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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. The purpose of this Act is to segregate  
2 teachers from all other employees for the purposes of  
3 determining employer normal cost and accrued liability  
4 contributions and for determining the amount of annual  
5 contributions by the State and counties. The segregation of  
6 teachers will properly reflect contributions to the employees'  
7 retirement system attributable to teachers as of the June 30,  
8 2008, actuarial valuation report.

9           SECTION 2. Section 88-122, Hawaii Revised Statutes, is  
10 amended to read as follows:

11           "§88-122 Determination of employer normal cost and accrued  
12 liability contributions. (a) Based on regular interest and  
13 such mortality and other tables as are adopted by the board of  
14 trustees, the actuary engaged by the board, on the basis of  
15 successive annual actuarial valuations, shall determine the  
16 employer's normal cost and accrued liability contributions for  
17 each fiscal year beginning July 1 separately for the following  
18 two groups of employees:



1 (1) Police officers, firefighters, and corrections  
2 officers; and

3 (2) Teachers; and

4 [~~2~~] (3) All other employees.

5 (b) The actuarial valuations shall be based on the  
6 contribution rates approved by the legislature, and the tables,  
7 assumptions, and factors adopted by the board for actuarial  
8 valuations of the system; provided that the investment yield  
9 rate assumption for the year ending June 30, 2011, shall be  
10 seven and three-quarters per cent.

11 (c) With respect to each of the following two groups of  
12 employees [~~in subsection (a)~~], police officers, firefighters,  
13 corrections officers, and all other employees, the normal cost  
14 for each year after June 30, 1994, shall be the percentage of  
15 the aggregate annual compensation of employees as of March 31 of  
16 the valuation year as determined by the actuary using the entry  
17 age normal cost funding method. On each June 30 the board shall  
18 determine the allocation of the assets of the pension  
19 accumulation fund between the two groups of employees [~~in~~  
20 ~~subsection (a)~~], police officers, firefighters, corrections  
21 officers, and all other employees; provided that the assets of  
22 the pension accumulation fund as of June 30, 1976, shall be



1 allocated between the two groups in the same proportion as the  
2 aggregate annual compensation of each group as of March 31,  
3 1976.

4 (d) Commencing with fiscal year 1994-1995 and each  
5 subsequent fiscal year, the actuary shall determine the total  
6 unfunded accrued liability using the entry age normal cost  
7 funding method separately for each of the following two groups  
8 of employees [in subsection (a)], police officers,  
9 firefighters, corrections officers, and all other employees.  
10 The accrued liability contribution for [~~each of the two groups~~  
11 ~~of employees~~] police officers, firefighters, corrections  
12 officers, and all other employees shall be the annual payment  
13 required to liquidate the unfunded accrued liability over a  
14 period of twenty-nine years beginning July 1, 2000. Any  
15 increase or decrease in the total unfunded accrued liability  
16 resulting from legislative changes in the benefit provisions of  
17 the employees' retirement system shall be liquidated over a  
18 period of time to be determined by the actuary.

19 (e) Commencing with fiscal year 2005-2006 and each  
20 subsequent fiscal year, the employer contributions for normal  
21 cost and accrued liability for [~~each of the two groups of~~  
22 ~~employees in subsection (a)] police officers, firefighters,~~



1 corrections officers, and all other employees shall be based on  
2 fifteen and three-fourths per cent of the member's compensation  
3 for police officers, firefighters, and corrections officers and  
4 thirteen and three-fourths per cent of the member's compensation  
5 for all other employees. Commencing with fiscal year 2008-2009  
6 and each subsequent fiscal year until fiscal year 2011-2012, the  
7 employer contributions for normal cost and accrued liability for  
8 ~~[each of the two groups of employees in subsection (a)]~~ police  
9 officers, firefighters, corrections officers, and all other  
10 employees shall be based on nineteen and seven-tenths per cent  
11 of the member's compensation for police officers, firefighters,  
12 and corrections officers and fifteen per cent of the member's  
13 compensation for all other employees.

14 (f) Commencing with fiscal year 2011-2012 and each  
15 subsequent fiscal year, the employer contributions for normal  
16 cost and accrued liability for each of the three groups of  
17 employees in subsection (a) shall be based on the following  
18 percentages:

19 (1) Nineteen and seven-tenths per cent of the member's  
20 compensation for police officers, firefighters, and  
21 corrections officers;



- 1        (2) Eighteen and eleven-hundredths per cent of the  
2                    member's compensation for teachers; and
- 3        (3) Thirteen and seven-tenths per cent of the member's  
4                    compensation for all other employees.

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



1 employees.] The contribution rates shall amortize the total  
2 unfunded accrued liability of the entire plan over a period not  
3 to exceed thirty years.

4 The contribution rates shall be subject to adjustment:

- 5 (1) If the actual period required to amortize the unfunded  
6 accrued liability exceeds thirty years;
- 7 (2) If there is no unfunded accrued liability; or
- 8 (3) Based on the actuarial investigation conducted in  
9 accordance with section 88-105."

10 SECTION 3. Section 88-123, Hawaii Revised Statutes, is  
11 amended to read as follows:

12 "§88-123 Amount of annual contributions by the State and  
13 counties. The contribution payable in each year to the pension  
14 accumulation fund by the State and by each county shall be  
15 determined by allocating the sum of the normal cost and the  
16 accrued liability contribution for:

17 (1) Police officers, firefighters, and corrections  
18 officers, the latter after the actual transfer of all  
19 county jails pursuant to executive order of the  
20 governor; [and]

21 (2) Teachers; and

22 [~~2~~] (3) All other employees




1 in the same proportion as the aggregate annual compensation of  
2 each group employed by the State and by each county,  
3 respectively, as of March 31 of the valuation year. Commencing  
4 with fiscal year 2005-2006, the contribution payable in each  
5 year to the pension accumulation fund by the State and each  
6 county, respectively, shall be determined by multiplying the  
7 contribution rates in section 88-122(e) by the actual covered  
8 payroll in a given fiscal year for ~~[each of the two groups of~~  
9 ~~employees in section 88-122(a).]~~ police officers, firefighter,  
10 and corrections officers, and all other employees. Commencing  
11 with fiscal year 2011-2012, the contribution payable in each  
12 year to the pension accumulation fund by the State and each  
13 county, respectively, shall be determined by multiplying the  
14 contribution rates in section 88-122 (f) by the actual covered  
15 payroll in a given fiscal year for each of the three groups of  
16 employees in section 88-122(a)."

17 SECTION 4. Statutory material to be repealed is bracketed  
18 and stricken. New statutory material is underscored.



1 SECTION 5. This Act shall take effect on July 1, 2011.

2

INTRODUCED BY:   
BY REQUEST





# S.B. NO.2041

**Report Title:**

Employees' Retirement System; Teachers; Kauai County Package

**Description:**

Segregates teachers from all other employees for determination of employer normal cost, accrued liability contributions, and annual contributions by the State and counties to the employees' retirement system. Revises employer contribution rates for fiscal year 2013-2014 and beyond. Effective 7/1/11.

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

