

TESTIMONY BY WESLEY K. MACHIDA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE SENATE COMMITTEE ON JUDICIARY AND LABOR  
SENATE BILL NO. 158

January 29, 2015

RELATING TO THE BUDGET DOCUMENTS

Senate Bill No. 158 amends Sections 37-69 and 37-71, Hawaii Revised Statutes, and requires the six-year program and financial plan and budget documents to include information about pension and other post-employment benefit (OPEB) liabilities. The information must be provided for the last completed fiscal year, the fiscal year in progress, and each of the six ensuing fiscal years and include information on the unfunded actuarial accrued liability (UAAL), funded ratio, funding period and annual required contribution (ARC), as specified in the latest actuarial valuation report available.

We will be able to meet this requirement and propose to include the pension and OPEB liability information in the budget documents as part of the Appendix to the Governor's Message where we also include overview statements on the general fund expenditure ceiling, tax refund or credit and deposit to the emergency and budget reserve fund, and the debt limit. Further, it should be noted that the pension and OPEB liability information provided in the budget documents will be based on the latest available actuarial reports which, because of timing issues, may not be based on the most recent completed fiscal year.

Consequently, we recommend that the proposed paragraph (10) to Section 37-69(c), Hawaii Revised Statutes, be amended to read:

“A summary of the state government’s pension liability and other post-employment benefit liability for which the most current information is available including:

- (A) Unfunded actuarial accrued liability specified in the latest actuarial valuation report available in the pertinent fiscal year;
- (B) Funded ratio specified in the latest actuarial valuation report available in the pertinent fiscal year;
- (C) Funding period specified in the latest actuarial valuation report available in the pertinent fiscal year; and
- (D) Annual required contribution for the pertinent fiscal year and the proportion of the annual required contribution budgeted to be paid in that fiscal year.”