

ACT 19

H.B. NO. 2336

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

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

SECTION 1. The purpose of this Act is to facilitate the payment by the State and counties of contributions to the employees' retirement system in advance of the fiscal year in which the contributions are required by allowing the payments to be held by the system and credited against the future obligations of the employers.

In allowing advance payments to the employees' retirement system by the State and counties, it is not the intent of the legislature to require separate accounts to be maintained for each employer that can only be used to pay benefits of a particular employer's employees. The legislature recognizes that, for purposes of the standards of the Government Accounting Standards Board, the employees' retirement system is a cost-sharing multiple-employer pension plan in which the pension obligations to the employees of the State and counties are pooled and the assets of the employees' retirement system can be used to pay the pensions of all State and county employees who are members of the system.

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

"§88- Advance payments of State and county contributions to the system. (a) The State and counties may pay to the system amounts in excess of the annual amounts required to be paid pursuant to this chapter. The payments shall be made, and the system shall hold, account for, and apply the payments, as provided in this section.

(b) The State or a county shall notify the system in writing whether any payment it makes to the system should be applied to payment of its contributions for the current fiscal year or credited to its contributions for future fiscal years. If the State or a county fails to provide written notice whether a payment applies to payment of contributions for the current fiscal year or is to be credited to contributions for future fiscal years, or if the State or a county provides

written notice that a payment should be applied to contributions for the current fiscal year, section 88-124 or section 88-126 shall apply to the payment. If the State or a county provides written notice to the system that a payment should be credited to contributions for future fiscal years, this section shall apply to the payment.

(c) The State and counties may be credited with interest on their advance payment credits on the last day of each fiscal year, based on the average monthly balance as of the last day of each month, of their advance payment credit during the fiscal year. The interest rate shall be set by the board; provided that the interest rate shall not be greater than the investment return for the fiscal year.

(d) Within sixty days following the end of each fiscal year, the system shall notify the State and the counties of their respective advance payment credits as of the end of the fiscal year.

(e) The State or a county may, by written notice to the system, apply all or a portion of their respective advance payment credit to the payment of contributions. The written notice shall be given to the system no later than one hundred twenty days following the start of fiscal year in which the payment will be applied and shall specify the amount of the advance payment credit to be applied. The advance payment credits shall be applied in the same manner as contributions made pursuant to sections 88-124 and 88-126.

(f) Payments by the State and counties in excess of the annual amounts required to be paid to the system pursuant to this part shall be included in the pension accumulation fund, even though the payments have not been applied to the contribution obligations of the State or counties. Advance payment credits shall not be taken into account in determining the system's unfunded accrued liability for purposes of section 88-122, or in determining employer contribution rates, until the system has received written notice that the advance payment credits should be applied to payment of the contribution obligations for the current year.

(g) For purposes of this section, "advance payment credit" means the sum of all payments credited to contributions for future fiscal years, less sums deducted to pay contributions, together with interest credited thereon."

SECTION 3. New statutory material is underscored.¹

SECTION 4. This Act shall take effect on July 1, 2018.

(Approved June 4, 2018.)

Note

1. Edited pursuant to HRS §23G-16.5.