

JAN 25 2017

---

---

# 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 employees'  
16 retirement system for each of the next thirty years



1           based upon the then-current actuarial assumptions,  
2           including the assumed rate of 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 employees' retirement 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 upon its approval.

11

INTRODUCED BY: \_\_\_\_\_

A handwritten signature in black ink, appearing to be 'Jim', written over a horizontal line.

# S.B. NO. 1047

**Report Title:**

ERS; Stress Test

**Description:**

Requires the ERS actuary to conduct annual stress tests of the system and the board to submit annual reports of the tests to the legislature.

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

