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**STATE OF HAWAII
EMPLOYEES' RETIREMENT SYSTEM**

TESTIMONY BY THOMAS WILLIAMS
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TO THE HOUSE COMMITTEE ON FINANCE
ON

SENATE BILL NO. 2841

MARCH 30, 2016, 2:00 P.M.

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

Chair Luke, Vice Chair Nishimoto and Members of the Committee,

S.B. 2841 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.



Employees' Retirement System
of the State of Hawaii

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 S.B. 2841.