
HOUSE RESOLUTION

REQUESTING THE EMPLOYEES' RETIREMENT SYSTEM TO REVIEW AND
EVALUATE ITS ACTUARIAL METHODS AND ASSUMPTIONS.

1 WHEREAS, the Employees' Retirement System of the State of
2 Hawaii serves over one hundred fifteen thousand active members,
3 retirants, beneficiaries, and inactive vested members, both
4 within and outside the State, and currently pays approximately
5 \$1,100,000,000 in annual pension benefit payments to more than
6 forty-one thousand retirants and beneficiaries; and
7

8 WHEREAS, in its Report to the Board of Trustees on the 88th
9 Annual Actuarial Valuation for the Year Ending June 30, 2013,
10 the Employees' Retirement System reported a funded ratio of
11 sixty per cent (based on smoothed assets), an actuarial accrued
12 liability of \$21,244,000,000, and an unfunded actuarial accrued
13 liability of \$8,495,000,000; and
14

15 WHEREAS, in its investment performance report for the third
16 quarter of 2013, dated September 30, 2013, the Employees'
17 Retirement System reported investments and assets of
18 approximately \$13,000,000,000, which could be used to pay the
19 \$21,244,000,000 of actuarial accrued liability; and
20

21 WHEREAS, in determining costs and liabilities, actuaries
22 use assumptions about the future, such as rates of salary
23 increase, probabilities of retirement, termination, death and
24 disability, and an investment return assumption; and
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26 WHEREAS, in addition to the actuarial assumptions,
27 actuaries also make use of an actuarial funding method to
28 allocate costs to particular years; and
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30 WHEREAS, according to the Employees' Retirement System, the
31 actuarial method used in its valuation is the Entry Age
32 Actuarial Cost Method; and
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34 WHEREAS, according the Employees' Retirement System, the
35 assumptions used in its valuation included the following:



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2 (1) Economic assumptions, including assumptions regarding
3 such factors as investment return, payroll growth
4 rate, and salary increase rate;
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- 6 (2) Demographic assumptions, including assumptions
7 regarding such factors as post-retirement mortality
8 rates, pre-retirement mortality rates, disability
9 rates, termination rates, and retirement rates; and
10
- 11 (3) Other assumptions, including assumptions regarding
12 such factors as marriage, age difference between
13 spouses, various elections that members may make,
14 administrative expenses, the timing of various events
15 that are relevant to eligibility and payment of
16 benefits, etc.; and
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18 WHEREAS, it is necessary to both understand the potential
19 impact of the actuarial methods and assumptions used and to
20 ensure that the actuarial methods and assumptions used are
21 current and appropriate, as current and future members,
22 retirants, beneficiaries, and inactive vested members are
23 depending on the sustainability and solvency of the Employees'
24 Retirement System; now, therefore,
25

26 BE IT RESOLVED by the House of Representatives of the
27 Twenty-seventh Legislature of the State of Hawaii, Regular
28 Session of 2014, that the Employees' Retirement System is
29 requested to hire and work with a consultant to review and
30 evaluate the actuarial methods, assumptions, and other
31 components that impact the funding of the Employees' Retirement
32 System; and
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34 BE IT FURTHER RESOLVED that the Employees' Retirement
35 System is requested to report its findings on the methodology
36 and assumptions currently used to estimate future pension
37 benefit payments and recommendations on the contribution rates
38 and other funding sources to ensure the sustainability and
39 solvency of the Employees' Retirement System; and
40



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1 BE IT FURTHER RESOLVED that certified copies of this
2 Resolution be transmitted to the Chairperson of the Board of
3 Trustees and to the Administrator of the Employees' Retirement
4 System of the State of Hawaii.
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OFFERED BY:

Cindy Evans

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Rory M. Kuleh

MAR 07 2014

