



## DEPARTMENT OF THE ATTORNEY GENERAL

### News Release

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GOVERNOR

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#### **JUDGE RULES STATE'S RETIREMENT-FUNDING CONSTITUTIONAL**

HONOLULU- Acting Attorney General Richard T. Bissen, Jr. announced that: First Circuit Court Judge Gary W.B. Chang ruled yesterday that the Legislature did not violate the State Constitution when it applied the earnings in excess of 10% the Employees' Retirement System realized from its investments in 1997 and 1998, to reduce the contributions the State and counties otherwise would have had to make toward their employees' retirement benefits in Fiscal Years 2000 and 2001.

Two retired police officers, two state employees, the State of Hawaii Organization of Police Officers ("SHOPO"), and the ERS sued the State claiming that under the State Constitution, the public employers' annual contributions toward their employees' retirement benefits had to be based upon the statutorily fixed 8% rate of return even if the ERS' actual return on its investments were higher.

Judge Chang concluded otherwise, pointing out that the Legislature had neither refused to, nor rejected funding for public employees' retirement benefits when it allowed the employers' credit. The Legislature may extend the time the employers have to put away the moneys needed to pay their employees' retirement benefits. Nothing in the Constitution or the constitutional history restricted future legislation about how the State and counties fund their employees' retirement benefits.

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