

JAN 26 2011

A BILL FOR AN ACT

RELATING TO EMPLOYER CONTRIBUTIONS TO THE EMPLOYEES' RETIREMENT SYSTEM.

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

1 SECTION 1. Section 88-122, Hawaii Revised Statutes, is
2 amended by amending subsection (e) to read as follows:
3 "(e) Commencing with fiscal year 2005-2006 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 fifteen and three-
7 fourths per cent of the member's compensation for police
8 officers, firefighters, and corrections officers and thirteen
9 and three-fourths per cent of the member's compensation for all
10 other employees. Commencing with fiscal year 2008-2009 and each
11 subsequent fiscal year[7] until fiscal year 2011-2012, the
12 employer contributions for normal cost and accrued liability for
13 each of the two groups of employees in subsection (a) shall be
14 based on nineteen and seven-tenths per cent of the member's
15 compensation for police officers, firefighters, and corrections
16 officers and fifteen per cent of the member's compensation for
17 all other employees. In fiscal year 2012-2013, the employer

1 contributions for normal cost and accrued liability for each of
2 the two groups of employees in subsection (a) shall be based on
3 twenty-two per cent of the member's compensation for police
4 officers, firefighters, and corrections officers and fifteen and
5 one-half per cent of the member's compensation for all other
6 employees. In fiscal year 2013-2014, the employer contributions
7 for normal cost and accrued liability for each of the two groups
8 of employees in subsection (a) shall be based on twenty-three
9 per cent of the member's compensation for police officers,
10 firefighters, and corrections officers and sixteen per cent of
11 the member's compensation for all other employees. In fiscal
12 year 2014-2015, the employer contributions for normal cost and
13 accrued liability for each of the two groups of employees in
14 subsection (a) shall be based on twenty-four per cent of the
15 member's compensation for police officers, firefighters, and
16 corrections officers and sixteen and one-half per cent of the
17 member's compensation for all other employees. Commencing with
18 fiscal year 2015-2016 and each subsequent fiscal year, the
19 employer contributions for normal cost and accrued liability for
20 each of the two groups of employees in subsection (a) shall be
21 based on twenty-five per cent of the member's compensation for
22 police officers, firefighters, and corrections officers and

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1 seventeen per cent of the member's compensation for all other
2 employees. The contribution rates shall amortize the total
3 unfunded accrued liability of the entire plan over a period not
4 to exceed thirty years. Effective January 2, 2008 until January
5 2, 2011, there shall be no benefit enhancements under this
6 chapter for any group of members, including any reduction of
7 retirement age, when there is an unfunded accrued liability.

8 The contribution rates shall be subject to adjustment:

- 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 2. Statutory material to be repealed is bracketed
15 and stricken. New statutory material is underscored.

16 SECTION 3. This Act shall take effect on July 1, 2011.

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INTRODUCED BY: ASITL

BY REQUEST

Report Title:

Employees' Retirement System; Employer Contribution Rates

Description:

Sets the rates for employer contributions to the Employees' Retirement System.

JUSTIFICATION SHEET

DEPARTMENT: Budget and Finance

TITLE: A BILL FOR AN ACT RELATING TO EMPLOYER CONTRIBUTIONS TO THE EMPLOYEES' RETIREMENT SYSTEM.

PURPOSE: To provide for the rates for employer contributions to the Employees' Retirement System of the State of Hawaii beginning with fiscal year 2012-2013.

MEANS: Amend section 88-122(e), Hawaii Revised Statutes.

JUSTIFICATION: The contributions that State and county agencies are required to make to the Employees' Retirement System of the State of Hawaii to meet obligations for retirement benefits are based on a percentage of payroll. Section 88-122, Hawaii Revised Statutes, provides that the contribution rates are subject to adjustment if the period required to amortize the unfunded accrued liability of the system exceeds thirty years. Based on an actuarial investigation performed as of June 30, 2010, by the system's actuary pursuant to section 88-105, the actuary reported that current contribution rates are not sufficient to amortize the unfunded accrued liability of the system in thirty years. Under actuarial assumptions currently in effect, and if no benefit changes are made, the actuary recommended an increase in the employer contribution rate to twenty-eight percent for police officers, firefighters, and corrections officers, and to nineteen percent for all other employees. If benefit changes, including those proposed in BUF-20(11) are made, increases in employer contributions can be phased in, beginning in fiscal year 2012-2013, to twenty-five percent for police officers, firefighters,

and corrections officers, and to seventeen percent for all other employees.

Impact on the public: None.

Impact on the department and other agencies:
The increase in the percentage rate for employer contributions to the Employees' Retirement System is likely to result in an increase in the amounts required to be paid by state and county agencies to meet employer obligations for retirement benefits.

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: July 1, 2011.