

Honolulu, Hawaii

Aj-04 , 2008

RE: S.B. No. 3004
S.D. 2
H.D. 2

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

Sir:

Your Committee on Finance, to which was referred S.B. No. 3004, S.D. 2, H.D. 1, 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 state and county governments to transmit payroll and personnel transactions in an electronic format;
- (2) Requiring direct deposit of lump sum refunds of accumulated contributions or hypothetical account balances 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 payment method if another method is determined to be more appropriate;
- (3) Automatically increasing the annual ceiling on pension benefits to parallel the increases in the federal ceiling under Section 415 of the Internal Revenue Code; and



- (4) Requiring state and county governments to determine the contributions for an employee who served in the armed services based on the compensation that the member would have received had the member not been on active military duty, to comply with the federal Uniform Services Employment and Reemployment Rights Act.

The Department of Budget and Finance, ERS, and the Hawaii State Teachers Association provided comments.

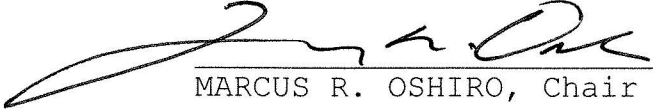
Upon careful consideration, your Committee has amended this bill by reinstating language that was originally in the S.D. 2 version of this bill, but removed in the H.D. 1. Specifically, this bill has been amended by:

- (1) Specifying that members may rollover and transfer funds to the ERS System from their individual retirement accounts and tax sheltered annuities, and state or local government, or tax-exempt organization deferred compensation plans to purchase membership service credit and to upgrade their Noncontributory Plan service to Hybrid Plan service;
- (2) Prohibiting returning vested Contributory Plan members from switching to the Hybrid Plan after June 30, 2008; and
- (3) Restricting payroll deduction payments for the Hybrid Plan conversion to "after-tax" employee payroll deductions.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 3004, S.D. 2, H.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 3004, S.D. 2, H.D. 2.



Respectfully submitted on
behalf of the members of the
Committee on Finance,


MARCUS R. OSHIRO, Chair



