



Hawaii

HAWAII IS ONE OF SEVERAL STATES that fell behind in funding its pension plans earlier in the decade, leaving it with a funding level of 65% as of 2006—below the 80% level most experts consider healthy. The funding level dropped precipitously between 2000 and 2006 largely because of the state’s practice early in the decade of diverting employer contributions to help balance the state budget. (Other factors in the drop were increased life expectancy of retirees and pay increases that were more than the state’s actuaries assumed.) The state contributed just 13% of what its own actuaries deemed necessary in 2000 and less than 5% in 2001. In recent years, however, Hawaii has instituted several important reforms and has done a good job paying the full annual required contribution. On the non-pension side, Hawaii will face some challenges in dealing with its retiree health care liability, which is high relative to the state’s size. The state had not set aside any money toward that bill as of the end of 2006.

PENSIONS

TOTAL BILL COMING DUE: **\$15 billion**¹

FUNDS SET ASIDE: **\$10 billion**

PORTION UNFUNDED: **\$5 billion**

PERCENT FUNDED: **65 as of 2006**²

TEN YEAR FUNDING HIGH: **94% in 2000**

TEN YEAR FUNDING LOW: **65% in 2006**


HOW IS THE STATE DOING IN PAYING ITS ANNUAL BILL? 

ASSUMPTIONS: Hawaii assumes 8% interest for its pension investments, which is the 50-state median. It uses a four-year smoothing period to calculate the actuarial value of assets. (Although most states with four-year smoothing periods started to show an upswing in funding ratios in 2006, this was not the case for Hawaii.) Based on employer contribution rates in 2006, the amortization period for the retirement system was 35 years, which does not comply with accounting standards. The Governmental Accounting Standards Board sets amortization periods for pensions at 30 years or less.

¹ Employees’ Retirement System, a unified state employee retirement fund.

² 50-state mean was 82%.

KEY:  Top Performer

 Needs Improvement

 Below Par

 Non-Pension Benefits are Minimal

OTHER BENEFITS

TOTAL BILL COMING DUE: **\$6.8 billion**

FUNDS SET ASIDE: **\$0**

PORTION UNFUNDED: **\$6.8 billion**¹

PERCENT FUNDED: **0 as of 2006**

HOW IS THE STATE DOING IN MANAGING THIS BILL? 

¹ 395% of covered payroll, compared to a national median of 135%.

REFORMS: Hawaii has passed some significant retirement system reforms in recent years. In 2007, it clamped down on benefit enhancements or reductions in retirement age for pension plans if there is an unfunded liability from the beginning of 2008 to the beginning of 2011. Several years earlier, the state created a new defined benefit plan for employees hired after July 1, 2006. This plan required a 6% employee contribution, but also provided for a change in the way benefits are calculated so that they will be higher than in the existing defined benefit plan, which had no employee contribution. The state has set up an irrevocable trust for its non-pension benefits.

This fact sheet stems from a 50-state analysis of states’ retiree benefit obligations by Pew’s Center on the States. The full report and 50 state fact sheets can be found at www.pewcenteronthestates.org.



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