
A BILL FOR AN ACT

RELATING TO ACTUARIAL COSTS OF SEPARATION OF PUBLIC EMPLOYEES
FROM SERVICE.

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

1 SECTION 1. The purpose of this Act is to require an
2 employer to pay the employees' retirement system the actuarial
3 cost when the employer separates a significant number of
4 employees from public service, including by transferring
5 facilities or services to an entity other than an employer whose
6 employees are entitled to membership in the employees'
7 retirement system.

8 The legislature finds that the elimination of state and
9 county employee positions, through privatization or closure of
10 state or county facilities or through workforce restructuring,
11 may adversely impact the funded status and sustainability of the
12 employees' retirement system. Contributions by state and county
13 employers to the employees' retirement system are based on a
14 percentage of each employer's payroll and include payments
15 toward the accrued pension liability of the employees'
16 retirement system. If an employer reduces the employer's



1 payroll by eliminating employee positions, the employer's
2 contributions to the employees' retirement system are reduced,
3 including payments towards the accrued pension liability.
4 Reducing payments towards the accrued pension liability impedes
5 the reduction of the unfunded accrued liability of the
6 employees' retirement system. To prevent extending the funding
7 period for the unfunded accrued liability, contributions to the
8 employees' retirement system by all state and county employers
9 need to be increased.

10 The purpose of this Act is to ensure that an employer, who
11 separates a significant number of employees from public service,
12 bears the economic responsibility to the employees' retirement
13 system for the consequences of such action.

14 SECTION 2. Chapter 88, Hawaii Revised Statutes, is amended
15 by adding a new section to part II to be appropriately
16 designated and to read as follows:

17 "§88- Payment of actuarial costs of separating a
18 significant number of members from service. (a) If an
19 employing agency separates a significant number of employees
20 from service, the employing agency shall pay to the system an
21 amount equal to the actuarial cost resulting from the separation



1 from service and the associated fees for the determination by
2 the system's actuary. Payment shall be made before October 1 of
3 the second fiscal year following the separation from service;
4 provided that the board may, on such terms as it deems
5 reasonable, extend the time for payment and permit payment in
6 installments. The system may also charge an employing agency
7 the associated fees for preparing estimates of the actuarial
8 cost resulting from any proposed separation from service of a
9 significant number of employees.

10 (b) The actuarial cost to the system resulting from the
11 separation of service shall include:

12 (1) The expected payments towards the unfunded actuarial
13 accrued liability over the period described in
14 subsection (c) (1); and

15 (2) The present value of any actuarial liability loss,
16 measured using the actuarial assumptions in subsection
17 (c) (2).

18 (c) As of July 1 of the fiscal year following separation,
19 the actuarial cost to the system shall be determined by the
20 system's actuary based on:



1 (1) An amortization period equal to the shorter of twenty-
2 five years or the remainder of the amortization period
3 used for the current employer contribution rate under
4 section 88-122; and

5 (2) The actuarial assumptions in effect for the valuation
6 of the system as of the end of the fiscal year during
7 which the separation from service occurred; provided
8 that the investment return assumption shall be reduced
9 by one percentage point.

10 (d) For the purposes of this section:

11 "Employing agency" means any state or county department,
12 agency, board, or commission attached to a state or county
13 department for administrative purposes, including the Hawaii
14 health systems corporation, university of Hawaii, and office of
15 Hawaiian affairs.

16 "Separation from service" means terminating:

17 (1) An individual's employment by abolishing the position
18 held by the employee, including the transfer of all or
19 a portion of an employing agency's functions,
20 services, or facilities to a private entity or the



1 closure of a facility operated by an employing agency;

2 or

3 (2) The inclusion of an employing agency's employees in
4 the system.

5 "Significant number" means a number equal to or greater
6 than the lesser of the number of employees equal to:

7 (1) One per cent of all active members of the system at
8 the end of the fiscal year immediately prior to the
9 fiscal year during which the positions are abolished;

10 or

11 (2) Five per cent of the positions to which the employing
12 agency was entitled at the end of the fiscal year
13 immediately prior to the fiscal year during which the
14 positions are abolished."

15 SECTION 3. New statutory material is underscored.

16 SECTION 4. This Act shall take effect on July 1, 2050.



Report Title:

Employees' Retirement System; Separation from Service; Public Employees

Description:

Requires an employer who separates a significant number of employees from public service to pay the Employees' Retirement System any actuarial loss incurred due to separation from service. (HB1065 HD1)

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