

STAND. COM. REP. NO. 498-08

Honolulu, Hawaii

Feb 15, 2008

RE: H.B. No. 2755  
H.D. 1

Honorable Calvin K.Y. Say  
Speaker, House of Representatives  
Twenty-Fourth State Legislature  
Regular Session of 2008  
State of Hawaii

Sir:

Your Committee on Labor & Public Employment, to which was referred H.B. No. 2755 entitled:

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

begs leave to report as follows:

The purpose of this bill is allow employees who did not choose to join the Employees' Retirement System (ERS) Hybrid Plan, a second opportunity to elect membership in the Hybrid Plan.

The Hawaii State Teachers Association and numerous concerned teachers testified in support of this bill. The ERS Board of Trustees commented on this measure.

Act 179, Session Laws of Hawaii 2004, established an alternative defined contribution plan known as the Hybrid Plan in the ERS in response to a comprehensive study conducted by the ERS and presented to the 2002 Legislature. The findings of the study indicated that the development of a cost neutral Hybrid Plan would enhance public sector pension benefits and, in turn, improve the recruitment and retention of public sector employees. To be effective, the proposed Hybrid Plan would apply to new employees, while class C noncontributory members and class A contributory members would be given a one-time election to join the Hybrid Plan.

HB2755 HD1 HSCR LAB HMS 2008-2004



The Hybrid Plan offered a great benefit to state employees since many employees have neither the expertise nor the discipline to save and invest their money wisely, which is a necessity under a non-contributory retirement plan. A number of employees and retirees who opted out of the contributory plan in the past have regretted that decision because they either spent the money that should have gone toward their retirement or made investments that performed poorly. The same can also be said of many employees who were hired after the contributory plan was discontinued.

However, some employees may not have entirely understood the beneficial aspects of joining the Hybrid Plan although the ERS made great efforts to inform all public employees of these benefits. As such, your Committee finds that allowing another opportunity for employees to join the Hybrid Plan is reasonable.

While your Committee understands the concerns raised by the ERS that this action may jeopardize their tax-exempt status, your Committee wishes that further discussion of this matter take place, and therefore has amended this measure by:

- (1) Changing its effective date to July 1, 2059, to encourage further discussion; and
- (2) Making technical, nonsubstantive amendments for clarity, consistency, and style.

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. 2755, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2755, 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,



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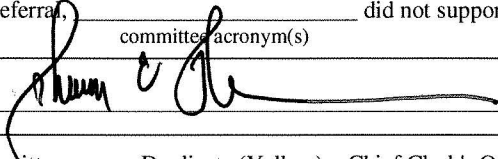
ALEX M. SONSON, Chair



State of Hawaii  
House of Representatives  
The Twenty-fourth Legislature

498.08

**Record of Votes of the Committee on Labor & Public Employment**

<b>Bill/Resolution No.:</b> HB 2755	<b>Committee Referral:</b> LAB, FIN	<b>Date:</b> 2/8/08		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
<b>The recommendation is to:</b> <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
<b>LAB Members</b>	<b>Ayes</b>	<b>Ayes (WR)</b>	<b>Nays</b>	<b>Excused</b>
1. SONSON, Alex M. (C)	✓			
2. NAKASONE, Bob (VC)				X
3. EVANS, Cindy	✓			
4. HAR, Sharon E.	✓			
5. LEE, Marilyn B.	✓			
6. LUKE, Sylvia	✓			
7. McKELVEY, Angus L.K.				X
8. NISHIMOTO, Scott Y.	✓			
9. SOUKI, Joseph M.	✓			
10. TAKAMINE, Dwight Y.	✓			
11. TAKUMI, Roy M.	✓			
12. MEYER, Colleen Rose	✓			
13. PINE, Kymerly Marcos	✓			
<b>TOTAL (13)</b>	11			2
<b>The recommendation is:</b> <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. _____ committee acronym(s)				
<b>Vice Chair's or designee's signature:</b> _____ 				
<b>Distribution:</b> Original (White) – Committee    Duplicate (Yellow) – Chief Clerk's Office				