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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.   **Purpose.**   The purpose of this Act is to require  
2 the board of trustees of the employees' retirement system to  
3 study and recommend legislation to amortize the unfunded  
4 actuarial accrued liability of the fund over thirty years.

5           The legislature finds that the unfunded actuarial accrued  
6 liability exposure of the fund is substantial. According to the  
7 Comprehensive Annual Financial Report for the Fiscal Year Ended  
8 June 30, 2007, the unfunded actuarial accrued liability of the  
9 fund was \$5,100,000,000 on June 30, 2007.

10          The legislature further finds that this data signify an  
11 obvious and immediate need to develop and then implement  
12 solutions to amortize the unfunded actuarial accrued liability  
13 so that future taxpayers are not faced with an onerous,  
14 unaffordable burden.

15          SECTION 2.   **Definitions.**   (a) The definitions under  
16 section 88-21, Hawaii Revised Statutes, shall apply for the  
17 purposes of this Act.

18          (b) In addition:

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1 "Amortization plan" means a plan to fully amortize the  
2 unfunded actuarial accrued liability of the system over a  
3 thirty-year period commencing July 1, 2011.

4 "New employee" means a permanent, full-time employee of the  
5 State or county who first:

6 (1) Enters full-time service with the State or county  
7 after June 30, 2011; or

8 (2) Entered state or county service before July 1, 2011,  
9 but never was a member of the system.

10 "Permanent, full-time employee" means an employee whose  
11 term of employment is year-round and workweek is at least forty  
12 hours a week.

13 "Public employer" means the State or a county.

14 "Unfunded actuarial accrued liability of the system" means  
15 the excess of the actuarial accrued liability of the fund over  
16 the actuarial value of assets of the system, as calculated on  
17 July 1, 2010.

18 SECTION 3. **Amortization of unfunded actuarial accrued**  
19 **liability; study and recommendation by board.** (a) From the  
20 effective date of this Act, the board of trustees of the  
21 employees' retirement system shall conduct a study for the  
22 purpose of establishing a plan to fully amortize the unfunded



1 actuarial accrued liability of the system over a thirty-year  
2 period commencing July 1, 2011.

3 (b) By January 1, 2011, the board shall submit to the  
4 legislature the proposed amortization plan required under  
5 subsection (a), accompanied by any proposed legislation  
6 necessary to implement the proposed plan.

7 (c) The proposed amortization plan shall conform to the  
8 following general principles:

9 (1) No vested right of an employee or beneficiary shall be  
10 impaired;

11 (2) The tax status under federal law of the system,  
12 contributions, and employees' benefits shall not be  
13 jeopardized;

14 (3) The annual required contribution for each employee  
15 shall include:

16 (A) The normal cost of the retirement plan in which  
17 the employee is a member; and

18 (B) An appropriate portion of the amortization cost  
19 of the unfunded actuarial accrued liability over  
20 the thirty-year period;



1 (4) The cost of amortizing the unfunded actuarial accrued  
2 liability shall be shared by public employers and  
3 employees; and

4 (5) All permanent, full-time employees shall be members of  
5 the system. The proposed plan also may recommend  
6 membership for other employees.

7 (c) In formulating the proposed amortization plan, the  
8 board shall not be required to maintain the same benefits,  
9 contributions, and other provisions for all employees. The  
10 board may recommend lesser benefits, greater contributions, or  
11 other less advantageous provisions for new employees than those  
12 for current employees.

13 **SECTION 4. Proposed legislation to implement proposed**  
14 **amortization plan; consideration by legislature.** (a) During  
15 the regular session of 2011, the speaker of the house of  
16 representatives and the president of the senate shall introduce  
17 a bill in each of their respective chambers setting forth the  
18 proposed legislation submitted by the board. Each bill shall be  
19 subject to the legislative process in the respective chambers.

20 (b) Nothing in this section shall be construed as  
21 requiring the legislature to enact a bill in the form submitted  
22 or enact any bill if choosing not to do so.



1 (c) If the board of trustees fails to submit proposed  
2 legislation to the legislature as required under section 3, the  
3 failure shall not prevent the legislature from enacting  
4 legislation establishing its own version of an amortization  
5 plan.

6 SECTION 5. **Consequence of not adopting amortization plan.**

7 (a) Notwithstanding chapter 88, Hawaii Revised Statutes, or any  
8 other law to the contrary, if the legislature does not enact  
9 legislation adopting an amortization plan by June 30, 2011, no  
10 new employee shall be eligible to become a member of the system,  
11 and no public employer shall make any contribution for  
12 retirement benefits for any new employee.

13 (b) Subsection (a) shall not be construed as prohibiting a  
14 new employee from voluntarily participating in a cafeteria plan  
15 that offers a pension plan.

16 SECTION 6. **Effective date.** This Act shall take effect  
17 upon its approval.

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INTRODUCED BY:

Calvin M. Ag

JAN 27 2010



**Report Title:**

Employees Retirement System; Unfunded Actuarial Accrued Liability Amortization Plan

**Description:**

Requires the board of trustees of the employees' retirement system to study and recommend a plan to fully amortize the unfunded actuarial accrued liability of the system over a 30-year period.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

