

STAND. COM. REP. NO. 1212

Honolulu, Hawaii
March 24, 2011

RE: S.B. No. 1341
S.D. 2
H.D. 1

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 S.B. No. 1341, S.D. 2, 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 a certain date to which changes affecting state and county employee retirement benefits and calculations under the Employees' Retirement System (ERS) will be applied, as follows:

- (1) Raise the employee contribution rates into the ERS after a certain date;
- (2) Specify conditions in which individuals who become ERS members can obtain ERS membership service credit for individuals who become ERS members after a certain date;
- (3) Increase the vesting period from five to ten years and the years of credited service for individuals who become ERS members, and judges who earn credited service, after a certain date;
- (4) Reduce the allowance on service retirement for individuals who become ERS members or elective officers,

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and judges who earn credited service, after a certain date;

- (5) Specify a retirement age for state and county employees who become ERS members after a certain date;
- (6) Increase the period for calculating average final compensation from three years to five years; and
- (7) Specify the post retirement allowance for employees who become ERS members after a certain date.

Imua Alliance testified in support of this bill. The ERS Board of Trustees testified in support of this bill, with suggested amendments. The Hawaii State Teachers Association and the Hawaii Fire fights Association, Local 1463, IAFF, AFL-CIO testified in opposition to this measure. The City and County of Honolulu submitted comments.

Upon careful consideration, your Committee has amended this bill by replacing its contents and inserting the provisions contained in H.B. No. 1038, H.D. 2, which are similar to the provisions of this bill, but also include:

- (1) Establishing a pre-July 1, 2012, ERS membership date and a post-June 30, 2012, ERS membership date, to which different conditions and requirements to ERS membership will apply, including:
 - (A) Employee contributions to the ERS;
 - (B) ERS membership service credit;
 - (C) The vesting period and years of credited service;
 - (D) Service retirement allowance;
 - (E) Retirement age for employees;
 - (F) Average final compensation calculation; and
 - (G) Post retirement allowance for employees;
- (2) Deleting the amendments to section 88-76, Hawaii Revised Statutes (HRS), with respect to the allowance on ordinary disability retirement;



- (3) Increasing the contribution rates for employer contributions to the ERS beginning in fiscal year 2012-2013;
- (4) Reducing the percentage of regular interest to be credited to a new employee's retirement account;
- (5) Requiring the ERS Board of Trustees to:
 - (A) Conduct a study to determine whether the percentage of regular interest, as defined in section 88-21, HRS, is appropriate;
 - (B) Compare that percentage against the guaranteed percentage of interest paid by other investment or saving vehicles during the fiscal year 2019-2020; and
 - (C) Submit a report of the study to the Legislature;
- (6) Reducing the investment yield assumption for the ERS to 7.75 percent for the fiscal year ending June 30, 2011; and
- (7) Making technical, nonsubstantive amendments for clarity, consistency, and style.

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 S.B. No. 1341, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1341, S.D. 2, H.D. 1, and be referred to the Committee on Finance.

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



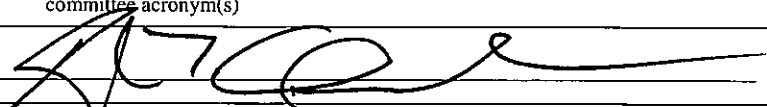
KARL RHOADS, Chair



State of Hawaii
House of Representatives
The Twenty-sixth Legislature

HSCR 1212

Record of Votes of the Committee on Labor & Public Employment

Bill/Resolution No.: SB 1341 SD2	Committee Referral: LAB, FIN	Date: 3-22-11		
<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)				
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)	10	2	-	-
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. committee acronym(s)				
Vice Chair's or designee's signature: 				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				