

STAND. COM. REP. NO.

1206

Honolulu, Hawaii

APR 08 2011

RE: H.B. No. 1038
H.D. 2
S.D. 2

Honorable Shan S. Tsutsui
President of the Senate
Twenty-Sixth State Legislature
Regular Session of 2011
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred H.B. No. 1038, H.D. 2, S.D. 1, entitled:

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

begs leave to report as follows:

The purpose and intent of this measure is to make various revisions to the Employees' Retirement System in order to reduce the system's unfunded liability.

Specifically, this measure:

- (1) Increases the member's contribution rates for employees who become members of classes A, B, or H after June 30, 2012;
- (2) Increases the period of years for calculating the average final compensation for employees who become members of classes A, B, C, or H after June 30, 2012;
- (3) Increases the vesting period for employees who become members of class H after June 30, 2012;
- (4) Increases the employer contribution rates for public safety related employees and other employees in classes A and B beginning in fiscal year 2012-2013;



- (5) Reduces the percentage of regular interest credited to the retirement accounts of employees who becomes members of classes A, B, or H after June 30, 2011;
- (6) Increases the age and service requirements for employees who become members of classes A, B, or H after June 30, 2012; and
- (7) Authorizes the Board of Trustees of the Employees' Retirement System to establish the investment yield rate for the entire system after June 30, 2011.

Your Committee received comments in support of this measure from Kalbert K. Young, Director, Department of Budget and Finance; Michael Hansen, Department of Budget and Fiscal Services, City and County of Honolulu; and Noel Ono, Department of Human Resources, City and County of Honolulu. Your Committee received comments on this measure from one individual.

Your Committee finds that this measure combines elements from several measures introduced in the House of Representatives to comprehensively address the unfunded liability of the Employees' Retirement System, by making reasonable prospective changes to the employees' benefits and the employee's contribution rates. Your Committee notes that this measure incorporates elements from H.B. No. 1037, H.B. No. 817, H.B. No. 1142, and H.B. No. 1143, as well as this measure as introduced.

Your Committee further finds that although this measure makes a distinction in the benefits and obligations of members based upon their dates of hire, such actions are necessary to ensure the long-term viability of the Employees' Retirement System.

Your Committee has amended this measure by:

- (1) Making a technical amendment for consistency with other provisions in the measure; and
- (2) Making a technical, nonsubstantive amendment for the purposes of clarity and style.



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 H.B. No. 1038, H.D. 2, S.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, S.D. 2.

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



DAVID Y. IGE, Chair



The Senate
Twenty-Sixth Legislature
State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:*	Committee Referral:	Date:		
HB 1038, HD2, SD1	JDL, WAM	4-11		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input checked="" type="checkbox"/> Pass, unamended 2312	<input checked="" type="checkbox"/> Pass, with amendments 2311	<input type="checkbox"/> Hold 2310		
<input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
IGE, David Y. (C)	/			
KIDANI, Michelle N. (VC)	/			
CHUN OAKLAND, Suzanne	/			
DELA CRUZ, Donovan M.				/
ENGLISH, J. Kalani				/
ESPERO, Will	/			
FUKUNAGA, Carol	/			
KIM, Donna Mercado	/			
KAHELE, Gilbert	/			
KOUCHI, Ronald D.	/			
RYAN, Pohai	/			
TOKUDA, Jill N.	/			
WAKAI, Glenn	/			
SLOM, Sam	/			
TOTAL	12	0	0	2
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
<i>Michelle N. Kidani</i>				
Distribution:				
Original	Yellow	Pink	Goldenrod	
File with Committee Report	Clerk's Office	Drafting Agency	Committee File Copy	

*Only one measure per Record of Votes