

Honolulu, Hawaii

April 27, 2012

RE: H.B. No. 2487
H.D. 1
S.D. 2
C.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Sixth State Legislature
Regular Session of 2012
State of Hawaii

Honorable Shan S. Tsutsui
President of the Senate
Twenty-Sixth State Legislature
Regular Session of 2012
State of Hawaii

Sirs:

Your Committee on Conference on the disagreeing vote of the House of Representatives to the amendments proposed by the Senate in H.B. No. 2487, H.D. 1, S.D. 2, entitled:

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

having met, and after full and free discussion, has agreed to recommend and does recommend to the respective Houses the final passage of this bill in an amended form.

The purpose of this measure is to clarify and adjust pension benefit calculations of the Employees' Retirement System. More specifically, this measure, among other things:

(1) Harmonizes ordinary disability and ordinary death benefits for new members of the Employees' Retirement System with their service retirement benefits by:

(A) Deleting water safety officers from the list of individuals who join the Employees' Retirement System as contributory members after June 30, 2012, because

HB2487 CD1 HCCR HMS 2012-3802



officers becoming members after June 30, 2012, are hybrid plan members;

- (B) Applying the same benefit multiplier for service retirement benefits and ordinary disability benefits for hybrid plan members who become members of the Employees' Retirement System after June 30, 2012; and
 - (C) Making the service requirement for payment of the hybrid plan hypothetical account balance as an ordinary death benefit for an individual who becomes a member after June 30, 2012, the same as the service requirement for an inter vivos withdrawal by the member after the member has terminated service; and
- (2) Prevents unexpected increases in pension benefits and in the unfunded actuarial accrued liability of the Employees' Retirement System by:
- (A) Limiting the amount of compensation included in "average final compensation"; and
 - (B) Requiring employers to pay the additional costs resulting from spiking.

Your Committee on Conference has amended this measure by, among other things:

- (1) Changing the term "spiking" to "significant non-base pay increases";
- (2) Stipulating that the additional contributions paid by the employers shall be payable through an established method;
- (3) Establishing the method for additional contributions required to be paid by employers for costs associated with significant non-base pay increases;
- (4) Deleting certain criteria that limited the amount of compensation included in the average final compensation of Employees' Retirement System members by excluding from the calculation of average final compensation late career spikes in an employee's compensation attributable to non-base pay compensation, such as overtime;
- (5) Changing its effective date to July 1, 2012; and



- (6) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the managers of your Committee on Conference that is attached to this report, your Committee on Conference is in accord with the intent and purpose of H.B. No. 2487, H.D. 1, S.D. 2, as amended herein, and recommends that it pass Final Reading in the form attached hereto as H.B. No. 2487, H.D. 1, S.D. 2, C.D. 1.

Respectfully submitted on behalf of the managers:

ON THE PART OF THE SENATE

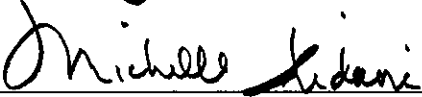
ON THE PART OF THE HOUSE



 CLAYTON FEE, Chair



KARL RHOADS, Co-Chair



MICHELLE KIDANI, Co-Chair



MARCUS R. OSHIRO, Co-Chair



**Record of Votes of a
Conference Committee**

Bill / Concurrent Resolution No.: HB 2487, HD 1, SD 2	Date/Time: 4/27/12 / 2:50 pm
---	---------------------------------

The recommendation of the House and Senate managers is to pass with amendments (CD).

The Committee is reconsidering its previous decision.

<input type="checkbox"/> The recommendation of the Senate Manager(s) is to AGREE to the House amendments made to the Senate Measure	<input type="checkbox"/> The recommendation of the House Manager(s) is to AGREE to the Senate amendments made to the House Measure.
---	---

Senate Managers	A	WR	N	E	House Managers	A	WR	N	E
HEE, Clayton, Chr.	✓				RHOADS, Karl, Co-Chr.	✓			
KIDANI, Michelle N., Co-Chr.	✓				OSHIRO, Marcus R., Co-Chr.	✓			
SLOM, Sam				✓	CHOY, Isaac W.				✓
					YAMASHITA, Kyle T.	✓			
					JOHANSON, Aaron Ling	✓			
TOTAL	2			1	TOTAL	4			1

A = Aye WR = Aye with Reservations N = Nay E = Excused

Senate Recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted	House Recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted
---	--

Senate Lead Chair's or Designee's Signature: 	House Lead Chair's or Designee's Signature:
--	---

Distribution: **Original** **Yellow** **Pink** **Goldenrod**
File with Conference Committee Report House Clerk's Office Senate Clerk's Office Drafting Agency