

Honolulu, Hawaii

March 24, 2006

RE: S.B. No. 2273

S.D. 2

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 S.B. No. 2273, S.D. 2, entitled:

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

begs leave to report as follows:

The purpose of this bill is to clarify and conform existing statutory language regarding the Employees' Retirement System (ERS) to current practices. Among other things, this bill:

- (1) Allows former contributory plan members whose accumulated contribution balances are more than \$1,000 to leave their contributions in the ERS until they reach the age of 62;
- (2) Requires the filing of accidental and ordinary death benefit claims within three years of a member's death;
- (3) Allows former employees with vested contributory plan rights to withdraw their contributions at any time;
- (4) Allows the Board of Trustees of the ERS to use limited liability companies as an investment vehicle;
- (5) Establishes a deadline for employer contributions and requires payment of interest by the employer on late



contributions for members who are called to active military duty;

- (6) Clarifies that ordinary death benefits are payable to a beneficiary if a member with vested status dies before the member is eligible to retire while on active military duty;
- (7) Gives members who are out of state on active military duty additional time to make the Hybrid Plan election;
- (8) Eliminates the June 30, 2006, deadline by which members must claim noncontributory plan membership service for such service to be eligible for conversion to the Hybrid Plan membership service since no ruling has yet been received from the Internal Revenue Service;
- (9) Clarifies selection and irrevocability of beneficiary designations under survivor retirement options;
- (10) Clarifies that the computation of non-tax qualified benefits for highly compensated individuals includes the member's class of service as of June 30, 2004; and
- (11) Amends and adds various definitions for consistency and conformity.

The Department of Budget and Finance, Board of Trustees of the ERS, and Hawaii State Teachers Association testified in support of this bill. A member of the Maui County Council supported the intent of this measure.

Your Committee notes that various "housekeeping" amendments to the ERS are necessary to clarify and conform existing statutes to current practice, as well as to meet federal regulations that may have been recently amended which will impact 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 S.B. No. 2273, S.D. 2, 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



