

Honolulu, Hawaii

FEB 11, 2010

RE: H.B. No. 2855

H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fifth State Legislature
Regular Session of 2010
State of Hawaii

Sir:

Your Committee on Labor & Public Employment, to which was referred H.B. No. 2855 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 work towards reducing the unfunded actuarial accrued liability (unfunded liability) of the Employees' Retirement System (ERS) by requiring the ERS Board of Trustees to study and recommend a plan to fully amortize the unfunded liability over a 30 year period.

ERS supported the intent of this bill. The Department of Human Resources of the City and County of Honolulu provided comments.

Currently, the unfunded liability of the ERS is approximately \$5.1 billion. Developing and implementing a plan, as well as solutions, to amortize this unfunded liability would be a worthwhile endeavor and also will help protect future taxpayers from facing an unaffordable burden.

However, your Committee understands the concerns raised by ERS that the timeframe contained in this measure may not be conducive to their providing a comprehensive review and evaluation of the unfunded liability issue and that employees should not be



responsible for unfunded liability costs incurred as a result of certain actions of employers.

Your Committee has amended this bill by:

- (1) Extending the timeframe for submittal of an amortization plan and enabling legislation by one year to 2012;
- (2) Stipulating that any cost of amortizing the unfunded liability that is a result of the diversion of the excess investment earnings of the ERS shall be borne solely by the employers; and
- (3) Deleting language outlining the consequences of inaction by the Legislature to enact legislation adopting an amortization plan.

Technical nonsubstantive amendments were also 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 H.B. No. 2855, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2855, 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,



KARL RHOADS, Chair



State of Hawaii
House of Representatives
The Twenty-fifth Legislature

HSCR 312-10

Record of Votes of the Committee on Labor & Public Employment

Bill/Resolution No.: HB 2855	Committee Referral: LAB, FIN	Date: 2-5-2010		
<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. RHOADS, Karl (C)	/			
2. YAMASHITA, Kyle T. (VC)	/			
3. AQUINO, Henry J.C.	/			
4. AWANA, Karen Leinani	/			
5. HANOHANO, Faye P.		/		
6. KEITH-AGARAN, Gilbert S.C.	/			
7. LEE, Marilyn B.				/
8. NAKASHIMA, Mark M.		/		
9. SAIKI, Scott K.		/		
10. SOUKI, Joseph M.	/			
11. TAKUMI, Roy M.	/			
12. PINE, Kymberly Marcos				/
TOTAL (12)	7	3	—	2
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ committee acronym(s) did not support recommendation.				
Vice Chair's or designee's signature:				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				