

Honolulu, Hawaii

FEB 17

, 2006

RE: S.B. No. 2273
S.D. 1

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

Sir:

Your Committee on Labor, to which was referred S.B. No. 2273
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 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 and the member's contributions are returned if the member does not return to service within four calendar years following the year the member's employment terminated;
- (4) 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 sixty-two;
- (5) Clarifies the method for calculating the nontax-qualified benefit for highly compensated individuals who had accrued pension benefits prior to July 1, 2004;
- (6) Clarifies when and under what circumstances beneficiary designations may be changed and when the designations are irrevocable;
- (7) Requires claims for accidental and ordinary death benefits to be made within three years of the member's death;
- (8) 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;
- (9) Clarifies that accumulated sick leave is not to be included in determining the amount of credited service for vesting purposes;
- (10) Allows a former employee, who has vested in the contributory plan, to withdraw the employee's contributions at any time;
- (11) Allows the board to use limited liability companies as an investment vehicle;



- (12) Clarifies that employers of members called to active duty do not have to make contributions until 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;
- (13) 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;
- (14) Allows for termination of a member's eligibility for benefits under the Servicemen's Act after five years;
- (15) Prohibits a member who returns to service from electing to become a noncontributory plan member after class H service is established on July 1, 2006;
- (16) Allows a member who is 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
- (17) 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.

Testimony in support of this measure was submitted by the ERS and the Hawaii State Teachers Association.

Your Committee finds that it is important to modify the laws to improve and streamline the ERS. Your Committee further finds that the proposed amendments offered in this measure are important in clarifying and augmenting the system to provide and maintain a quality pension system for public employees in Hawaii.

Your Committee has amended this measure by making numerous technical, nonsubstantive changes to correct terminology, to accurately reflect the language of the Hawaii Revised Statutes, to reflect proper and preferred drafting style, and to provide further clarity.



As affirmed by the record of votes of the members of your Committee on Labor that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2273, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2273, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Labor,


for [Signature]

BRIAN KANNO, Chair



The Senate
Twenty-Third Legislature
State of Hawaii

Record of Votes of the
Committee on Labor
(Bills and Resolutions)

Measure:* SB 2273	Committee Referral: LBR, WAM	Date: 1-30-06		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is to: <input type="checkbox"/> Pass, unamended (2312) <input checked="" type="checkbox"/> Pass, with amendments (2311) <input type="checkbox"/> Hold (2310) <input type="checkbox"/> Recommit (2313)				
Members	Ayes	Ayes(WR)	Nays	Excused
KANNO, Brian (C)	✓			
IHARA, Jr., Les (VC)	✓			
TANIGUCHI, Brian T.				✓
SLOM, Sam	✓			
TOTAL	3	0	0	1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Do not list more than one measure per Record of Votes.