



EXECUTIVE CHAMBERS
HONOLULU

DAVID Y. IGE
GOVERNOR

July 5, 2017

GOV. MSG. NO. 1186

The Honorable Ronald D. Kouchi,
President
and Members of the Senate
Twenty-Ninth State Legislature
State Capitol, Room 409
Honolulu, Hawai'i 96813

The Honorable Scott K. Saiki,
Speaker and Members of the
House of Representatives
Twenty-Ninth State Legislature
State Capitol, Room 431
Honolulu, Hawai'i 96813

Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

This is to inform you that on July 5, 2017, the following bill was signed into law:

HB1182 HD1 SD2

RELATING TO THE EMPLOYEES' RETIREMENT
SYSTEM
ACT 085 (17)

Sincerely,

DAVID Y. IGE
Governor, State of Hawai'i

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. Chapter 88, part II, Hawaii Revised Statutes,
2 is amended by adding a new section to subpart D to be
3 appropriately designated and to read as follows:

4 "§88- Stress test; annual report. (a) The actuary
5 shall conduct an annual stress test of the system.

6 (b) The board shall submit an annual report to the
7 legislature, not later than twenty days prior to the convening
8 of each regular session, on the results of the actuary's stress
9 test.

10 (c) For the purposes of this section, a "stress test"
11 shall address:

12 (1) Projections of assets, liabilities, pension debt,
13 service costs, employee contributions, employer
14 contributions, net amortization, benefit payments,
15 payroll, and funded ratio for the system for each of
16 the next thirty years based upon the then-current



1 actuarial assumptions, including the assumed rate of
2 return;

3 (2) Projections for the items listed in paragraph (1),
4 assuming that investment returns are two percentage
5 points lower than the assumed rate of return and that
6 the State makes employer contributions:

7 (A) Based upon the then-current funding policy for
8 the system; and

9 (B) That are held constant at the levels calculated
10 for paragraph (1);

11 (3) Estimates of the items listed in paragraph (1), if
12 there is a one year loss on planned investments of
13 twenty per cent followed by a twenty-year period of
14 investment returns two percentage points below plan
15 assumptions, with the following assumptions regarding
16 contribution policy:

17 (A) Employer contributions are adjusted based upon
18 current policy; and

19 (B) Employer contributions are held constant at the
20 levels calculated for the baseline projections;
21 and



1 (4) The estimated actuarially accrued liability, the total
2 plan normal cost for all benefit tiers, and the
3 employer normal cost for all benefit tiers, calculated
4 using:

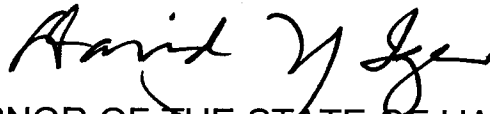
5 (A) A discount rate equal to the assumed rate of
6 return; and

7 (B) The ten-year average of the yield of thirty-year
8 treasury notes."

9 SECTION 2. New statutory material is underscored.

10 SECTION 3. This Act shall take effect on July 1, 2017.

APPROVED this 5 day of JUL , 2017



GOVERNOR OF THE STATE OF HAWAII

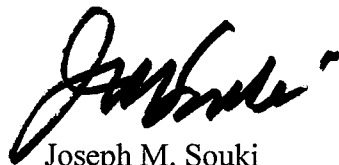


HB No. 1182, HD 1, SD 2

THE HOUSE OF REPRESENTATIVES OF THE STATE OF HAWAII

Date: April 26, 2017
Honolulu, Hawaii

We hereby certify that the above-referenced Bill on this day passed Final Reading in the House of Representatives of the Twenty-Ninth Legislature of the State of Hawaii, Regular Session of 2017.



Joseph M. Souki
Speaker
House of Representatives




Brian L. Takeshita
Chief Clerk
House of Representatives

THE SENATE OF THE STATE OF HAWAII

Date: April 3, 2017
Honolulu, Hawaii 96813

We hereby certify that the foregoing Bill this day passed Third Reading in the Senate of the Twenty-ninth Legislature of the State of Hawaii, Regular Session of 2017.


President of the Senate


Clerk of the Senate