

JAN 24 2018

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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 part. The payments shall be made, and the  
10 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  
22 apply to the payment. If the State or a county provides written  
23 notice to the system that a payment should be credited to

1 contributions for future fiscal years, this section shall apply  
2 to the payment.

3 (c) "Advance payment credit" shall mean the sum of all  
4 payments credited to contributions for future fiscal years, less  
5 sums deducted to pay contributions, together with interest  
6 credited thereon.

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

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

18 (f) The State or a county may, by written notice to the  
19 system, apply all or a portion of their respective advance  
20 payment credit to the payment of contributions. The written  
21 notice shall be given to the system no later than one hundred  
22 twenty days following the start of fiscal year in which the  
23 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 (g) 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 SECTION 3. New statutory material is underscored.

16 SECTION 4. This Act shall take effect, upon its approval,  
17 on July 1, 2018.

18  
19 INTRODUCED BY: 

20 BY REQUEST  
21

**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.

*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 EMPLOYER CONTRIBUTIONS TO THE EMPLOYEES' RETIREMENT SYSTEM.

PURPOSE: To facilitate transmittal by the State and counties of monies to the Employees' Retirement System (ERS) in advance of the fiscal year in which employer contributions are required.

MEANS: Add a new section to chapter 88, Hawaii Revised Statutes.

JUSTIFICATION: Currently, the ERS is not able to accept employer contributions in advance of the fiscal year in which the contributions are required. This bill would allow employers to remit cash in advance and to receive credit against future contribution obligations.

Impact on the public: None.

Impact on the department and other agencies:  
Allows the State to pay employer contributions to the ERS in advance of the fiscal year in which the contributions are required and to receive credit against future required payments.

GENERAL FUND: None.

OTHER FUNDS: None.

PPBS PROGRAM DESIGNATION: BUF-141/Retirement.

OTHER AFFECTED AGENCIES: None.

EFFECTIVE DATE: July 1, 2018.