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## A BILL FOR AN ACT

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM.

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

SECTION 1. Section 88-103.7, Hawaii Revised Statutes, is amended to read as follows:

" ~~[f]~~ §88-103.7 ~~[f]~~ Information from the State and counties. (a) To fulfill its responsibilities under this chapter, the system ~~[may]~~ shall require any department or agency of the State or counties to furnish information to the system to carry out the purposes of this chapter. The system ~~[may]~~ shall specify the format in which the information shall be furnished.

Without limitation of the foregoing, the system ~~[may]~~ shall require that information be furnished in electronic format and that information with respect to payroll and personnel transactions:

- (1) Allocate payments, including bonuses, salary adjustments, payments for compensatory time, and workers' compensation, to monthly or other periods as requested by the system; ~~[and]~~
- (2) Specify the purpose or nature of the payment ~~[--]~~; and

1        (3) Indicate any changes or errors in payments that  
2                require correcting or updating.

3        (b) All departments and agencies of the State or counties  
4        shall furnish the information required by the system pursuant to  
5        this section in the format required by the system. The system  
6        shall notify each department or agency of the State or counties  
7        that is required to furnish information to the system of any  
8        change in the required format for the information. Each  
9        department or agency shall have one hundred eighty days from the  
10       date of the receipt of the notice of a change in the required  
11       format to update the format in which the required information is  
12       provided to the system.

13       (c) If a department or agency of the State or county fails  
14       to furnish the system with the information required pursuant to  
15       this section, the State or county shall pay to the system, on  
16       the first day of the fiscal year following the fiscal year in  
17       which the failure to furnish the required information occurred,  
18       an amount equal to the employer contributions payable by the  
19       State or county, relative to the department or agency that is  
20       not in compliance with this section, during the fiscal year in  
21       which the failure to furnish the required information occurred.  
22       This amount shall be applied to contributions required under

1 section 88-124 for the State and section 88-126 for the  
2 counties.

3 (d) If full payment of the amount required under  
4 subsection (c) is not made by the State or county on the first  
5 day of the fiscal year, then:

6 (1) Any unpaid amounts shall bear interest at the rate  
7 equal to the investment yield rate assumption in  
8 effect for actuarial valuations of the system; and

9 (2) Any payments received by the system for the State or  
10 county, except for payments made pursuant to sections  
11 88-46, 88-100, and 88-326, shall be applied first to  
12 accrued interest and then to the amount required to be  
13 paid under subsection (c).

14 (e) The system may waive the requirements of subsections  
15 (c) and (d) if the system determines, in its sole discretion,  
16 that the failure by the department or agency to furnish the  
17 required information in the required format is the result of an  
18 unforeseen system failure, natural disaster, or other unforeseen  
19 event.

20 (f) The system shall annually submit to the department of  
21 budget and finance and the legislature, not later than twenty  
22 days prior to the convening of each regular session, a report  
23 that details the following for the current fiscal year:

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(1) Any department or agency of the state or counties that failed to comply with this section; and

(2) Any amounts required to be paid under subsection (c), including the anticipated amounts payable in the upcoming fiscal year, and identification of any state budget programs that may be affected."

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

SECTION 3. This Act, upon its approval, shall take effect on July 1, 2016.

INTRODUCED BY:



BY REQUEST

JAN 26 2015

# H.B. NO. 921

**Report Title:**

Employees' Retirement System; Payroll and Personnel Transactions

**Description:**

Requires State and counties to furnish payroll and personnel transaction information to the Employees' Retirement System in the required format. If a department or agency fails to provide the information in the required format, the State or county will be required to pay to the system in a lump sum at the beginning of the fiscal year the amount equal to the employer contributions payable by the department or agency. Unpaid amounts bear interest.

*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 strengthen the authority of the Employees' Retirement System to obtain payroll and personnel transaction information from the State and counties by requiring the State and counties to report the information electronically.

MEANS: Amend section 88-103.7, Hawaii Revised Statutes.

JUSTIFICATION: When state and county employees retire, they are paid an estimated retirement benefit by the Employees' Retirement System until the system receives and audits the employees' final personnel and payroll records. The estimated benefit is usually less than an employee's actual benefit. If the Employees' Retirement System receives personnel and payroll records that are late, incomplete, or in a format that requires manual entry into the Employees' Retirement System's computer system, "finalization" and payment of retirants' benefits are delayed. Employers have little incentive to comply with the system's request for timely and accurate information in electronic format. This proposal provides an economic incentive for the State and counties to cooperate with the Employees' Retirement System in providing prompt payment of full retirement benefits to retired state and county employees.

If the State and counties do not provide the information requested in the required format, this proposal requires employers to pay their employer contributions at the beginning of the following fiscal year

(rather than on a monthly basis) in which the failure occurred. Any unpaid amounts would be subject to interest based on a rate equal to the investment yield assumption of the Employees' Retirement System.

Impact on the public: None.

Impact on the department and other agencies:  
Possible earlier payment of employer contributions to the Employees' Retirement System.

|                              |                    |
|------------------------------|--------------------|
| GENERAL FUND:                | None.              |
| OTHER FUNDS:                 | None.              |
| PPBS PROGRAM<br>DESIGNATION: | BUF-141/Retirement |
| OTHER AFFECTED<br>AGENCIES:  | None.              |
| EFFECTIVE DATE:              | July 1, 2016.      |