

ACT 256

S.B. NO. 1284

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 purpose of this measure is to establish a policy framework to enable the employees' retirement system to eventually eliminate its \$5,100,000,000 unfunded liability. The framework set forth in this measure to enable the employees' retirement system to become fully funded over a reasonable length of time (twenty-nine years is contemplated in this measure) is dependent on several factors, including, for example, stability in the level of benefits received by

current and former employees. If future legislatures grant additional benefits (which includes earlier retirements), the time it will take for the employees' retirement system to become fully funded will be lengthened, perhaps significantly, depending on the level of benefit enhancements granted.

SECTION 2. Section 88-105, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

“(a) At least once in each five-year period, commencing with fiscal year 1994-1995, the actuary shall make an actuarial investigation of the experience of the system and shall recommend to the board of trustees the adoption for actuarial valuation of the system of ~~[such]~~ mortality, service, and other tables as shall be deemed appropriate and necessary, and the actuary shall recommend to the legislature for its adoption the investment yield rate ~~[and annual salary increase assumption]~~. The actuary shall further recommend the acceptable funded ratio for the system, taking into consideration the guaranties of article XVI, section 2 of the state constitution, section 88-107, and section 88-127.”

SECTION 3. Section 88-122, Hawaii Revised Statutes, is amended as follows:

1. By amending subsection (b) to read:

“(b) The actuarial valuations made for years after June 30, 1999, shall be based on an eight per cent investment yield rate, ~~[assumed]~~ salary ~~[increases of four per cent,]~~ increase assumptions adopted by the board on the recommendation of the actuary described under section 88-30, and tables, contribution rates, and factors adopted by the board or legislature for actuarial valuations of the system, subject to recommendations made by the actuary appointed under section 88-29.”

2. By amending subsection (e) to read:

“(e) Commencing with fiscal year 2005-2006 and each subsequent fiscal year, the employer contributions for normal cost and accrued liability for each of the two groups of employees in subsection (a) shall be based on fifteen and three-fourths per cent of the member's compensation for police officers, firefighters, and corrections officers and thirteen and three-fourths per cent of the member's compensation for all other employees. Commencing with fiscal year 2008-2009 and each subsequent fiscal year, the employer contributions for normal cost and accrued liability for each of the two groups of employees in subsection (a) shall be based on nineteen and seven-tenths per cent of the member's compensation for police officers, firefighters, and corrections officers and fifteen per cent of the member's compensation for all other employees. The contribution rates shall amortize the total unfunded accrued liability of the entire plan over a period not to exceed thirty years. Effective January 2, 2008 until January 2, 2011, there shall be no benefit enhancements under this chapter for any group of members, including any reduction of retirement age, when there is an unfunded accrued liability.

The contribution rates shall be subject to adjustment:

- (1) If the actual period required to amortize the unfunded accrued liability exceeds thirty years;
- (2) If ~~[the actual period required to amortize the unfunded accrued liability falls below the established benchmark funding period of twenty-five years;]~~ there is no unfunded accrued liability; or
- (3) Based on the actuarial investigation conducted in accordance with section 88-105.”

SECTION 4. Statutory material to be repealed is bracketed and stricken.
New statutory material is underscored.

SECTION 5. This Act shall take effect on July 1, 2007.

(Approved July 5, 2007.)