

Honolulu, Hawaii

FEB 29 2008

RE: S.B. No. 3004

S.D. 2

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fourth State Legislature
Regular Session of 2008
State of Hawaii

Madam:

Your Committee on Ways and Means, to which was referred S.B. No. 3004, S.D. 1, entitled:

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

begs leave to report as follows:

The purpose of this measure is to make various amendments to the laws relating to the administration of the Employees' Retirement System.

In addition, this measure:

- (1) Requires employers to transmit payroll and personnel transactions electronically to the Employees' Retirement System;
- (2) Requires direct deposit for lump sum refunds of accumulated contributions greater than \$250 if the member does not elect to roll over the payment into an eligible retirement plan;
- (3) Clarifies that contributory and hybrid plan members must make retirement contributions while on leave of absence for professional improvement or when performing a governmental function in order to receive membership credit;



- (4) Automatically increases the annual ceiling on pension benefits to parallel the increases in the federal ceiling under the Internal Revenue Code;
- (5) Requires the state and county governments to remit the contributions for employees on military leave based upon the compensation that the member would have received had the member not been on active duty military in the armed forces; and
- (6) Clarifies the language that accidental death benefits for noncontributory plan members are not subject to the ten-year service credit requirement.

Your Committee received testimony in support of this measure from the Department of Budget and Finance and the Employees' Retirement System.

Your Committee finds that this measure clarifies and conforms existing statutes to current practice as well as to federal law, including the Internal Revenue Code and the Uniform Services Employment and Reemployment Rights Act.

Your Committee has amended this measure to include amendments recommended by the Employees' Retirement System to conform the hybrid plan to federal tax law changes.

Specifically, your Committee has amended this measure to:

- (1) Allow members to rollover and transfer funds to the Employees' Retirement 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) Allow payments for the hybrid plan conversion with "after-tax" employee payroll deductions.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your



Committee is in accord with the intent and purpose of S.B. No. 3004, S.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.

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,



ROSALYN H. BAKER, Chair



