

Honolulu, Hawaii

APR - 7 2006

RE: H.B. No. 2311
H.D. 1

Honorable Robert Bunda
President of the Senate
Twenty-Third State Legislature
Regular Session of 2006
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred H.B. No. 2311, H.D. 1, entitled:

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

begs leave to report as follows:

The purpose of this measure is to enable the Employees' Retirement System to maintain its tax-qualified status by:

- (1) Excluding those members who received in-service refunds of pension contributions on a pre-tax basis from membership in the Employees' Retirement System hybrid plan; and
- (2) Repealing provisions of state law that allow the withdrawal of employee contributions due to hardship.

Your Committee understands that the tax-qualified status of a government retirement plan may be jeopardized:

- (1) If the plan allows members to receive a refund of contributions made under section 414(h)(2) of the Internal Revenue Code while the member is still employed by the government; or
- (2) If a member who received a refund of contributions while still employed by the government is allowed to have



additional contributions made on behalf of the member under section 414(h) (2).

This measure protects the tax-qualified status of the Employees' Retirement System by amending provisions of state law that permit refunds of contributions and the making of additional contributions under the foregoing circumstances.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2311, H.D. 1, and recommends that it pass Third Reading.

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,



BRIAN T. TANIGUCHI, Chair



