

JAN 26 2011

S.B. NO. 1262

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# A BILL FOR AN ACT

RELATING TO EMPLOYEES' RETIREMENT SYSTEM BENEFIT ENHANCEMENT  
MORATORIUM.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The purpose of this Act is to assist the  
2 employees' retirement system in improving and protecting its  
3 funded status by placing a moratorium on the enhancement of  
4 benefits until the system's funded ratio is at least eighty  
5 percent. If future legislatures grant additional benefits  
6 (which include earlier retirements), the time it will take the  
7 employees' retirement system to become fully funded will be  
8 lengthened, perhaps significantly, depending upon the level of  
9 enhancements granted.

10           SECTION 2. Chapter 88, Hawaii Revised Statutes, is amended  
11 by adding to part II a new section to be appropriately  
12 designated and to read as follows:

13           "§88-    Moratorium on benefit enhancements. There shall  
14 be no benefit enhancements under this chapter for any group of  
15 members, including any reduction of retirement age, until such  
16 time as the actuarial value of the system's assets is at least  
17 eighty per cent of the system's actuarial accrued liability."

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1 SECTION 3. New statutory material is underscored.

2 SECTION 4. This Act shall take effect upon its approval.

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INTRODUCED BY: *A.S.T.*

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BY REQUEST

**Report Title:**

Employees' Retirement System; Moratorium on Benefit Enhancements

**Description:**

Institutes a moratorium on the enhancement of Employees' Retirement System benefits until the system's funded ratio is at least eighty percent.

JUSTIFICATION SHEET

DEPARTMENT: Budget and Finance

TITLE: A BILL FOR AN ACT RELATING TO EMPLOYEES' RETIREMENT SYSTEM BENEFIT ENHANCEMENT MORATORIUM.

PURPOSE: To assist the Employees' Retirement System of the State of Hawaii in improving and protecting its funded status by placing a moratorium on the enhancement of benefits until the system's funded ratio is at least eighty percent.

MEANS: Add a new section to part II of chapter 88, Hawaii Revised Statutes.

JUSTIFICATION: The ability of the Employees' Retirement System to eventually eliminate its unfunded liability is dependent on several factors, including, for example, stability in the level of benefits received by current and former employees. If future legislatures grant additional benefits (which include earlier retirements), the time it will take for the system to become fully funded will be lengthened, perhaps significantly, depending upon the level of enhancements granted. The moratorium on benefit enhancements imposed by Act 256, Session Laws of Hawaii 2007, and codified in section 88-122(e), Hawaii Revised Statutes, expired on January 2, 2011.

Impact on the public: None.

Impact on the department and other agencies:  
If a moratorium on benefit enhancements is not imposed, an increase in employer contributions to the Employees' Retirement System will be required to keep the funding period for the system's unfunded accrued liability under the thirty years required by section 88-122(e), Hawaii Revised Statutes.

GENERAL FUND: See above.

OTHER FUNDS: See above.

PPBS PROGRAM  
DESIGNATION: BUF-141/Retirement.

OTHER AFFECTED  
AGENCIES: All state and county public employers.

EFFECTIVE DATE: Upon approval.