
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 signifies 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.



1 (b) In addition:

2 "Amortization plan" means a plan to fully amortize the
3 unfunded actuarial accrued liability of the system over a
4 thirty-year period commencing July 1, 2012.

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

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

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

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

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

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

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



1 purpose of establishing a plan to fully amortize the unfunded
2 actuarial accrued liability of the system over a thirty-year
3 period commencing July 1, 2012.

4 (b) By January 1, 2012, the board shall submit to the
5 legislature the proposed amortization plan required under
6 subsection (a), accompanied by any proposed legislation
7 necessary to implement the proposed plan.

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

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

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

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

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

19 (B) An appropriate portion of the amortization cost
20 of the unfunded actuarial accrued liability over
21 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; provided that any cost of amortizing the
4 unfunded actuarial accrued liability that is a result
5 of the diversion of the excess investment earnings of
6 the employees' retirement system shall be borne solely
7 by the employers; and

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

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

17 SECTION 4. Proposed legislation to implement proposed
18 amortization plan; consideration by legislature. (a) During
19 the regular session of 2012, the speaker of the house of
20 representatives and the president of the senate shall introduce
21 a bill in each of their respective chambers setting forth the



1 proposed legislation submitted by the board. Each bill shall be
2 subject to the legislative process in the respective chambers.

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

6 (c) If the board of trustees fails to submit proposed
7 legislation to the legislature as required under section 3, the
8 failure shall not prevent the legislature from enacting
9 legislation establishing its own version of an amortization
10 plan.

11 SECTION 5. **Effective date.** This Act shall take effect
12 upon its approval.



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. (HB2855 HD1)

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