

STAND. COM. REP. NO. 477

Honolulu, Hawaii
Feb 15, 2007

RE: H.B. No. 1660

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 H.B. No. 1660 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;
- (3) Places a ban on any new employee benefit enhancements until the ERS becomes fully funded; and
- (4) Allows the ERS Board of Trustees to adopt the actuary's recommendations for the salary scale assumptions.

The Department of Budget and Finance testified in support of the intent of this bill. The ERS submitted comments.

HB1660 HSCR LAB HMS 2007-2087



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, current statutory salary scale assumptions of approximately 4% are inadequate to actual salary scale assumptions.

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 H.B. No. 1660 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,



ALEX M. SONSON, Chair



