

TESTIMONY BY DAVID SHIMABUKURO
ADMINISTRATOR, EMPLOYEES' RETIREMENT SYSTEM
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE
ON
SENATE BILL NO. 3004, S.D. 2, H.D. 1

MARCH 26, 2008

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM

Chair Oshiro and Members of the Committee:

The Board of Trustees supports the original intent of this Administration bill which amends various provisions of Chapter 88, Hawaii Revised Statutes to clarify and conform existing statutes to current practice.

The Board of Trustees also recommends the following amendments to help members in the upcoming Hybrid Plan conversion and comply with federal tax law changes affecting the Hybrid Plan:

- Allow members to rollover and transfer funds to ERS from their deferred compensation plans, tax sheltered annuities, IRAs, and private pension plans to purchase membership service credits or to upgrade their Noncontributory Plan service to Hybrid Plan service.
- Allow payments for the Hybrid Plan conversion with "after-tax" employee payroll deductions. The Internal Revenue Service will no longer allow members to defer federal income taxes on their payroll deductions to upgrade membership service credits.
- Prohibit returning vested Contributory Plan members the option to switch to the Hybrid Plan after June 30, 2008. An election to switch retirement plans is now prohibited by the Internal Revenue Service.

Since this Bill requires other substantial technical changes, we recommend that this Bill be revised back to the provisions in S.B. 3004, S.D. 2 to carry out the above recommendations.

Thank you for the opportunity to testify on this measure.

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE
ON
SENATE BILL NO. 3004, SENATE DRAFT 2, HOUSE DRAFT 1

March 26, 2008

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM

Senate Bill No. 3004 makes various amendments to Chapter 88, Hawaii Revised Statutes, which govern the Employees' Retirement System (ERS). These changes clarify existing language and conform current statutes with ERS' operating practices, address federal requirements, and make various streamlining and housekeeping amendments. House Draft (HD) 1 deletes various changes recommended by the ERS to ensure that the Hybrid Plan is in compliance with federal tax and law changes.

The Department of Budget and Finance supports Senate Draft 2 of this bill as it will result in improved ERS performance, streamline day-to-day operations, and meet ERS' federal tax qualification requirements.

TESTIMONY BEFORE THE HOUSE COMMITTEE ON
FINANCE

RE: SB 3004, SD 2, HD 1 J- RELATING TO THE EMPLOYEES'
RETIREMENT SYSTEM

WEDNESDAY, MARCH 26, 2008

ROGER TAKABAYASHI, PRESIDENT
HAWAII STATE TEACHERS ASSOCIATION

Chair Marcus Oshiro, and Members of the Committee:

The Hawaii State Teachers Association supports SB 3004, SD 2, and would like to recommend to delete HD 1 as requested by the Employees' Retirement System for the reasons stated in their testimony.

Unfortunately, the Employees' Retirement System received the information from the Internal Revenue Service after the House Committee on Labor and Public Employment made an amendment to SB 3004, SD 2, as a HD 1.

The Hawaii State Teachers Association supports the Employees' Retirement System so they can implement the "hybrid conversion" as passed by Congress in their 2006 session.

Thank you for the opportunity to testify.