
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 the
2 employees' retirement system.

3 More specifically, this Act reduces the percentage of
4 regular interest to be credited to a new public employees'
5 retirement account. The legislature finds that a reduced
6 percentage established pursuant to this Act is comparable to
7 interest on savings accounts, certificates of deposit, and other
8 similar investment vehicles. The legislature further finds that
9 this Act is necessary to control the public employers'
10 contributions to the employees' retirement system.

11 This Act includes a study to be conducted in the future by
12 the board of trustees of the system on the appropriateness of
13 the new regular interest rate. Based on the study, the board
14 shall recommend changing the rate or keeping it the same.

15 SECTION 2. Section 88-21, Hawaii Revised Statutes, is
16 amended by amending the definition of "regular interest" to
17 read:

18 ""Regular interest":



1 (1) For a member who first entered service before July 1,
2 2011, interest at four and one-half per cent a year,
3 compounded annually[-]; and

4 (2) For a member who enters service after June 30, 2011,
5 interest at two per cent a year, compounded annually."

6 SECTION 3. Section 88-107, Hawaii Revised Statutes, is
7 amended by amending subsection (a) to read as follows:

8 "(a) The board of trustees shall annually allocate the
9 interest and other earnings of the system to the funds of the
10 system, as follows:

11 (1) The annuity savings fund shall be credited with the
12 applicable amount of regular interest credited to
13 [members' accounts;] each member's account;

14 (2) The expense fund shall be credited with such sums as
15 provided in section 88-116; and

16 (3) The remaining investment earnings, if any, shall be
17 credited to the pension accumulation fund."

18 SECTION 4. Section 88-132, Hawaii Revised Statutes, is
19 amended by amending subsection (d) to read as follows:

20 "(d) If the State or county, as the case may be, fails to
21 pay the contributions within the time specified in subsection
22 (c), the State or county, as the case may be, shall also pay to



1 the system regular interest [~~at the rate of four and one half~~
2 ~~per cent a year compounded annually~~] from the date the member
3 returned to state or county government service or the date of
4 the member's death in the performance of the member's military
5 duty until payment is made. [~~Interest~~] Regular interest paid on
6 the portion of the contributions that would have been payable by
7 the member shall be included in the member's accumulated
8 contributions."

9 SECTION 5. Commencing on January 1, 2020, the board of
10 trustees of the employees' retirement system shall conduct a
11 study to determine whether the percentage of regular interest,
12 as defined under section 88-21, Hawaii Revised Statutes, is
13 appropriate. The board shall compare that percentage against
14 the guaranteed percentage of interest paid by other investment
15 or saving vehicles during the fiscal year 2019-2020. The board
16 shall submit a report of the study to the legislature that shall
17 include a recommendation on whether the percentage of "regular
18 interest" should be changed or remain the same. The board shall
19 submit the report not less than twenty days prior to the
20 convening of the regular session of 2021.

21 SECTION 6. Statutory material to be repealed is bracketed
22 and stricken. New statutory material is underscored.



H.B. NO. 817

1 SECTION 7. This Act shall take effect on July 1, 2011.

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INTRODUCED BY:

Calvin K. Day

JAN 21 2011



Report Title:

Employees' Retirement System; Regular Interest

Description:

Establishes the percentage of "regular interest" credited to the retirement account of a public employee who first enters service after 06/30/11 at 2% as opposed to a public employee who first entered service prior to 07/01/11, whose regular interest percentage is 4 and 1/2%.

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