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## A BILL FOR AN ACT

RELATING TO THE EMPLOYEE RETIREMENT SYSTEM.

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

1           SECTION 1. Section 88-122, Hawaii Revised Statutes, is  
2 amended to read as follows:

3           "§88-122 Determination of employer normal cost and accrued  
4 liability contributions. (a) Based on regular interest and  
5 such mortality and other tables as are adopted by the board of  
6 trustees, the actuary engaged by the board, on the basis of  
7 successive annual actuarial valuations, shall determine the  
8 employer's normal cost and accrued liability contributions for  
9 each fiscal year beginning July 1 separately for the following  
10 two groups of employees:

11           (1) Police officers, firefighters, and corrections  
12           officers; and

13           (2) All other employees.

14           (b) The actuarial valuations made for years after June 30,  
15 1999, shall be based on an eight per cent investment yield rate,  
16 [~~assumed salary increases of four per cent,~~] and tables,  
17 contribution rates, and factors adopted by the board or  
18 legislature for actuarial valuations of the system, subject to



1 recommendations made by the actuary appointed under section 88-  
2 29; provided that the board shall have the discretion to  
3 determine assumed salary increases for actuarial valuation  
4 purposes. Such determinations shall be reasonable and shall not  
5 exceed seven and a half per cent.

6 (c) With respect to each of the two groups of employees in  
7 subsection (a), the normal cost for each year after June 30,  
8 1994, shall be the percentage of the aggregate annual  
9 compensation of employees as of March 31 of the valuation year  
10 as determined by the actuary using the entry age normal cost  
11 funding method. On each June 30 the board shall determine the  
12 allocation of the assets of the pension accumulation fund  
13 between the two groups of employees in subsection (a); provided  
14 that the assets of the pension accumulation fund as of June 30,  
15 1976, shall be allocated between the two groups in the same  
16 proportion as the aggregate annual compensation of each group as  
17 of March 31, 1976.

18 (d) Commencing with fiscal year 1994-1995 and each  
19 subsequent fiscal year, the actuary shall determine the total  
20 unfunded accrued liability using the entry age normal cost  
21 funding method separately for each of the two groups of  
22 employees in subsection (a). The accrued liability contribution



1 for each of the two groups of employees shall be the annual  
2 payment required to liquidate the unfunded accrued liability  
3 over a period of twenty-nine years beginning July 1, 2000. Any  
4 increase or decrease in the total unfunded accrued liability  
5 resulting from legislative changes in the benefit provisions of  
6 the employees' retirement system shall be liquidated over a  
7 period of time to be determined by the actuary.

8 (e) Commencing with fiscal year 2005-2006 and each  
9 subsequent fiscal year, the employer contributions for normal  
10 cost and accrued liability for each of the two groups of  
11 employees in subsection (a) shall be based on fifteen and three-  
12 fourths per cent of the member's compensation for police  
13 officers, firefighters, and corrections officers and thirteen  
14 and three-fourths per cent of the member's compensation for all  
15 other employees. The contribution rates shall amortize the  
16 total unfunded accrued liability of the entire plan over a  
17 period not to exceed thirty years. The contribution rates shall  
18 be subject to adjustment:

19 (1) If the actual period required to amortize the unfunded  
20 accrued liability exceeds thirty years;



- 1           (2) If the actual period required to amortize the unfunded
- 2                   accrued liability falls below the established
- 3                   benchmark funding period of twenty-five years; or
- 4           (3) Based on the actuarial investigation conducted in
- 5                   accordance with section 88-105."

6           SECTION 2. Statutory material to be repealed is bracketed  
7 and stricken. New statutory material is underscored.

8           SECTION 3. This Act shall take effect on July 1, 2007.

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INTRODUCED BY:



JAN 24 2007



**Report Title:**

Employee Retirement System

**Description:**

Alters determination of actuarial valuations by removing statutory limit in salary increase assumptions and leaving determination in discretion of board of trustees.

