

Board Packet List of Documents

Legislative Committee Meeting

Aug 26, 2025

- Meeting Agenda
- New Business
 - 1.1 Salary Increase Information from 2025 ERS Experience Study
- APPROVAL OF MINUTES – April 30, 2025

Board Packet Documents are available for public for inspection on the Employees' Retirement System's Website: <https://ers.ehawaii.gov/board-and-committee-agendas-and-meeting-packets>; and in the Employees' Retirement System's Office, 201 Merchant Street, Suite 1400, Honolulu, HI 96813

NOTICE OF REGULAR MEETING

AGENCY: Legislative Committee of the Board of Trustees of the Employees' Retirement System of the State of Hawaii

DATE: Tuesday, August 26, 2025, 1:00 p.m.

PLACE: City Financial Tower, 201 Merchant Street, Suite 1200, Honolulu, Hawaii 96813

The meeting will be conducted pursuant to HRS §92-3.7, under which Members of the Legislative Committee of the Board of Trustees may participate via interactive conference technology; and members of the public may also participate via interactive conference technology or in person at the meeting place stated above.

Members of the public may also attend the meeting and provide testimony in person or by teleconference, either audio or video, at the following link or phone number:

https://teams.microsoft.com/l/meetup-join/19%3ameeting_Y2FIYTY2YTYtZGY3Yi00NTBkLWFmMmUtYzc2OWNmNTE3MzA1%40thread.v2/0?context=%7b%22Tid%22%3a%223847dec6-63b2-43f9-a6d0-58a40aaa1a10%22%2c%22Oid%22%3a%22e8f0b873-923c-44ce-9dd5-b951be2213c6%22%7d

Or join by entering meeting ID: 215 179 338 095 2

Passcode: KP2Qw2fS

Individuals testifying at the meeting are requested to limit their testimony to three (3) minutes or an amount of time otherwise designated by the Chairperson.

Or +1 808-829-4853 United States, Honolulu (Toll)

Conference ID: 811 121 109#

In the event audiovisual communication cannot be maintained with participating Trustees and quorum is lost, the meeting shall be automatically recessed for up to 30 minutes, during which time, an attempt to restore audiovisual communication will be made. If such attempt is unsuccessful, all Trustees, members of the public, staff and other interested individuals may continue to participate in the meeting via telephone using the above-listed telephone and conference ID numbers, whereby audio-only communication will be established for all participants and the meeting will continue. If reconvening the meeting is not possible because neither audiovisual nor audio-only communication can be re-established, the meeting will be terminated.

AGENDA

QUORUM/CALL TO ORDER

PUBLIC COMMENT

Members of the public may submit written testimony on these agenda items via e-mail or postal mail with receipt recommended by 4:30 p.m. on Monday, August 25, 2025, in order to ensure it is distributed in time for consideration. Please address written testimony if by e-mail to: dale.kanae@hawaii.gov or by postal mail to: Employees' Retirement System of the State of Hawaii, Legislative Committee, 201 Merchant Street, Suite 1400, Honolulu, HI 96813.

NEW BUSINESS

1. Discuss Potential Employees' Retirement System (ERS) Legislative Proposals for the 2026 Legislative Session for Recommendation to the Board of Trustees.
 - 1.1. Proposed Employer Contribution Rate Increase for the Police Officer's, Firefighter's, and Corrections Officer's Group of the ERS to Address Exceeding the Maximum Funding Period as Preliminarily Projected in the Actuarial Valuation Report by Gabriel Roeder Smith & Company for the Year Ending June 30, 2025.

- 1.2. Proposed Exemption of the ERS Deputy Executive Director and ERS Chief Compliance Officer Positions from Civil Service Under Chapter 76, Hawaii Revised Statutes.
2. Identify and Discuss Potential Legislative Proposals Determined to be Necessary or Desirable for the System's Investments, Administration, and/or Operations.

Pursuant to HRS §92-5(a)(4), the Committee may enter into Executive Session to consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities with respect to these matters.

