

Honolulu, Hawaii

March 19, 2008

RE: S.B. No. 3004
S.D. 2
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 S.B. No. 3004, 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 improve and enhance the Employees' Retirement System (ERS) by, among other things:

- (1) Allowing the ERS to require employers to transmit payroll and personnel transactions in an electronic format;
- (2) Requiring direct deposit for lump sum refunds of accumulated contributions greater than \$250 if the member does not elect to rollover the payment into an eligible retirement plan, and allowing the ERS to waive this method if another method is determined to be more appropriate;
- (3) Requiring that Contributory and Hybrid Plan members make retirement contributions while on leave of absence for professional improvement or when performing governmental functions, to receive membership credit;



- (4) Automatically increasing the annual ceiling on pension benefits to parallel the increases in the federal ceiling under Section 415 of the Internal Revenue Code;
- (5) Requiring the State and county governments to remit the employee's contributions based on the compensation that the member would have received had the member not been on active military duty in the armed forces to comply with the federal Uniform Services Employment and Reemployment Rights Act;
- (6) Clarifying that accidental death benefits for Noncontributory Plan members are not subject to the 10-year service credit requirement that is applicable to ordinary death benefits in the Noncontributory Plan;
- (7) Allowing members to rollover and transfer funds to the ERS System from their individual retirement accounts and tax sheltered annuities, deferred compensation, and private pension plans to purchase membership service credit and to upgrade their Noncontributory Plan service to Hybrid Plan service;
- (8) Prohibiting returning vested Contributory Plan members from opting to switch to the Hybrid Plan after June 30, 2008; and
- (9) Allowing payments for the Hybrid Plan conversion with "after-tax" employee payroll deductions.

The ERS Board of Trustees and Department of Budget and Finance testified in support of this bill.

This bill mainly clarifies and conforms statutes governing the ERS to current practices and attempts to enhance the efficiency of the ERS by allowing ERS to require the electronic transfer of data from employers.

Your Committee has amended this bill by deleting the provisions that:

- (1) Allow members to rollover and transfer funds to the ERS System from their individual retirement accounts and tax sheltered annuities, deferred compensation, and private pension plans to purchase membership service credit and



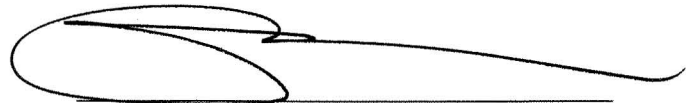
to upgrade their Noncontributory Plan service to Hybrid Plan service;

- (2) Prohibit returning vested Contributory Plan members from opting to switch to the Hybrid Plan after June 30, 2008; and
- (3) Allowing payments for the Hybrid Plan conversion with "after-tax" employee payroll deductions.

Other technical, nonsubstantive amendments were made 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 S.B. No. 3004, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 3004, 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

1203.08

Record of Votes of the Committee on Labor & Public Employment

Bill/Resolution No.: SB 3004, SD2	Committee Referral: LAB, FIN	Date: 03-11-08		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <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)				
LAB Members	Ayes	Ayes (WR)	Nays	Excused
1. SONSON, Alex M. (C)	x			
2. NAKASONE, Bob (VC)				x
3. EVANS, Cindy	x			
4. HAR, Sharon E.				x
5. LEE, Marilyn B.	x			
6. LUKE, Sylvia				x
7. McKELVEY, Angus L.K.	y			
8. NISHIMOTO, Scott Y.				x
9. SOUKI, Joseph M.	x			
10. TAKAMINE, Dwight Y.	x			
11. TAKUMI, Roy M.	x			
12. MEYER, Colleen Rose				x
13. PINE, Kymberly Marcos				x
TOTAL (13)	7	0	0	6
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. _____ committee acronym(s)				
Vice Chair's or designee's signature: _____				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office				