

Honolulu, Hawaii

Feb 17, 2006

RE: H.B. No. 2693

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Third State Legislature
Regular Session of 2006
State of Hawaii

Sir:

Your Committee on Labor & Public Employment, to which was referred H.B. No. 2693 entitled:

"A BILL FOR AN ACT RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM,"

begs leave to report as follows:

The purpose of this bill is assist the Employees Retirement System (ERS) in paying down its unfunded liability by:

- (1) Appropriating \$250,000,000 to the ERS; and
- (2) Establishing a mechanism to reserve for and appropriate to the ERS 20 percent of the total amount of any state surplus if the state general fund balance at the end of fiscal year exceeds five percent of general fund revenues for the fiscal year.

The Hawaii State Teachers Association testified in support of this bill. The Employees' Retirement System and Department of Budget and Finance submitted comments.

Difficult economic times and the need to fund essential state programs have added to the unfunded liability of the ERS. Currently, it is estimated that the ERS would need \$3,900,000,000 to fully fund the system's pension liability. According to the ERS, if benefits and present interest and investment rates were to remain static, it would be approximately 25 years before the ERS realized a fully-funded pension liability.



Your Committee finds that an infusion of \$250,000,000, as well as establishing a mechanism to provide 20 percent of the state surplus, if the surplus exceeds five percent of general fund revenues for the fiscal year, is sound fiscal planning and will result in a decrease of the unfunded liability of the ERS.

As affirmed by the record of votes of the members of your Committee on Labor & Public Employment that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2693 and recommends that it pass Second Reading and be referred to the Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Labor & Public
Employment,


KIRK CALDWELL, Chair



