

ACT 41

S.B. NO. 3030

A Bill for an Act Relating to the Employees' Retirement System.

Be It Enacted by the Legislature of the State of Hawaii:

SECTION 1. Section 88-45, Hawaii Revised Statutes, is amended to read as follows:

“§88-45 Employee contributions. [After June 30, 1965, the normal contribution by each class A and class B member to the annuity savings fund shall be six per cent of the member's compensation; provided that after:

- (1) June 30, 1967, all firefighters, police officers, and investigators of the department of the prosecuting attorney shall contribute ten and four-tenths per cent of their compensation;
- (2) June 30, 1977, all corrections officers shall contribute ten and four-tenths per cent of their compensation; and
- (3) June 16, 1981, investigators of the department of the attorney general shall contribute ten and four-tenths per cent of their compensation.

In addition to the foregoing, all class A and class B members including firefighters, police officers, corrections officers, and investigators of the departments of the prosecuting attorney and of the attorney general shall contribute one and eight-tenths per cent of compensation to the post retirement fund.] After June 30, 1988, each class A and class B member shall contribute seven and eight-tenths per cent of the member's compensation to the annuity savings fund; provided that after June 30, 1988, all firefighters, police officers, corrections officers, and investigators of the departments of the prosecuting attorney and of the attorney general shall contribute twelve and two-tenths per cent of their compensation to the annuity savings fund.”

SECTION 2. Section 88-46, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

“(a) The head of each state department and the finance director of each county shall cause to be deducted from the salary of each class A or class B member on each and every payroll under his jurisdiction, for each and every payroll period, the percentage of compensation of each member as provided under section 88-45. The total amount of deductions made from the salaries of employees and a record of the amount deducted from each member's compensation shall be transmitted to the system monthly or at such other times as may be agreed upon by the board of

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trustees. The amounts so deducted shall be paid into the annuity savings fund [and the post retirement fund] and shall be credited to the individual [accounts] account of the member from whose compensation the deductions were made. Regular interest shall also be credited to the individual account of the member in the annuity savings fund."

SECTION 3. Section 88-84, Hawaii Revised Statutes, is amended to read as follows:

"§88-84 Ordinary death benefit. Upon the receipt of proper proofs of a member's death in service, there shall be paid to the member's beneficiary, otherwise to the member's estate, an ordinary death benefit consisting of:

- (1) The member's accumulated contributions and if no pension is payable under [the provisions of] section 88-85, in addition thereto, and
- [(2)] The member's contributions to the post retirement fund, and
- (3) (2) An amount equal to fifty per cent of the compensation earned by the member during the year immediately preceding the member's death if the member had at least one year but not more than ten full years of credited service, which amount shall increase by five per cent of such compensation for each full year of service in excess of ten years, to a maximum of one hundred per cent of such compensation; provided that if the member had at least one year of credited service, the amount, together with the member's accumulated contributions shall not be less than one hundred per cent of the compensation.

If the member was eligible for service retirement at the time of the member's death in service, [and the death occurred after March 1, 1987,] the member's designated beneficiary, may elect to receive in lieu of any other payments provided in this section, the allowance which would have been payable if the member had retired the day prior to death and had elected to receive [the member's] a retirement allowance under option 2 of section 88-83."

SECTION 4. Section 88-107, Hawaii Revised Statutes, is amended to read as follows:

"§88-107 Interest. The board of trustees shall annually allocate the interest and other earnings of the system to the funds of the system, as follows:

- (1) The annuity savings fund shall be credited with the amount of regular interest credited to members' accounts; and
- [(2)] The mean amount of the preceding year in the post retirement fund shall be credited with interest at the investment yield rate applied in actuarial valuations; and
- (3) (2) The remaining investment earnings, if any, shall be credited to the pension accumulation fund.

The amounts to be contributed to the pension accumulation fund by the State and counties shall be reduced by any investment earnings in excess of the investment yield rate applied in actuarial valuations. Any additional amount required to meet the investment yield rate for the preceding year shall be paid by the State and counties, and shall be credited to the pension accumulation fund."

SECTION 5. Section 88-109, Hawaii Revised Statutes, is amended to read as follows:

"§88-109 Funds of the system. The assets of the system are assigned to the following funds hereby created:

- (1) The annuity savings fund;

- (2) The pension accumulation fund;
- (3) The pension bonus fund;
- [(4) The post retirement fund;
- (5)] (4) The expense fund; and
- [(6)] (5) The minimum pension fund.”

SECTION 6. Section 88-112, Hawaii Revised Statutes, is amended to read as follows:

“§88-112 Annuity savings fund; annual statement. The annuity savings fund shall be comprised of the members’ accumulated contributions[.], which beginning July 1, 1988, shall include any contributions made by the member to the post retirement fund. A member shall be mailed an annual statement showing the member’s accumulated contributions upon request therefor.”

SECTION 7. Section 88-122, Hawaii Revised Statutes, is amended by amending subsection (d) to read as follows:

“(d) The total unfunded accrued liability as of July 1, [1976,] 1987, shall be fixed at [\$239,000,000,] \$470,000,000, and shall be allocated as follows: [\$32,000,000] \$61,000,000 to police officers, firefighters, and corrections officers, and [\$207,000,000] \$409,000,000 to all other employees. With respect to each of the two groups of employees in subsection (a), the accrued liability contribution for each year after June 30, [1976,] 1988, shall be the level annual payment required to liquidate such unfunded accrued liability over [the remainder of] the period of [fifty] twenty-eight years beginning July 1, [1964.] 1988.”

SECTION 8. Section 88-115, Hawaii Revised Statutes, is repealed.

SECTION 9. Statutory material to be repealed is bracketed. New statutory material is underscored.¹

SECTION 10. This Act shall take effect on July 1, 1988.

(Approved May 10, 1988.)

Note

- 1. Edited pursuant to HRS §23G-16.5.