APPROVAL OF MINUTES – April 30, 2025

ADJOURNMENT

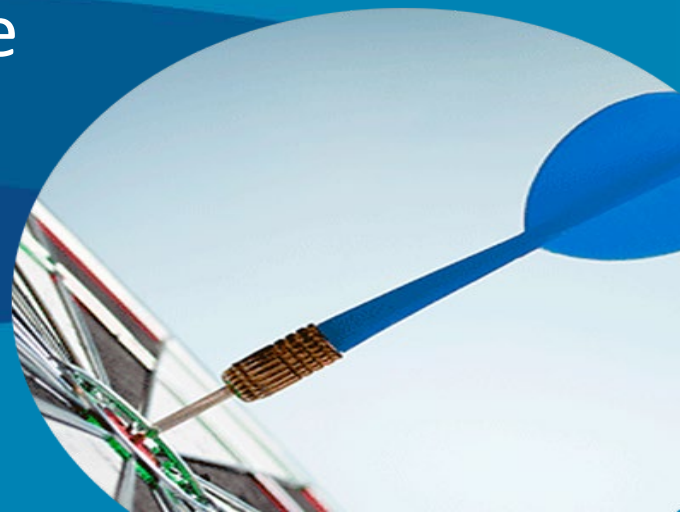
If you require auxiliary aid/service or other accommodation due to a disability, please contact Dale Kehau Kanae at (808) 586-1706 or dale.kanae@hawaii.gov as soon as possible, preferably by Thursday, August 21, 2025, and the ERS will try to obtain the auxiliary aid/service or accommodation, but cannot guarantee that the request will be fulfilled.

Upon request, this notice can be made available in large print.



Employees' Retirement System of the State of Hawaii

Salary Increase Information from the
2025 Experience Study Summary



The role of Actuarial Valuations and Assumptions

- The **primary** purpose of each year's actuarial valuation is to assess the appropriateness of the current contribution levels
 - For ERS, the funding policy is a fixed contribution rate from members and employers set in Statute
- The valuation process helps us set expectations for stakeholders, allows a framework for decision making and budgeting, and track trends over time



Generally, the current assumptions are reasonable with only minor tweaks necessary. The exception is increasing the salary increases for Police and Fire late in the members' career.

Summary of Recommendations

	Current Assumption	Proposed Assumption	Impact on Funding Period
Investment Return	7.00%	No Change	-
General Inflation	2.50%	No Change	-
Average Career Salary Increase: General Employees	4.66%	4.66%	No Impact
Average Career Salary Increase: Teachers	4.66%	4.76%	Small Increase
Average Career Salary Increase: Police and Fire	5.74%	5.85%	2 year increase
Post-Retirement Mortality (Base Table)	ERS Specific Table, data through 2021	No change	-
Post-Retirement Mortality (Projected Improvement)	Ultimate Scale MP2021 (1.0%-1.35% per year)	No change	-
Patterns of Retirement		PF: Add 2% per year below age 55	1 year increase for PF
Patterns of Termination		Increase rate of Turnover for most years of service	Small Decrease
Patterns of Disability		Small adjustments	No Impact
Sick Leave Conversion		Small adjustment to assumed amount of sick leave converted	No Impact

Individual Salary Increases

- Used to project compensation at retirement for individual members to determine:
 - Benefits
 - Compensation during career to collect contributions
- Schedule based on service of the member

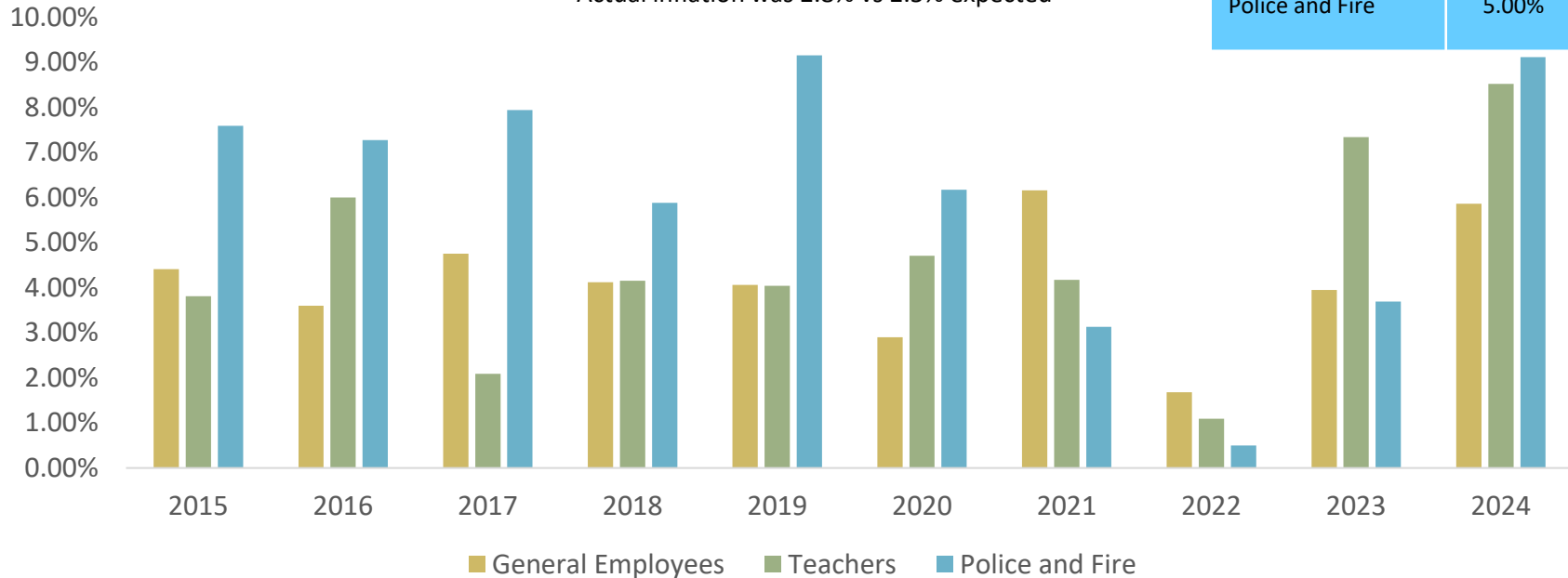
ERS Experience: Long Service Members by Fiscal Year

