

STAND. COM. REP. NO.

344

Honolulu, Hawaii

Feb 16, 2011

RE: H.B. No. 1143

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. 1143 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 to lessen the rapidly rising public employees' contribution burden faced by the State and counties by:

- (1) Authorizing the Employees' Retirement System Board of Trustees (ERS Board) to set the investment return rate assumption, based on the recommendations of the actuary, after June 30, 2011; and
- (2) Reducing the current fiscal year investment return rate assumption from eight percent to seven point seventy-five percent.

The ERS Board testified in support of this bill. The Department of Budget and Fiscal Services of the City and County of Honolulu provided comments.

The ERS Board has the fiduciary responsibility of adopting actuarial assumptions that impact the funding of the Employees' Retirement System (ERS). While the ERS Board has the authority to adopt all of the assumptions made by the actuary, there is one exception: the investment return rate of the ERS. The investment

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return rate is statutorily established at eight percent. Although the ERS exceeded the eight percent return rate for five of the last ten years, difficulties faced by the financial markets have resulted in an average annual rate of return of three percent over that time period. With a slowly recovering economy, indications are that an investment return rate of eight percent will be difficult to achieve over the next ten years. This is important because the investment return rate assumption is used to determine the funding level of the ERS and contribution rates for employers. Allowing the ERS Board to base the investment return rate assumption on the recommendations of the actuary will allow for a more realistic investment assumptions and provide stability to the finances of the ERS.

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. 1143 and recommends that it pass Second Reading and be referred to the Committee on Finance.

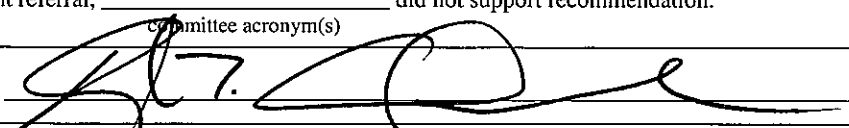
Respectfully submitted on
behalf of the members of the
Committee on Labor & Public
Employment,



KARL RHOADS, Chair



Record of Votes of the Committee on Labor & Public Employment

Bill/Resolution No.: HB 1143	Committee Referral: LAB, FIN	Date: 2-8-11		
<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)				
LAB Members	Ayes	Ayes (WR)	Nays	Excused
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	/			
TOTAL (12)	11	—	—	1
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: 				
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