
A BILL FOR AN ACT

RELATING TO EMPLOYER CONTRIBUTIONS TO THE EMPLOYEES' RETIREMENT SYSTEM.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that after a five-year
2 actuarial investigation performed by the employees' retirement
3 system's actuary as of June 30, 2016, the actuary recommended
4 changing the actuarial assumptions used for the actuarial
5 valuation of the employees' retirement system. The board of
6 trustees of the employees' retirement system adopted the changes
7 to the actuarial assumptions recommended by the actuary. Under
8 the new actuarial assumptions, the period required to amortize
9 the unfunded accrued liability of the employees' retirement
10 system will increase from twenty-seven years to over thirty
11 years.

12 The contributions from state and county agencies that are
13 necessary for the employees' retirement system to meet its
14 obligations for retirement benefits are based on a percentage of
15 payroll. Under section 88-122, Hawaii Revised Statutes,
16 contribution rates are subject to adjustment if the period



1 required to amortize the unfunded accrued liability of the
2 employees' retirement system exceeds thirty years. To maintain
3 the twenty-seven-year funding period prior to revaluation and
4 assuming that no benefit changes are made, the actuary
5 recommended increasing the employer contribution rates to:

- 6 (1) 42.5 per cent for police officers, firefighters, and
7 corrections officers; and
- 8 (2) 24.75 per cent for all other employees.

9 The purpose of this Act is to incrementally increase the
10 rates for employer contributions to the employees' retirement
11 system.

12 SECTION 2. Section 88-122, Hawaii Revised Statutes, is
13 amended by amending subsection (e) as follows:

14 "(e) Commencing with fiscal year 2005-2006 and each
15 subsequent fiscal year[~~7~~] until fiscal year 2007-2008, the
16 employer contributions for normal cost and accrued liability for
17 each of the two groups of employees in subsection (a) shall be
18 based on fifteen and three-fourths per cent of the member's
19 compensation for police officers, firefighters, and corrections
20 officers and thirteen and three-fourths per cent of the member's
21 compensation for all other employees. Commencing with fiscal



1 year 2008-2009 and each subsequent fiscal year until fiscal year
2 2011-2012, the employer contributions for normal cost and
3 accrued liability for each of the two groups of employees in
4 subsection (a) shall be based on nineteen and seven-tenths per
5 cent of the member's compensation for police officers,
6 firefighters, and corrections officers and fifteen per cent of
7 the member's compensation for all other employees. In fiscal
8 year 2012-2013, the employer contributions for normal cost and
9 accrued liability for each of the two groups of employees in
10 subsection (a) shall be based on twenty-two per cent of the
11 member's compensation for police officers, firefighters, and
12 corrections officers and fifteen and one-half per cent of the
13 member's compensation for all other employees. In fiscal year
14 2013-2014, the employer contributions for normal cost and
15 accrued liability for each of the two groups of employees in
16 subsection (a) shall be based on twenty-three per cent of the
17 member's compensation for police officers, firefighters, and
18 corrections officers and sixteen per cent of the member's
19 compensation for all other employees. In fiscal year 2014-2015,
20 the employer contributions for normal cost and accrued liability
21 for each of the two groups of employees in subsection (a) shall



1 be based on twenty-four per cent of the member's compensation
2 for police officers, firefighters, and corrections officers and
3 sixteen and one-half per cent of the member's compensation for
4 all other employees. Commencing with fiscal year 2015-2016 [~~and~~
5 ~~each subsequent fiscal year,~~] until fiscal year 2016-2017, the
6 employer contributions for normal cost and accrued liability for
7 each of the two groups of employees in subsection (a) shall be
8 based on twenty-five per cent of the member's compensation for
9 police officers, firefighters, and corrections officers and
10 seventeen per cent of the member's compensation for all other
11 employees. In fiscal year 2017-2018, the employer contributions
12 for normal cost and accrued liability for each of the two groups
13 of employees in subsection (a) shall be based on twenty-nine per
14 cent of the member's compensation for police officers,
15 firefighters, and corrections officers and nineteen per cent of
16 the member's compensation for all other employees. In fiscal
17 year 2018-2019, the employer contributions for normal cost and
18 accrued liability for each of the two groups in subsection (a)
19 shall be based on thirty-three per cent of the member's
20 compensation for police officers, firefighters, and corrections
21 officers and twenty-one per cent of the member's compensation



1 for all other employees. In fiscal year 2019-2020, the employer
2 contributions for normal cost and accrued liability for each of
3 the two groups in subsection (a) shall be based on thirty-seven
4 per cent of the member's compensation for police officers,
5 firefighters, and corrections officers and twenty-three per cent
6 of the member's compensation for all other employees.
7 Commencing with fiscal year 2020-2021 and each subsequent fiscal
8 year, the employer contributions for normal cost and accrued
9 liability for each of the two groups in subsection (a) shall be
10 based on forty-one per cent of the member's compensation for
11 police officers, firefighters, and corrections officers and
12 twenty-five per cent of the member's compensation for all other
13 employees. The contribution rates shall amortize the total
14 unfunded accrued liability of the entire plan over a period not
15 to exceed thirty years.

16 The contribution rates shall be subject to adjustment:
17 (1) If the actual period required to amortize the unfunded
18 accrued liability exceeds thirty years;
19 (2) If there is no unfunded accrued liability; or
20 (3) Based on the actuarial investigation conducted in
21 accordance with section 88-105."



1 SECTION 3. Statutory material to be repealed is bracketed
2 and stricken. New statutory material is underscored.

3 SECTION 4. This Act shall take effect on July 1, 2050.



Report Title:

Employees' Retirement System; Employer Contribution Rates

Description:

Incrementally increases the rates for employer contributions to the Employees' Retirement System. (HB1061 HD1)

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

