

STAND. COM. REP. NO.

569

Honolulu, Hawaii

Feb 16, 2007

RE: H.B. No. 988

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 H.B. No. 988 entitled:

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

begs leave to report as follows:

The purpose of this bill, as received by your Committee, is to enhance the retirement benefits of individuals who actively served in the armed forces of the United States by reducing the years of credited service needed to obtain service credit in the Employees' Retirement System (ERS) for military service.

Prior to the public hearing on February 13, 2007, your Committee distributed H.B. No. 988 Proposed House Draft 1 for consideration. Therefore, H.B. No. 988 Proposed House Draft 1 was the measure that was given a public hearing and on which testimony was received.

As amended, the purpose of H.B. No. 988 Proposed House Draft 1 is to assist public employee retirees to deal with the effects of inflation on their pensions by:

- (1) Providing for an increase in the post retirement allowance of public employee retirees based on the retiree's age, number of years of credited service, and number of years in retirement; and

HB988 HD1 HSCR LAB HMS 2007-2241



- (2) Appropriating moneys to the ERS to cover costs associated with this benefit.

The Oahu Retired Teachers Association, Hawaii State Teachers Association, Hawaii State Teachers Association-Retired, and Hawaii State Teachers Association-Retired COLA Fairness Committee testified in support of this bill. The Department of Budget and Finance did not support this bill. ERS submitted comments.

Your Committee finds that an actuarial study conducted in 2006 by the ERS suggested possible improvements to the ERS to account for the effects of inflation on the pension of retirees. This measure uses one option to address the concerns of retirees.

Accordingly, your Committee has adopted the language of H.B. No. 988 Proposed House Draft 1. However, noting that this measure may have a large financial impact on the State's fiscal plan, your Committee has further amended this bill by:

- (1) Stipulating that the benefit will apply to public employee retirees who are 70 years of age and have been retired for at least twenty years rather than retirees with at least twenty years of credited service; and
- (2) Making technical, nonsubstantive changes 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. 988, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 988, 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



