

STAND. COM. REP. NO.

1401

Honolulu, Hawaii

March 23, 2007

RE: S.B. No. 1284  
S.D. 2  
H.D. 1

Honorable Calvin K.Y. Say  
Speaker, House of Representatives  
Twenty-Fourth State Legislature  
Regular Session of 2007  
State of Hawaii

Sir:

Your Committee on Labor & Public Employment, to which was referred S.B. No. 1284, 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 address the Employees' Retirement System's (ERS) ability to eliminate its unfunded liability. Specifically, this bill:

- (1) Increases the state and county contributions to the ERS for all their employees;
- (2) Repeals the provision allowing the employer contribution rates to be reduced even if the period required to amortize the unfunded actuarial liability falls below 25 years; and
- (3) Allows the ERS Board of Trustees to adopt actuarial recommendations for the salary scale assumptions.

The Hawaii Government Employees Association and Hawaii State Teachers Association testified in support of this bill. The Department of Budget and Finance and Board of Trustees of the ERS testified in support of the intent of this measure.

SB1284 HD1 HSCR LAB HMS 2007-3059

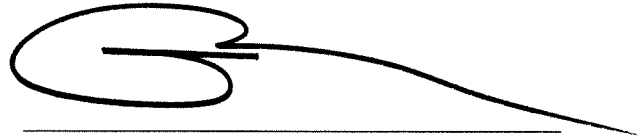


Currently, the unfunded liability of the ERS stands at \$5.1 billion dollars. Moreover, the recent actuarial report on the ERS found that, at current benefit levels and employer contribution rates, it will take approximately 43 years to amortize the unfunded liability. In addition, the current statutory salary scale assumptions of approximately four percent fall below actual salary scale assumptions.

Your Committee has amended this bill by changing its effective date to July 1, 2059, to encourage further discussion.

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. 1284, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1284, S.D. 2, H.D. 1, and be referred to the Committee on Finance.

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




ALEX M. SONSON, Chair



State of Hawaii  
House of Representatives  
The Twenty-fourth Legislature

Record of Votes of the Committee on Labor & Public Employment

Bill/Resolution No.: SB 1284 SD 2		Date: 3-13-07		
Committee Referral: LAB,FTN		<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.		
The recommendation is to: <input type="checkbox"/> Pass, unamended <input checked="" type="checkbox"/> Pass, with amendments <input type="checkbox"/> Hold <input type="checkbox"/> Pass, with amendments, for recommitment for further consideration				
LAB Members	Ayes	Ayes (WR)	Nays	Excused
1. SONSON, Alex M. (C)	✓			
2. NAKASONE, Bob (VC)	✓			
3. EVANS, Cindy	✓			
4. HAR, Sharon E.	✓			
5. LEE, Marilyn B.	✓			
6. LUKE, Sylvia	✓			
7. McKELVEY, Angus L.K.				✓
8. NISHIMOTO, Scott Y.	✓			
9. SOUKI, Joseph M.	✓			
10. TAKAMINE, Dwight Y.	✓			
11. TAKUMI, Roy M.	✓			
12. MEYER, Colleen Rose	✓			
13. PINE, Kymberly Marcos				✓
<b>TOTAL</b>	11			2
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
If joint referral, _____ did not support recommendation. <small>committee acronym(s)</small>				
				
Vice Chair's or designee's signature:				
Distribution: Original (White) – Committee Duplicate (Yellow) – Clerk's Office				