

JAN 27 2021

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. This Act is necessary to prevent future
2 increases to the unfunded actuarial accrued liability of the
3 Employees' Retirement System of the State of Hawaii and to
4 improve its funded status.

5 SECTION 2. Section 88-90, Hawaii Revised Statutes, is
6 amended to read as follows:

7 "**§88-90 Post retirement allowances.** (a) There shall be
8 payable to each person receiving any pension, annuity, or
9 retirement allowance, a post retirement allowance ~~[which]~~ that
10 shall consist of an amount equivalent to one and one-half per
11 cent of the monthly pension, annuity, or retirement allowance as
12 originally computed, approved, and paid. This benefit shall be
13 added to the monthly pension, annuity, or retirement allowance
14 on the first day of July in each year following June 30, 1961,
15 as follows:

- 16 (1) To each person receiving a pension, annuity, or
17 retirement allowance on June 30, 1961, payment of the
18 benefit shall commence on July 1, 1961, except that

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1 after June 30, 1963, the monthly benefits payable
2 under this subsection shall be computed and paid on
3 the basis of the number of years that has elapsed
4 since the person entitled thereto first became the
5 recipient of the pension, annuity, or retirement
6 allowance from which the benefit is derived; and

7 (2) To each person first receiving a pension, annuity, or
8 retirement allowance after June 30, 1961, payment of
9 the benefit shall commence on the first of July
10 following the calendar year in which the payment of
11 the pension, annuity, or retirement allowance is
12 effective.

13 (b) After June 30, 1970, the post retirement allowance
14 shall consist of an amount equivalent to two and one-half per
15 cent of the monthly pension, annuity, or retirement allowance as
16 originally computed and paid. This benefit shall be payable on
17 the first day of July in each year following June 30, 1970, as
18 follows:

19 (1) To each person, who on June 30, 1970, was receiving a
20 post retirement allowance as described under
21 subsection (a) hereof, payment of the benefit shall
22 commence on July 1, 1970; and

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(2) To each person first receiving a pension, annuity, or retirement allowance after December 31, 1968, payment of the benefit shall commence on the first day of July following the calendar year in which the payment of the pension, annuity, or retirement allowance is effective.

(c) Notwithstanding subsections (a) and (b), for employees who become members after June 30, 2012, and for any person who receives a monthly pension, annuity, or retirement allowance as a beneficiary or survivor of the employee, the post retirement allowance shall consist of an amount equivalent to one and one-half per cent of the monthly pension, annuity, or retirement allowance as originally computed and paid. Payment of the benefit shall commence on the first day of July following the calendar year in which the payment of the pension, annuity, or retirement allowance is effective.

(d) Notwithstanding subsections (a), (b), and (c), for employees who become members after June 30, 2021, and for any person who receives a monthly pension, annuity, or retirement allowance as a beneficiary or survivor of such employees, the post retirement allowance shall consist of an amount to be determined by, and at the discretion of, the board of trustees

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1 of the system. Payment of the benefit shall commence on the
2 first day of July following the calendar year in which the
3 payment of the pension, annuity, or retirement allowance is
4 effective."

5 SECTION 3. Statutory material to be repealed is bracketed
6 and stricken. New statutory material is underscored.

7 SECTION 4. This Act, upon its approval, shall take effect
8 on July 1, 2021.

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INTRODUCED BY: 

11

BY REQUEST

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Report Title:

Employees' Retirement System; Post retirement allowances

Description:

Amends post retirement allowances for new employees.

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

JUSTIFICATION SHEET

DEPARTMENT: Budget and Finance

TITLE: A BILL FOR AN ACT RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM.

PURPOSE: To improve the funded status of the Employees' Retirement System of the State of Hawaii ("ERS") and to reduce public employer contributions by changing the post retirement allowance added to retirement benefits for public employees who become members of the ERS after June 30, 2021, and for any person who receives a monthly pension, annuity or retirement allowance as a beneficiary or survivor of such employees.

MEANS: Amend section 88-90, Hawaii Revised Statutes.

JUSTIFICATION: Currently, members of the ERS who retire receive an additional post retirement allowance added to their monthly pension, annuity, or retirement allowance based on a percentage of their benefit. The allowance for members who became members prior to July 1, 2012, is equivalent to two and one-half percent of the member's monthly benefit; and, for members who became members after July 1, 2012, is equivalent to one and one-half percent of the member's monthly benefit. This post retirement allowance is also payable to any person who receives a monthly pension, annuity, or retirement allowance as a beneficiary or survivor as provided by ERS benefit provisions. The additional costs of providing post retirement benefits is borne by the ERS and, ultimately, by the public employers. The current unfunded liability of the ERS is over \$14 billion. The projected period for the system to become fully funded is 26 years.

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This bill will allow for flexibility in the determination of the post retirement allowance rate, at the discretion of the ERS board of trustees, for public employees who join the ERS after June 30, 2021. This flexibility may help to reduce the unfunded liability of the ERS and may prevent employer contribution costs from escalating.

Impact on the public: None.

Impact on the department and other agencies: ERS pension benefits and the associated post retirement allowance are supported by the contributions of state and county public employers. Possible reduction of the post retirement allowance may result in lower employer contributions.

GENERAL FUND: See above.

OTHER FUNDS: See above.

PPBS PROGRAM
DESIGNATION: BUF-141/Retirement.

OTHER AFFECTED
AGENCIES: All state and county public employers.

EFFECTIVE DATE: July 1, 2021.