
A BILL FOR AN ACT

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Chapter 88, part II, Hawaii Revised Statutes,
2 is amended by adding a new section to subpart D to be
3 appropriately designated and to read as follows:

4 "§88- Stress test; annual report. (a) The actuary
5 shall conduct an annual stress test of the system.

6 (b) The board shall submit an annual report to the
7 legislature, not later than twenty days prior to the convening
8 of each regular session, on the results of the actuary's stress
9 test.

10 (c) For the purposes of this section, a "stress test"
11 shall address:

12 (1) Projections of assets, liabilities, pension debt,
13 service costs, employee contributions, employer
14 contributions, net amortization, benefit payments,
15 payroll, and funded ratio for the employees'
16 retirement system for each of the next thirty years



1 based upon the then-current actuarial assumptions,
2 including the assumed rate of return;
3 (2) Projections for the items listed in paragraph (1),
4 assuming that investment returns are two percentage
5 points lower than the assumed rate of return and that
6 the State makes employer contributions:
7 (A) Based upon the then-current funding policy for
8 the employees' retirement system; and
9 (B) That are held constant at the levels calculated
10 for paragraph (1);
11 (3) Estimates of the items listed in paragraph (1), if
12 there is a one year loss on planned investments of
13 twenty per cent followed by a twenty-year period of
14 investment returns two percentage points below plan
15 assumptions, with the following assumptions regarding
16 contribution policy:
17 (A) Employer contributions are adjusted based upon
18 current policy; and
19 (B) Employer contributions are held constant at the
20 levels calculated for the baseline projections;
21 and



H.B. NO. 1182

1 (4) The estimated actuarially accrued liability, the total
 2 plan normal cost for all benefit tiers, and the
 3 employer normal cost for all benefit tiers, calculated
 4 using:
 5 (A) A discount rate equal to the assumed rate of
 6 return; and
 7 (B) The ten-year average of the yield of thirty-year
 8 treasury notes."

9 SECTION 2. New statutory material is underscored.
 10 SECTION 3. This Act shall take effect upon its approval.

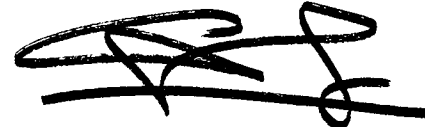
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INTRODUCED BY:



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H.B. NO. 1182

Report Title:

ERS; Stress Test

Description:

Requires the ERS actuary to conduct annual stress tests of the system and the board to submit annual reports of the tests to the legislature.

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