

HB 1036, HD 1

TESTIMONY BY WESLEY K. MACHIDA
ADMINISTRATOR, EMPLOYEES' RETIREMENT SYSTEM
STATE OF HAWAII
TO THE SENATE COMMITTEE ON JUDICIARY AND LABOR
AND
TO THE SENATE COMMITTEE ON PUBLIC SAFETY, GOVERNMENT OPERATIONS,
AND MILITARY AFFAIRS
ON
HOUSE BILL NO. 1036, H.D. 1

MARCH 22, 2011

RELATING TO FEDERAL TAX QUALIFICATION REQUIREMENTS FOR
THE EMPLOYEES' RETIREMENT SYSTEM

Chairs Hee and Espero and Members of the Committees:

The Employees' Retirement System of the State of Hawaii (ERS) Board of Trustees strongly supports H.B. 1036, H.D. 1, which provides for language in state law to comply with federal law.

The ERS is already providing the death benefits required by federal law under the HEART Act. However, the federal law requires specific language, in order to comply with the appropriate Internal Revenue Code provisions, which is provided by H.B. 1036, H.D. 1.

H.B. 1036, H.D. 1 also includes the requirements for minimum pension distributions as described in the Internal Revenue Code Section 401(a)(9). Those eligible members (who are no longer State or county employees), who attain 70 ½ years of age and who have met the vesting requirements under the respective ERS plan, are to receive minimum pension benefit payments.

The two requirements previously mentioned are needed for the ERS to maintain its tax exempt status. The loss of its tax exempt status would be extremely detrimental to the ERS and its members. The pre-tax (preferential) treatment on member contributions would be eliminated and ERS members would be required to pay federal income taxes annually on the value or increase in value of a member's account without receiving a distribution from the ERS. These taxes could amount to thousands of dollars from the member who would have to find monies outside of their ERS pension account to pay for this tax.

THE OAHU VETERANS COUNCIL

OAHU VETERANS COUNCIL

President - Fred Ballard
1st V.P. - Cecil Meadows
2nd V.P. - Jim Santos
Secretary - John Harms
Treasurer - Eugenia Woodward
Chaplain - Frank Lamson

OAHU VETERANS CENTER EXECUTIVE DIRECTOR

Sandy Ballard

MEMBER ORGANIZATIONS

5th Regimental Combat Team -
45th Infantry Division Association.
Air Force Assn. - Chapter 138
Air Force Sergeants Association
American Legion Aux. - Dept. of HI
American Legion - Dept. of HI
American Legion - Post 32
American Veterans Empowerment & Support -
Community Operations
BPOE VAWS - Hawaii Dist.
China-Burma-India Veterans Association.
Chosin Few - Aloha Chapter
Combat Infantrymen's Association.
Combat Veterans Motorcycle Club
Disabled American Veterans - Chapter 3
Fleet Reserve Association - Branch
and Unit 46
Hawaii Multiple Schools Unit - Jr. ROTC
Korean War Veterans Assn - Chapter 1
Military Officers Assn. of America -
Aloha Chapter
Military Officers Assn. of America -
Hawaii State Chapter
Military Order of the Purple Heart
Military Order of World Wars
National Association. for Atomic Veterans
National Association. of Uniformed Services
National Sojourners - Hawaiian # 9
National Sojourners - Honolulu # 11
National Sojourners - Kamehameha #439
Pearl Harbor Survivors Association
Radiated Veterans
Samoan Providers
Society of Military Widows - Aloha Chapter
Sons & Daughters of Pearl Harbor Survivors
Special Forces Association. - Chapter VIII
State Office of Veterans Services
Veterans of Foreign Wars - Dept. of Hawaii
Veterans of Foreign Wars - Post 970
Vietnam Veterans of America - Chapter 858
Waves National - Unit 131
Women Veterans of America #26



"a gathering place for veterans"
OAHU VETERANS CENTER

March 15, 2011

TESTIMONY IN SUPPORT OF HOUSE BILL 1036 HD1 RELATING TO FEDERAL TAX QUALIFICATION REQUIREMENTS FOR THE EMPLOYEES' RETIREMENT SYSTEM

SENATE COMMITTEES ON JUDICIARY AND LABOR AND PUBLIC SAFETY, GOVERNMENT OPERATIONS AND MILITARY AFFAIRS

HEARING ON THURSDAY, MARCH 10TH, AT 9AM, IN
CONFERENCE ROOM 224

Aloha Chair Espero and Hee: The Oahu Veterans Council's member organization's identified in the left margin represent the interests of over 80,000 veterans and their families. On Thursday, January 27th, our legislative committee voted to testify, in support of House Bill 1036, as follows:

Oahu Veterans Council delegates performed creditable military service under the flag of the United States of America and the State of Hawaii. We firmly believe the proposed language, regarding death benefits for Employees' Retirement System member, on qualified military service, are required to maintain the tax-qualified status of the Employees' Retirement System, and adopt provisions, for the commencement of benefits, required to maintain tax qualified status of the Employees' Retirement System.

We thoughtfully and respectfully encourage your committees to remind those who would undermine this effort to set their concerns aside in recommending approval of HB1036 as amended.

Mahalo for allowing us to testify in support of this very important Bill.

Fred Ballard

Fred Ballard; President



1298 Kukila Street, Honolulu, Hawaii 96818

Email: sballard@oahuveternascenter.com; Phone: 808-422-4000; Fax: 808-422-4001

www.oahuveternascenter.com