution rates, and factors adopted by the board or  
10 legislature for actuarial valuations of the system, subject to  
11 recommendations made by the actuary appointed under section 88-  
12 29.

13 (c) With respect to each of the following two groups of  
14 employees [~~in subsection (a)~~], police officers, firefighters,  
15 and corrections officers; and all other employees, the normal  
16 cost for each year after June 30, 1994, shall be the percentage  
17 of the aggregate annual compensation of employees as of March 31  
18 of the valuation year as determined by the actuary using the  
19 entry age normal cost funding method. On each June 30 the board  
20 shall determine the allocation of the assets of the pension  
21 accumulation fund between the two groups of employees [~~in~~  
22 subsection (a)], police officers, firefighters, and corrections



1 officers; and all other employees; provided that the assets of  
2 the pension accumulation fund as of June 30, 1976, shall be  
3 allocated between the two groups in the same proportion as the  
4 aggregate annual compensation of each group as of March 31,  
5 1976.

6 (d) Commencing with fiscal year 1994-1995 and each  
7 subsequent fiscal year, the actuary shall determine the total  
8 unfunded accrued liability using the entry age normal cost  
9 funding method separately for each of the following two groups  
10 of employees [~~in subsection (a).~~], police officers,  
11 firefighters, and corrections officers; and all other employees.  
12 The accrued liability contribution for [~~each of the two groups~~  
13 ~~of employees]~~ police officers, firefighters, and corrections  
14 officers; and all other employees shall be the annual payment  
15 required to liquidate the unfunded accrued liability over a  
16 period of twenty-nine years beginning July 1, 2000. Any  
17 increase or decrease in the total unfunded accrued liability  
18 resulting from legislative changes in the benefit provisions of  
19 the employees' retirement system shall be liquidated over a  
20 period of time to be determined by the actuary.

21 (e) Commencing with fiscal year 2005-2006 and each  
22 subsequent fiscal year, the employer contributions for normal



1 cost and accrued liability for [~~each of the two groups of~~  
2 ~~employees in subsection (a)] police officers, firefighters, and  
3 corrections officers; and all other employees shall be based on  
4 fifteen and three-fourths per cent of the member's compensation  
5 for police officers, firefighters, and corrections officers and  
6 thirteen and three-fourths per cent of the member's compensation  
7 for all other employees. Commencing with fiscal year 2008-2009  
8 and each subsequent fiscal year, the employer contributions for  
9 normal cost and accrued liability for [~~each of the two groups of~~  
10 ~~employees in subsection (a)] police officers, firefighters, and  
11 corrections officers; and all other employees shall be based on  
12 nineteen and seven-tenths per cent of the member's compensation  
13 for police officers, firefighters, and corrections officers and  
14 fifteen per cent of the member's compensation for all other  
15 employees.~~~~

16 (f) Commencing with fiscal year 2009-2010 and each  
17 subsequent fiscal year, the employer contributions for normal  
18 cost and accrued liability for each of the three groups of  
19 employees in subsection (a) shall be based on the following  
20 percentages:



- 1        (1) Nineteen and seven-tenths per cent of the member's  
2        compensation for police officers, firefighters, and  
3        corrections officers;
- 4        (2) Eighteen and eleven-hundredths per cent of the  
5        member's compensation for teachers; and
- 6        (3) Thirteen and seven-tenths per cent of the member's  
7        compensation for all other employees.

8 The contribution rates shall amortize the total unfunded accrued  
9 liability of the entire plan over a period not to exceed thirty  
10 years. Effective January 2, 2008 until January 2, 2011, there  
11 shall be no benefit enhancements under this chapter for any  
12 group of members, including any reduction of retirement age,  
13 when there is an unfunded accrued liability.

14 The contribution rates shall be subject to adjustment:

- 15        (1) If the actual period required to amortize the unfunded  
16        accrued liability exceeds thirty years;
- 17        (2) If there is no unfunded accrued liability; or
- 18        (3) Based on the actuarial investigation conducted in  
19        accordance with section 88-105."

20 SECTION 3. Section 88-123, Hawaii Revised Statutes, is  
21 amended to read as follows:



1           "§88-123 Amount of annual contributions by the State and  
2 counties. The contribution payable in each year to the pension  
3 accumulation fund by the State and by each county shall be  
4 determined by allocating the sum of the normal cost and the  
5 accrued liability contribution for:

6           (1) Police officers, firefighters, and corrections  
7 officers, the latter after the actual transfer of all  
8 county jails pursuant to executive order of the  
9 governor; [and]

10          (2) Teachers; and

11          [~~(2)~~] (3) All other employees,

12 in the same proportion as the aggregate annual compensation of  
13 each group employed by the State and by each county,  
14 respectively, as of March 31 of the valuation year. Commencing  
15 with fiscal year 2005-2006, the contribution payable in each  
16 year to the pension accumulation fund by the State and each  
17 county, respectively, shall be determined by multiplying the  
18 contribution rates in section 88-122(e) by the actual covered  
19 payroll in a given fiscal year for [~~each of the two groups of~~  
20 ~~employees in section 88-122(a).~~] police officers, firefighters,  
21 and corrections officers; and all other employees. Commencing  
22 with fiscal year 2009-2010, the contribution payable in each



1 year to the pension accumulation fund by the State and each  
2 county, respectively, shall be determined by multiplying the  
3 contribution rates in section 88-122(f) by the actual covered  
4 payroll in a given fiscal year for each of the three groups of  
5 employees in section 88-122(a)."

6 SECTION 4. Statutory material to be repealed is bracketed  
7 and stricken. New statutory material is underscored.

8 SECTION 5. This Act shall take effect on July 1, 2009.

9

INTRODUCED BY: \_\_\_\_\_

~~\_\_\_\_\_~~  
By Request



**Report Title:**

Employees' Retirement System

**Description:**

Segregates teachers from all other employees for determination of employer normal cost, accrued liability contributions, and annual contributions by the State and counties.

