

TESTIMONY BY THOMAS WILLIAMS  
EXECUTIVE DIRECTOR, EMPLOYEES' RETIREMENT SYSTEM  
STATE OF HAWAII

TO THE HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT  
ON

HOUSE BILL NO. 2312

FEBRUARY 5, 2016, 9:30 A.M.

RELATING TO PAYMENTS MADE BY EMPLOYERS TO THE EMPLOYEES' RETIREMENT  
SYSTEM

Chair Nakashima, Vice Chair Keohokalole and Members of the Committee,

H.B. 2312 proposes to amend Section 88-124 and 88-126(a) and (b), Hawaii Revised Statutes (HRS) to facilitate advance payment by the State and counties of contributions to the Employees' Retirement System.

Currently, sections 88-124 and 88-126, HRS, provide for payment of State and county employer contributions to the Employees' Retirement System on a monthly basis, in arrears. Advance payment is not prohibited; however, if the statutes are read strictly, monthly payments are still required, even if an employer has paid most of the fiscal year's contributions in advance.

This bill confirms that employers may make contributions in advance and provides that monthly payments are not required if previous advance payments were sufficient to cover the required contributions for the month. The bill also clarifies the manner in which the quarterly reconciliations between what an employer has paid and what an employer actually owes will be made.

When employers make advance payments of their contributions, the Employees' Retirement System is able to invest the funds sooner, thereby increasing the potential for greater investment returns, which will reduce the system's unfunded liability.

The Board of Trustees of the Employees' Retirement System supports this legislation.

Thank you for this opportunity to provide testimony on H.B. 2312.

**LATE**

TESTIMONY BY WESLEY K. MACHIDA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT  
ON  
HOUSE BILL NO. 2312

February 5, 2016

RELATING TO PAYMENTS BY EMPLOYERS TO THE EMPLOYEES'  
RETIREMENT SYSTEM

House Bill No. 2312 amends Sections 88-124 and 88-126(a) and (b), Hawaii Revised Statutes, to confirm that employer contributions to the Employees' Retirement System (ERS) may be made in advance or on a monthly basis.

The Department of Budget and Finance strongly supports this Administration initiative which confirms that employers may make contributions in advance to the ERS and that monthly payments are not required if previous advance payments are sufficient to cover the required contributions for the month. Advance payments allow the ERS to invest the funds sooner, thereby increasing the potential for greater investment returns, which will reduce the ERS' unfunded actuarial accrued liability.