

DEPARTMENT OF BUDGET AND FISCAL SERVICES
KA 'OIHANA MĀLAMA MO'OHELU A KĀLĀ
CITY AND COUNTY OF HONOLULU

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April 1, 2026

The Honorable Chris Todd, Chair
The Honorable Jenna Takenouchi, Vice-Chair
and Members of the House Committee on Finance
State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair Todd, Vice-Chair Takenouchi, and Committee Members:

SUBJECT: Testimony in Support of Senate Bill ("SB") 3096, SD1, HD1
Relating to the Employee's Retirement System's ("ERS") Employer
Contributions for Normal Cost and Accrued Liability
Hearing: April 2, 2026 at 2:00 p.m., Conference Room 308
and via Videoconference

The Department of Budget and Fiscal Services, City and County of Honolulu ("City") **supports** the intent of SB 3096, SD1, HD1 to maintain the long-term fiscal viability of the ERS. We appreciate the delayed implementation date beginning July 1, 2027 (Fiscal Year 2028). The later implementation date will allow the City to appropriately plan, budget and fund the increased employer contribution rates for police officers and firefighters.

For the reason stated above, the City **supports** SB 3096, SD1, HD1.

Mahalo for the opportunity to testify on this bill. Should you have any questions or concerns, please feel free to contact the Department of Budget and Fiscal Services at (808) 768-3900 or bfsmail@honolulu.gov.

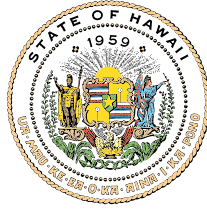
Sincerely,

A handwritten signature in blue ink that reads "Andrew T. Kawano".

Andrew T. Kawano
Director

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LIEUTENANT GOVERNOR



KALBERT K. YOUNG
EXECUTIVE DIRECTOR

GAIL STROHL
DEPUTY EXECUTIVE DIRECTOR

**STATE OF HAWAII
EMPLOYEES' RETIREMENT SYSTEM**

**TESTIMONY BY KALBERT YOUNG
EXECUTIVE DIRECTOR, EMPLOYEES' RETIREMENT SYSTEM
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE
ON
SENATE BILL NO. 3096 SD1 HD1**

April 2, 2026

2:00 P.M.

Conference Room 308 and VIA Videoconference

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM.

Chair Todd, Vice Chair Takenouchi, and Members of the Committee,

The Board of Trustees of the Employees' Retirement System (ERS) thanks you for the opportunity to testify in strong support of SB 3096 SD1 HD1.

SB 3096 SD1 HD1 proposes to increase employer contributions for police officers, firefighters, and certain investigators by three percent effective with Fiscal Year 2028 to ensure that the ERS's unfunded accrued liability does not exceed the statutorily established maximum funding period.

SB 3096 SD1 HD1 is necessary because a recent annual review of the pension liability of the Hawaii Employees' Retirement System evidenced regression in the progress toward achieving full funding of the system's liability. The increased contributions on the employers of these groups better align with the actuarial needs to provide for the benefits to which their employees are entitled and limits the groups increasing liability from being subsidized by other employers and members of the system. The changes proposed in SB 3096 SD1 HD1 are a responsible and necessary step toward the long-term sustainability and fiscal integrity for this group of employees and the system.



Employees' Retirement System
of the State of Hawaii

The contributions for normal cost and accrued liability are assessed separately for this group to appropriately fund the level of retirement benefits provided. The liability for this group of employees increased due to a continued trend of higher than projected or forecasted salary increases. Unlike other members of the system whose accrued liability is decreasing year-over-year and on track to be eliminated in the year 2046 (21 years from the Actuarial Valuation Report ending June 30, 2025), the liability for this group has actually grown and is extending the period in which full funding is expected to be reached to 2049.

The funding period maximum was established to ensure an appropriate and prudent response to increasing unfunded liabilities in the system as the funded ratio progresses. This group's 24-year funding period meets the current 24-year maximum for FY 2025 and threatens to breach subsequently scheduled year-over-year reductions which plateau at a maximum of 20 years.

While the contribution rates are statutorily subject to adjustment if the period to fund the accrued liabilities exceeds the maximum funding period, they are also subject to adjustment in response to actuarial findings. Addressing funding gaps sooner helps prevent far more difficult and costly decisions in the future and protects both employees and taxpayers from greater financial risk. Increasing the employer contributions for the specified group will prevent increases for all employers who share liability across the system.

While increased contributions are never easy, proactive adjustments are essential to preserving the solvency of the system and safeguarding earned benefits for current and future retirees. This measure demonstrates a commitment to honoring the promises made to our public safety professionals while maintaining a stable and reliable retirement structure.

The Board of Trustees of the ERS thanks the committee for the opportunity to provide testimony in support of SB 3096 SD1 HD1 and requests your favorable consideration.