

STAND. COM. REP. NO.

343

Honolulu, Hawaii

Feb 16, 2011

RE: H.B. No. 1036

Honorable Calvin K.Y. Say  
Speaker, House of Representatives  
Twenty-Sixth State Legislature  
Regular Session of 2011  
State of Hawaii

Sir:

Your Committee on Labor & Public Employment, to which was referred H.B. No. 1036 entitled:

"A BILL FOR AN ACT RELATING TO FEDERAL TAX QUALIFICATION REQUIREMENTS FOR THE EMPLOYEES' RETIREMENT SYSTEM,"

begs leave to report as follows:

The purpose of this bill is to protect the status of the Employees' Retirement System (ERS) as a tax-qualified retirement plan under section 401(a) of the Internal Revenue Code (IRC) by adding a new section to Hawaii's ERS law to include provisions required by federal law. Among other things, this bill:

- (1) Inserts specific language into Hawaii's ERS law that addresses the requirements contained in the Heroes Earnings Assistance and Relief Tax Act of 2008 requiring a tax-qualified retirement plan to provide the survivors of a member with any additional benefits (other than benefit accruals relating to the period of qualified military service) provided under the member's ERS plan had the member resumed and then terminated employment on account of death in the case of a member who dies while performing qualified military service; and
- (2) Establishes the requirements for minimum pension distributions in accordance with section 401(a)(9) of the IRC.

The ERS Board of Trustees testified in support of this bill.

HB1036 HSCR LAB HMS 2011-2038



Hawaii's ERS is currently a tax-qualified retirement plan under the IRC. Loss of this status would be detrimental to both the ERS and its members, resulting in the pre-tax treatment on member contributions to be eliminated and requiring ERS members to pay federal income taxes annually on the value or increase in value of a member's account without receiving a distribution. This could amount to thousands of dollars in taxes for members. Because of this consequence, your Committee finds that passage of this measure to conform state law to federal requirements is extremely important.

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. 1036 and recommends that it pass Second Reading and be referred to the Committee on Finance.

Respectfully submitted on  
behalf of the members of the  
Committee on Labor & Public  
Employment,



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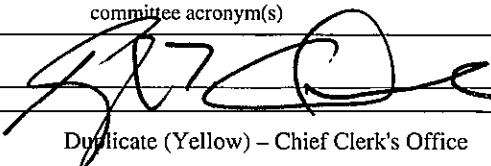
KARL RHOADS, Chair



State of Hawaii  
House of Representatives  
The Twenty-sixth Legislature

HSCR 343

Record of Votes of the Committee on Labor & Public Employment

Bill/Resolution No.: <b>HB 1036</b>	Committee Referral: <b>LAB, FIN</b>	Date: <b>2-8-11</b>		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input checked="" type="checkbox"/> Pass, unamended (as is) <input 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)				
<b>LAB Members</b>	<b>Ayes</b>	<b>Ayes (WR)</b>	<b>Nays</b>	<b>Excused</b>
1. RHOADS, Karl (C)	/			
2. YAMASHITA, Kyle T. (VC)	/			
3. AQUINO, Henry J.C.	/			
4. CULLEN, Ty	/			
5. ICHIYAMA, Linda	/			
6. LEE, Marilyn B.	/			
7. LUKE, Sylvia	/			
8. SAIKI, Scott K.				/
9. SOUKI, Joseph M.	/			
10. TAKUMI, Roy M.	/			
11. FONTAINE, George R.	/			
12. JOHANSON, Aaron Ling	/			
<b>TOTAL (12)</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>1</b>
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    Duplicate (Pink) – HMSO				