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# A BILL FOR AN ACT

RELATING TO EMPLOYER CONTRIBUTIONS TO THE EMPLOYEES' RETIREMENT  
SYSTEM.

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

1           SECTION 1. The purpose of this Act is to facilitate the  
2 payment by the State and counties of contributions to the  
3 employees' retirement system in advance of the fiscal year in  
4 which the contributions are required by allowing the payments to  
5 be held by the system and credited against the future  
6 obligations of the employers.

7           In allowing advance payments to the employees' retirement  
8 system by the State and counties, it is not the intent of the  
9 legislature to require separate accounts to be maintained for  
10 each employer that can only be used to pay benefits of a  
11 particular employer's employees. The legislature recognizes  
12 that, for purposes of the standards of the Government Accounting  
13 Standards Board, the employees' retirement system is a cost-  
14 sharing multiple-employer pension plan in which the pension  
15 obligations to the employees of the State and counties are  
16 pooled and the assets of the employees' retirement system can be



1 used to pay the pensions of all State and county employees who  
2 are members of the system.

3 SECTION 2. Chapter 88, Hawaii Revised Statutes, is amended  
4 by adding a new section to be appropriately designated and to  
5 read as follows:

6 "§88- Advance payments of State and county contributions  
7 to the system. (a) The State and counties may pay to the  
8 system amounts in excess of the annual amounts required to be  
9 paid pursuant to this chapter. The payments shall be made, and  
10 the system shall hold, account for, and apply the payments, as  
11 provided in this section.

12 (b) The State or county shall notify the system in writing  
13 whether any payment it makes to the system should be applied to  
14 payment of its contributions for the current fiscal year or  
15 credited to its contributions for future fiscal years. If the  
16 State or a county fails to provide written notice whether a  
17 payment applies to payment of contributions for the current  
18 fiscal year or is to be credited to contributions for future  
19 fiscal years, or if the State or a county provides written  
20 notice that a payment should be applied to contributions for the  
21 current fiscal year, section 88-124 or section 88-126 shall



1 apply to the payment. If the State or a county provides written  
2 notice to the system that a payment should be credited to  
3 contributions for future fiscal years, this section shall apply  
4 to the payment.

5 (c) The State and counties may be credited with interest  
6 on their advance payment credits on the last day of each fiscal  
7 year, based on the average monthly balance as of the last day of  
8 each month, of their advance payment credit during the fiscal  
9 year. The interest rate shall be set by the board; provided  
10 that the interest rate shall not be greater than the investment  
11 return for the fiscal year.

12 (d) Within sixty days following the end of each fiscal  
13 year, the system shall notify the State and the counties of  
14 their respective advance payment credits as of the end of the  
15 fiscal year.

16 (e) The State or a county may, by written notice to the  
17 system, apply all or a portion of their respective advance  
18 payment credit to the payment of contributions. The written  
19 notice shall be given to the system no later than one hundred  
20 twenty days following the start of fiscal year in which the  
21 payment will be applied and shall specify the amount of the



1 advance payment credit to be applied. The advance payment  
2 credits shall be applied in the same manner as contributions  
3 made pursuant to sections 88-124 and 88-126.

4 (f) Payments by the State and counties in excess of the  
5 annual amounts required to be paid to the system pursuant to  
6 this part shall be included in the pension accumulation fund,  
7 even though the payments have not been applied to the  
8 contribution obligations of the State or counties. Advance  
9 payment credits shall not be taken into account in determining  
10 the system's unfunded accrued liability for purposes of section  
11 88-122, or in determining employer contribution rates, until the  
12 system has received written notice that the advance payment  
13 credits should be applied to payment of the contribution  
14 obligations for the current year.

15 (g) For purposes of this section, "advance payment credit"  
16 means the sum of all payments credited to contributions for  
17 future fiscal years, less sums deducted to pay contributions,  
18 together with interest credited thereon."

19 SECTION 3. New statutory material is underscored.

20 SECTION 4. This Act shall take effect on July 1, 2018.



**Report Title:**

Employees' Retirement System; Employer Contributions

**Description:**

Allows payment of employer contributions to the Employees' Retirement System in advance of the fiscal year in which the contributions are required; provides for interest on and application of the advance payments. (SD1)

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