

STAND. COM. REP. NO.

915

Honolulu, Hawaii

March 4, 2011

RE: H.B. No. 1038

H.D. 2

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

Sir:

Your Committee on Finance, to which was referred H.B. No. 1038, 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 establish retirement benefits for state and county employees who become members of the Hawaii Employees' Retirement System (ERS) after June 30, 2012, that are different from the retirement benefits of current employees. Changes provided in this bill for employees who become members of ERS after June 30, 2012, include:

- (1) Raising the employee contribution rates;
- (2) Increasing the period for calculating average final compensation from three years to five years; and
- (3) Increasing the vesting period from five to ten years.

The Department of Budget and Finance and ERS supported this bill. A concerned individual opposed this measure.

Your Committee has amended this measure by incorporating the substance of the following House Bills introduced in the Regular Session of 2011, all of which were heard by your Committee:

HB1038 HD2 HSCR FIN HMS 2011-2854

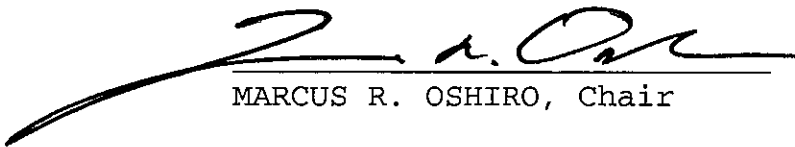


- (1) House Bill No. 1037, which increases the contribution rates for employer contributions to the ERS beginning in fiscal year 2012-2013;
- (2) House Bill No. 817, which reduces the percentage of regular interest to be credited to a new public employee's retirement account from 4.5 percent per year to two percent per year;
- (3) House Bill No. 1142, which establishes the retirement age for state and county employees who become members of the ERS after June 30, 2012; and
- (4) House Bill No. 1143, which reduces the investment yield rate assumption for the ERS to 7.75 percent for the fiscal year ending June 30, 2011, and authorizes the ERS Board of Trustees to set the investment yield rate assumption after June 30, 2011, based on recommendations of the actuary.

In addition, technical, nonsubstantive amendments were made for clarity, consistency, and style.

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 H.B. No. 1038, H.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 1038, H.D. 2.

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



MARCUS R. OSHIRO, Chair



State of Hawaii  
House of Representatives  
The Twenty-sixth Legislature

HSCR 915

**Record of Votes of the Committee on Finance**

Bill/Resolution No.: <b>HB 1038, HD 1</b>	Committee Referral: <b>LAB, FIN</b>	Date: <b>2/26/11</b>		
<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)				
FIN Members	Ayes	Ayes (WR)	Nays	Excused
1. OSHIRO, Marcus R. (C)	✓			
2. LEE, Marilyn B. (VC)	✓			
3. CHONG, Pono	✓			
4. CHOY, Isaac W.	✓			
5. COFFMAN, Denny	✓			
6. CULLEN, Ty	✓			
7. HAR, Sharon E.	✓			
8. HASHEM, Mark J.				✓
9. ICHIYAMA, Linda	✓			
10. JORDAN, Jo	✓			
11. LEE, Chris	✓			
12. MORIKAWA, Dee	✓			
13. TOKIOKA, James Kunane				✓
14. YAMASHITA, Kyle T.	✓			
15. MARUMOTO, Barbara C.	✓			
16. RIVIERE, Gil	✓			
17. WARD, Gene	✓			
<b>TOTAL (17)</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>2</b>
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. <div style="text-align: center; font-size: 0.8em;">committee acronym(s)</div>				
Vice Chair's or designee's signature: _____ <div style="text-align: center; font-size: 1.2em; font-family: cursive;">Marilyn B. Lee</div>				
Distribution:    Original (White) – Committee    Duplicate (Yellow) – Chief Clerk's Office    Duplicate (Pink) – HMSO				