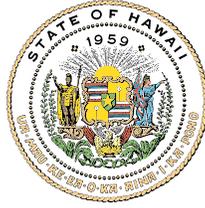


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**STATE OF HAWAII
EMPLOYEES' RETIREMENT SYSTEM**

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

February 25, 2026

10:55 A.M.

Conference Room 211 and VIA Videoconference

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM.

Chair Dela Cruz, Vice Chair Moriwaki, 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.

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

SB 3096 SD1 is necessary because a recent annual review of the pension liability of the Hawaii Employees' Retirement System evidenced uneven progress towards eventually achieving full funding for the 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 increasing liability from being subsidized by other employers and members of the system. The changes proposed in SB 3096 SD1 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 and requests your favorable consideration.