
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
17 actuarial assumptions, including the assumed rate of
18 return;



- 1 (2) Projections for the items listed in paragraph (1),
2 assuming that investment returns are two percentage
3 points lower than the assumed rate of return and that
4 the State makes employer contributions:
- 5 (A) Based upon the then-current funding policy for
6 the system; and
- 7 (B) That are held constant at the levels calculated
8 for paragraph (1);
- 9 (3) Estimates of the items listed in paragraph (1), if
10 there is a one-year loss on planned investments of
11 twenty per cent followed by a twenty-year period of
12 investment returns two percentage points below plan
13 assumptions, with the following assumptions regarding
14 contribution policy:
- 15 (A) Employer contributions are adjusted based upon
16 current policy; and
- 17 (B) Employer contributions are held constant at the
18 levels calculated for the baseline projections;
19 and
- 20 (4) The estimated actuarially accrued liability, the total
21 plan normal cost for all benefit tiers, and the



1 employer normal cost for all benefit tiers, calculated

2 using:

3 (A) A discount rate equal to the assumed rate of

4 return; and

5 (B) The ten-year average of the yield of thirty-year

6 treasury notes."

7 SECTION 2. New statutory material is underscored.

8 SECTION 3. This Act shall take effect on January 7, 2059.

9



Report Title:

ERS; Stress Test

Description:

Requires the ERS actuary to conduct an annual stress test of the system and the board to submit an annual report on the result of the test to the legislature. Takes effect 1/7/2059. (SD1)

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