(Annual Change in Base Pay last 10 years)

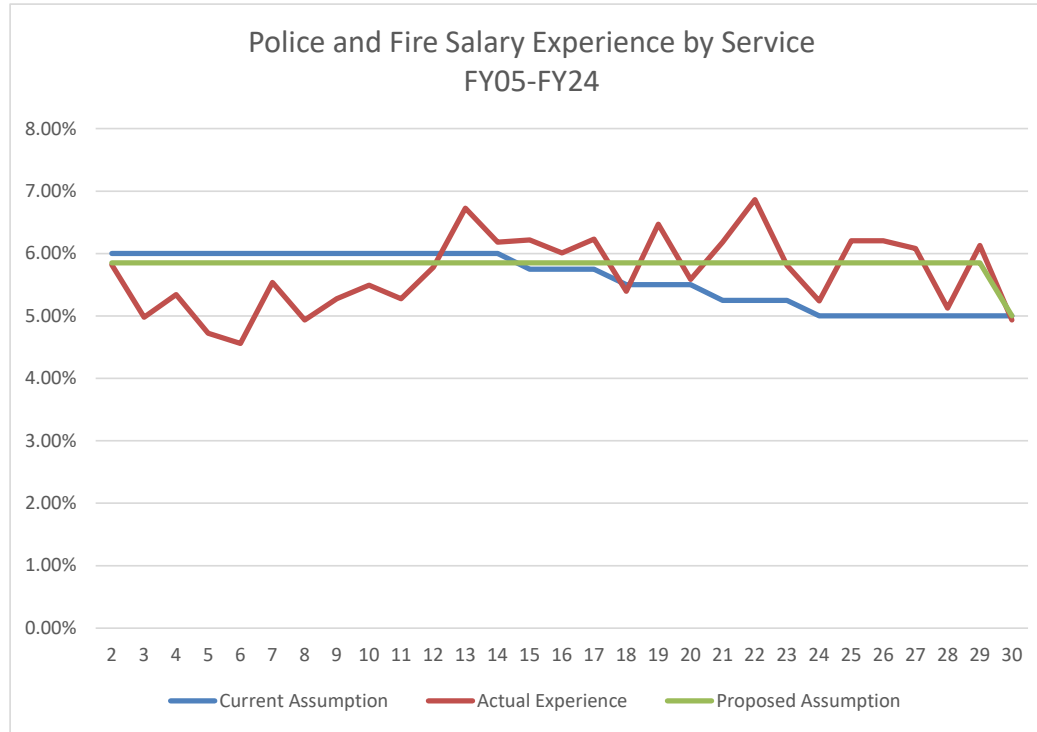
Average	Expected	Actual
General Employees	3.50%	3.60%
Teachers	3.75%	4.59%
Police and Fire	5.00%	6.04%

Members with 25 or more years of service

Actual inflation was 2.8% vs 2.5% expected



Police and Fire Recommendations: extend the higher assumptions further



Average Career Increase	25 year career	30 year career
Current Assumption	5.74%	5.62%
Actual	5.84%	5.84%
Proposed	5.85%	5.82%

The impact on Police and Fire is enough to increase the funding period 3 years. The impact on All Other Employees is minimal.

		Projected June 30, 2025 Results	
Item	June 30, 2024 Results	Current Assumptions	Proposed Assumptions
Unfunded Accrued Liability (\$ in billions)	\$13.97	\$14.19	\$14.37
Funded ratio	63.1%	63.7%	63.4%
Funding Period	22 Years	21 Years	21 Years
Police and Fire Employees			
Unfunded Accrued Liability (\$ in billions)	\$2.23	\$2.28	\$2.42
Funding Period	22 years	22 years	25 years
All Other Employees			
Unfunded Accrued Liability (\$ in billions)	\$11.73	\$11.91	\$11.95
Funding Period	22 years	21 years	21 years

Closing Comments

- We recommend the contribution rate for Police and Fire be increased to bring their Funding Period in line with the All Other Employees Group and the path from the original impact statement
 - Either 3% of payroll immediately or 1% per year for three years will suffice
- Full Listing of Recommendations in Section II of Experience Study Report
 - Includes Detailed information and Rationale for each assumption
- Approved assumptions to be used in the June 30, 2025 valuation

Disclaimers

- This presentation is intended to be used in conjunction with the 2025 Actuarial Experience Study. This presentation should not be relied on for any purpose other than the purpose described in the report.
- Readers are cautioned to examine original source materials and to consult with subject matter experts before making decisions related to the subject matter of this presentation.
- This presentation shall not be construed to provide tax advice, legal advice or investment advice.

