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TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON

SENATE BILL NO. 2841

FEBRUARY 24, 2016, 1:15 P.M.

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

Chair Tokuda, Vice Chair Dela Cruz and Members of the Committee,

S.B. 2841 proposes to amend Sections 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 (ERS).

Currently, sections 88-124 and 88-126, HRS, provide for payment of State and county employer contributions to the ERS 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 ERS is able to invest the funds sooner, thereby increasing the potential for greater investment returns, which will reduce



Employees' Retirement System
of the State of Hawaii

the system's unfunded liability. At our current ERS investment return rate, the ERS expects to earn an additional \$500 million over 20 years, far exceeding the State's probable return; these additional earnings have the potential of reducing the level of required employer contributions in the future.

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

Thank you for this opportunity to provide testimony on S.B. 2841.