
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 address employer
2 contributions to the employees' retirement system. More
3 specifically, this Act:

4 (1) Requires the percentages of the employers'
5 contributions to the employees' retirement system for
6 fiscal year 2009-10 and fiscal year 2010-11 to be
7 based on fully amortizing the unfunded liability on
8 June 30 2038, and no earlier; and

9 (2) Requires the percentages of the employers'
10 contributions for each fiscal year thereafter to be
11 based on amortizing the unfunded liability before June
12 30, 2038.

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

15 "**§88-122 Determination of employer normal cost and accrued**
16 **liability contributions.** (a) Based on regular interest and
17 such mortality and other tables as are adopted by the board of
18 trustees, the actuary engaged by the board, on the basis of



1 successive annual actuarial valuations, shall determine the
2 employer's normal cost and accrued liability contributions for
3 each fiscal year beginning July 1 separately for the following
4 two groups of employees:

5 (1) Police officers, firefighters, and corrections
6 officers; and

7 (2) All other employees.

8 (b) The actuarial valuations made for years after June 30,
9 1999, shall be based on an eight per cent investment yield rate,
10 salary increase assumptions adopted by the board on the
11 recommendation of the actuary described under section 88-30, and
12 tables, contribution rates, and factors adopted by the board or
13 legislature for actuarial valuations of the system, subject to
14 recommendations made by the actuary appointed under section 88-
15 29.

16 (c) With respect to each of the two groups of employees in
17 subsection (a), the normal cost for each year after June 30,
18 1994, shall be the percentage of the aggregate annual
19 compensation of employees as of March 31 of the valuation year
20 as determined by the actuary using the entry age normal cost
21 funding method. On each June 30 the board shall determine the
22 allocation of the assets of the pension accumulation fund



1 between the two groups of employees in subsection (a); provided
2 that the assets of the pension accumulation fund as of June 30,
3 1976, shall be allocated between the two groups in the same
4 proportion as the aggregate annual compensation of each group as
5 of March 31, 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 two groups of
10 employees in subsection (a). The accrued liability contribution
11 for each of the two groups of employees shall be the annual
12 payment required to liquidate the unfunded accrued liability
13 over a period of twenty-nine years beginning July 1, 2000. Any
14 increase or decrease in the total unfunded accrued liability
15 resulting from legislative changes in the benefit provisions of
16 the employees' retirement system shall be liquidated over a
17 period of time to be determined by the actuary.

18 (e) Commencing with fiscal year 2005-2006 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 fifteen and three-
22 fourths per cent of the member's compensation for police



1 officers, firefighters, and corrections officers and thirteen
2 and three-fourths per cent of the member's compensation for all
3 other employees. Commencing with fiscal year 2008-2009 and each
4 subsequent fiscal year, the employer contributions for normal
5 cost and accrued liability for each of the two groups of
6 employees in subsection (a) shall be based on nineteen and
7 seven-tenths per cent of the member's compensation for police
8 officers, firefighters, and corrections officers and fifteen per
9 cent of the member's compensation for all other employees. The
10 contribution rates shall amortize the total unfunded accrued
11 liability of the entire plan over a period not to exceed thirty
12 years.

13 (f) For the fiscal years 2009-2010 and 2010-2011, the
14 employer contributions for normal cost and accrued liability for
15 each of the two groups of employees in subsection (a) shall be
16 set by the board at percentages that result in the full
17 amortization of the total unfunded accrued liability of the
18 entire plan on June 30, 2038, and no earlier.

19 (g) Commencing with fiscal year 2011-2012 and each
20 subsequent fiscal year, the employer contributions for normal
21 cost and accrued liability for each of the two groups of
22 employees in subsection (a) shall be set by the board at



1 percentages that amortize the total unfunded accrued liability
2 of the entire plan before June 30, 2038.

3 (h) Effective January 2, 2008 [~~until January 2, 2011~~],
4 there shall be no benefit enhancements under this chapter for
5 any group of members, including any reduction of retirement age,
6 when there is an unfunded accrued liability.

7 (i) The contribution rates shall be [~~subject to~~
8 ~~adjustment:~~] adjusted by the board:

- 9 (1) If the actual period required to amortize the unfunded
10 accrued liability exceeds thirty years;
11 (2) If there is no unfunded accrued liability; or
12 (3) Based on the actuarial investigation conducted in
13 accordance with section 88-105."

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

16 "**§88-123 Amount of annual contributions by the State and**
17 **counties.** The contribution payable in each year to the pension
18 accumulation fund by the State and by each county shall be
19 determined by allocating the sum of the normal cost and the
20 accrued liability contribution for:

- 21 (1) Police officers, firefighters, and corrections
22 officers, the latter after the actual transfer of all



1 county jails pursuant to executive order of the
 2 governor; and
 3 (2) All other employees in the same proportion as the
 4 aggregate annual compensation of each group employed
 5 by the State and by each county, respectively, as of
 6 March 31 of the valuation year. Commencing with
 7 fiscal year 2005-2006, the contribution payable in
 8 each year to the pension accumulation fund by the
 9 State and each county, respectively, shall be
 10 determined by multiplying the contribution rates in
 11 section [~~88-122(e)~~] 88-122 by the actual covered
 12 payroll in a given fiscal year for each of the two
 13 groups of employees in section 88-122(a)."

14 SECTION 4. Statutory material to be repealed is bracketed.
 15 New statutory material is underscored.

16 SECTION 5. This Act shall take effect upon its approval.

17
 INTRODUCED BY: Calvin K. Boy
 JAN 28 2009



Report Title:

Public Employees' Retirement System; Employers' Contributions

Description:

Requires the percentages of employers' contributions to the public employees' retirement system for fiscal year 2009-10 and 2010-11 to be based on fully amortizing the unfunded liability on 6/30/38, and no earlier. Requires the percentages of employers' contribution for each fiscal year thereafter to be based on amortizing the unfunded liability before 6/30/38.