MINUTES OF THE MEETING OF THE
LEGISLATIVE COMMITTEE OF THE
BOARD OF TRUSTEES OF THE
EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF HAWAII

APRIL 30, 2025

CITY FINANCIAL TOWER
201 MERCHANT STREET, SUITE 1200
HONOLULU, HAWAII 96813

Trustees present:
(by teleconference) Dr. Genevieve Ley, Chair
Mr. Bennett Yap, Vice Chair
Mr. Lance Mizumoto

Trustee absent: Mr. David Louie

Staff present:
(City Financial Tower
by teleconference) Ms. Gail Strohl, Deputy Executive Director
Ms. Kristin Varela, Chief Investment Officer
Mr. James Greubel, Program Specialist
Ms. Shanna Sakagawa, Program Specialist
Ms. Dale Kehau Kanae, Recording Secretary/Administrative Assistant
Ms. Lori Kim, Administrative Assistant
Ms. Andrea Gasper, Administrative Assistant

Attorney present:
(by teleconference) Ms. Jenny Nakamoto, Deputy Attorney General
Ms. Lori Tanigawa, Deputy Attorney General
Ms. Diane Wong, Deputy Attorney General

QUORUM/CALL TO ORDER

A quorum being present (Chair Ley, Vice Chair Yap, and Trustee Mizumoto), Chair Ley called the meeting of the Legislative Committee (Committee) of the Board of Trustees (Board) of the Employees' Retirement System of the State of Hawaii (ERS) to order at 1:04 p.m. and requested each Trustee identify themselves and confirm that they are the only ones present at their remote location while attending the meeting. Each of the Trustees present confirmed same. Chair Ley reminded the Committee to please be sure that they are visible on their video cameras and that they remain on while the meeting is in session.

PUBLIC COMMENT

Chair Ley called for public comment. There was no public attending in person or by teleconference, therefore, there was no public comment. There was also no written public testimony received for this Committee meeting.

UPDATE AND DISCUSS THE
2025 LEGISLATIVE BILLS
WHICH MAY IMPACT THE
EMPLOYEE'S RETIREMENT
SYSTEM, A LIST OF WHICH
IS ATTACHED HERETO AS
SCHEDULE A

Program Specialist (PS) James Greubel presented and discussed with the Committee the Legislative Bills which may impact the Employees' Retirement System for the 2025 Legislative Session and reviewed an updated list of ERS Initiated, Membership and Benefits Related, and Miscellaneous 2025 Legislative Bills, as well as ERS's positions on each Bill.

The update was provided for the Committee's information only and will also be provided to the Board at its next meeting. (An updated list presented, aside from what was distributed, are attached to these minutes for clarification.)

IDENTIFY AND DISCUSS
FUTURE LEGISLATIVE
PROPOSALS DETERMINED
TO BE NECESSARY OR
DESIRABLE FOR THE

Chair Ley presented to the Committee a request to Identify and Discuss Future Legislative Proposals Determined to be Necessary or Desirable for the System's Investments, Administration, and/or Operations. The Committee had no suggested Potential Legislative Proposals for Future Legislation Relating to the Employees' Retirement System for the next Legislative session. Chair Ley

SYSTEM'S INVESTMENTS,
ADMINISTRATION, AND/OR
OPERATIONS

suggested the Committee contemplate future proposals that could be shared for discussion at a later time.

Chair Ley suggested that, if possible, proposed legislation could benefit an 89-day hire if service credit for that time could be added once they became full time and vested. This proposed legislation may not necessarily be introduced by ERS but could help towards employing state workers.

ERS staff are also considering re-introducing legislation to have some senior management positions reclassified from civil service to exempt, such as the Deputy Executive Director, Chief Compliance Officer, and the Information Security Officer.

APPROVAL OF MINUTES
- FEBRUARY 13, 2025

On a motion made by Trustee Mizumoto, seconded by Vice Chair Yap, and unanimously carried, the Committee approved the Minutes of the February 13, 2025, meeting as presented.

ADJOURNMENT

On a motion made by Vice Chair Yap, seconded by Trustee Mizumoto, and unanimously carried, Chair Ley adjourned the meeting at 1:39 p.m.

REDACTED SIGNATURE

Thomas Williams
Executive Director

TW:dkik