

Honolulu, Hawaii

, 2006

APR 28

RE: S.B. No. 2273
S.D. 2
H.D. 1
C.D. 1

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

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

Sir:

Your Committee on Conference on the disagreeing vote of the Senate to the amendments proposed by the House of Representatives in S.B. No. 2273, S.D. 2, H.D. 1, entitled:

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

having met, and after full and free discussion, has agreed to recommend and does recommend to the respective Houses the final passage of this bill in an amended form.

The purpose of this measure is to amend the law relating to the employees' retirement system (ERS) to clarify and correct existing language, to conform statutes to current practices, and to include language previously omitted from prior legislation.

Among other things, this measure:

(1) Establishes a new definition for:

(A) "Child or children", to include children living with an ERS member in a parent-child relationship with the



member being the guardian or having legal and physical custody over the child or children;

- (B) "Active member";
 - (C) "Accidental death", to apply to all membership plans; and
 - (D) "Ordinary death", to apply to all membership plans;
- (2) Amends the definition for:
- (A) "Beneficiary"; and
 - (B) "Retirement allowance";
- (3) Clarifies that the credited service of a contributory plan member who has not vested is forfeited upon termination of service;
- (4) Allows former nonvested contributory plan members whose accumulated contribution balances are more than \$1,000 to withdraw the funds upon their return to service;
- (5) Allows former contributory plan members and returning nonvested contributory plan members whose accumulated contributions total more than \$1,000 to leave their contributions in the system until they reach the age of 62;
- (6) Clarifies the method for calculating the nontax-qualified benefit for highly compensated individuals who had accrued pension benefits prior to July 1, 2004;
- (7) Corrects language in subsection 88-271(a), Hawaii Revised Statutes, to clarify when a class A or B member may elect to become a class C member;
- (8) Clarifies when and under what circumstances beneficiary designations may be changed and when the designations are irrevocable;
- (9) Requires claims for accidental and ordinary death benefits to be made within three years of the member's death;



- (10) Replaces "recklessness" as grounds for disqualification for accidental death benefits under the noncontributory plan with the "wilful negligence" standard of the contributory and hybrid plans;
- (11) Clarifies that accumulated sick leave is not to be included in determining the amount of credited service for vesting purposes;
- (12) Allows a former employee, who has vested in the contributory plan, to withdraw the employee's contributions at any time;
- (13) Allows the board to use limited liability companies as an investment vehicle;
- (14) Clarifies that employers of members called to active duty shall continue to make contributions provided that the member returns to work or dies in military service and that a member who dies on active duty shall accrue service credit until the date of death;
- (15) Clarifies that a member who dies while on active military duty shall receive benefits in the same manner as if the member had died while on any other authorized leave without pay;
- (16) Allows for termination of a member's eligibility for benefits under the Servicemen's Act after five years;
- (17) Allows a member who was on active duty outside of the State on February 28, 2006, to have thirty days after the member returns to work to make an election regarding participation in class H service; and
- (18) Requires a member entering or returning to service from March 1, 2006, through June 30, 2006, to make an election to become a class H member within sixty days of entering or returning to service; and
- (19) Changes the June 30, 2006 deadline for members to restore forfeited service credit and claim membership service in order to be eligible for conversion to class H service to an unspecified date to be determined by the board.



Your Committee on Conference finds that amendments to the current statutory law are necessary to improve and streamline the ERS. This measure will help to clarify and augment the system to enable the ERS to provide and maintain a quality pension system for public employees in Hawaii.

Upon further consideration, your Committee on Conference has amended this measure by:

- (1) Ensuring that the appropriate effective dates are applied to each specific amendment; and
- (2) Making technical, nonsubstantive amendments for purposes of clarity and to reflect proper drafting style.

As affirmed by the record of votes of the managers of your Committee on Conference that is attached to this report, your Committee on Conference is in accord with the intent and purpose of S.B. No. 2273, S.D. 2, H.D. 1, as amended herein, and recommends that it pass Final Reading in the form attached hereto as S.B. No. 2273, S.D. 2, H.D. 1, C.D. 1.

Respectfully submitted on behalf
of the managers:


ON THE PART OF THE HOUSE

ON THE PART OF THE SENATE


KIRK CALDWELL, Co-Chair


BRIAN KANNO, Chair


BOB NAKASONE, Co-Chair


BRIAN T. TANIGUCHI, Co-Chair



Hawaii State Legislature
Record of Votes of a
Conference Committee

Bill / Concurrent Resolution No.: SB 2273, SD 2, HD 1	Date/Time: 4-26-06 2:00pm
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The recommendation of the House and Senate managers is to pass with amendments (CD).

The Committee is reconsidering its previous decision.

<input type="checkbox"/> The recommendation of the Senate Manager(s) is to AGREE to the House amendments made to the Senate Measure	<input type="checkbox"/> The recommendation of the House Manager(s) is to AGREE to the Senate amendments made to the House Measure.
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Senate Managers	A	WR	N	E	House Managers	A	WR	N	E
KANNO, Brian, Chr.	X				CALDWELL, Kirk, Co-Chr.	X			
TANIGUCHI, Brian, Co-Chr.	X				NAKASONE, Bob, Co-Chr.	X			
SLOM, Sam	X				MEYER, Colleen Rose	X			
TOTAL	3	0	0	0	TOTAL	3	0	0	0

A = Aye WR = Aye with Reservations N = Nay E = Excused

Senate Recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted	House Recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted
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Senate Lead Chair's or Designee's Signature: 	House Lead Chair's or Designee's Signature:
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