

## ACT 147

H.B. NO. 2460

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

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

SECTION 1. The tragic terrorist attacks on the East Coast have had a profound negative economic impact on Hawaii and the rest of the United States. On November 14, 2001, the Council of Revenues amended its previous projections by reducing the fiscal year 2001-2002 projection from 4.1 per cent to -0.7 per cent and the fiscal year 2002-2003 projection from 5.2 per cent to 5.1 per cent.

The contrary situation of reduced revenues and increased funding requirements require an in-depth review of both resources and costs. The magnitude of the State's economic downturn requires the review of all areas, including non-discretionary expenditures.

The contractual relationship of the State, counties, and the employees' retirement system (ERS) is protected under article XVI, section 2, of the State Constitution. Chapter 88, Hawaii Revised Statutes, provides the requirements for employer contributions to the ERS.

The purpose of this Act is to reduce the annual contributions of public employers to the ERS by amortizing liability over a longer time period. Specifically, this Act extends the payment period to liquidate ERS's unfunded accrued liability from fifteen years to twenty-nine years beginning plan year 2001.

SECTION 2. Section 88-122, Hawaii Revised Statutes, is amended by amending subsection (d) to read as follows:

“(d) Commencing with the 1995 fiscal year and each subsequent fiscal year, the actuary shall determine the total unfunded accrued liability using the entry age normal cost funding method separately for each of the two groups of employees in subsection (a). The accrued liability contribution for each of the two groups of employees shall be the annual payment required to liquidate the unfunded accrued liability over a period of [~~twenty-one years beginning July 1, 1995.~~] twenty-nine years beginning July 1, 2000. Any increase or decrease in the total unfunded accrued liability resulting from legislative changes in the benefit provisions of the employ-

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ees' retirement system shall be liquidated over a period of time to be determined by the actuary."

SECTION 3. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 4. This Act, upon its approval, shall take effect retroactive to July 1, 2000.

(Approved June 7, 2002.)