

ACT 56

H.B. NO. 632

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 board of trustees of the employees' retirement system of the State of Hawaii may adopt reasonable actuarial assumptions for the purposes of chapter 88, Hawaii Revised Statutes. Such purposes include the valuation of the assets and liabilities of the funds of the employees' retirement system and the determination of the actuarial equivalence, of amounts payable under the benefit options available to beneficiaries of the system under sections 88-83, 88-283, and 88-333, Hawaii Revised Statutes, to the 'maximum allowance' payable under parts II, VII, and VIII of chapter 88, Hawaii Revised Statutes.

Since 1961, beneficiaries of the employees' retirement system have been entitled to a post retirement allowance providing for a fixed annual increase in the benefits payable to them. Other public pensions, with retirement benefit provisions similar to the system's, include the effect of such post retirement adjustments in the actuarial assumptions on which the actuarial equivalency of benefit options are determined. The effect of the post retirement allowance is one of the assumptions used by the employees' retirement system's actuary to value the system's assets and liabilities.

Although it is reasonable and equitable to include the effect of the post retirement allowance as an assumption in the actuarial equivalency determinations that are required by sections 88-83, 88-283, and 88-333, the attorney general has advised the system that the language of the statutes precludes the adoption of such an assumption for such purpose.

The purpose of this Act is to amend chapter 88 to permit the board of trustees of the employees' retirement system to approve the effect of post retirement

allowances as an assumption for the purpose of establishing the amounts payable under the benefit options available pursuant to sections 88-83, 88-283, and 88-333.

SECTION 2. Chapter 88, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

“**§88- Actuarial assumptions.** Notwithstanding any provision in chapter 88 to the contrary, the board of trustees may approve the effect of the post retirement allowance under section 88-90, or of any other mandatory fixed scheduled increase in the benefits payable under part II, VII, or VIII, as an actuarial assumption for the purpose of determining the value of the options available under sections 88-83, 88-283, and 88-333.”

SECTION 3. New statutory material is underscored.¹

SECTION 4. This Act, upon its approval, shall take effect retroactive to December 1, 2004; provided that this Act shall not be applied so as to reduce the amount of any benefit payable under chapter 88, Hawaii Revised Statutes, to a member of the employees' retirement system retiring after November 30, 2004, but before August 1, 2005.

(Approved May 17, 2005.)

Note

1. Edited pursuant to HRS §23G-16.5.