

STAND. COM. REP. NO.

442

Honolulu, Hawaii

FEB 18 2011

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

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

Sir:

Your Committee on Judiciary and Labor, to which was referred
S.B. No. 1341 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 address the
unfunded liabilities of the Employees' Retirement System (ERS) by
amending retirement benefits for state and county employees who
become members of the ERS after June 30, 2012.

Your Committee received testimony in support of this measure
from the Chairman of the Board of Trustees of the Employees'
Retirement System and the Administrator of the Employees'
Retirement System. Your Committee received testimony in
opposition to this measure from the Hawaii Fire Fighters
Association. Your Committee received comments on this measure
from the Department of Budget and Fiscal Services of the City and
County of Honolulu.

Your Committee finds that the unfunded liability of the ERS
will continue to place a quickly-escalating financial burden on
the State and counties as the annual required contribution grows
for the required rate of contribution by the public employers and
the resulting dollar amounts. The rising number of retirees and
the accelerating pension benefits payable to them, combined with
the shrinking ERS assets and consequent decreasing cash returns on
these investments, have created an enormous dilemma. The annual



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consequences required by the State and counties are growing at a rate that could overwhelm their financial resources and, consequently, the stability of the ERS. Alternatively, the ERS benefit structure can be retooled for new employees to avoid the insolvency of the ERS.

The ERS Board of Trustees has been working with its Actuary to design a benefit structure for new employees that reduces the long-term costs of the ERS and also provides a reasonable retirement package to state and county employees when combined with other retirement vehicles such as Social Securities. Your Committee notes that this measure will affect only new ERS members by reducing the pension benefits they would accrue as compared to those of current members.

Your Committee also notes that this measure is a consolidation of two similar measures, H.B. No. 1142 and H.B. No. 1038, that are presently being heard in the House of Representatives. Your Committee is in agreement with the substance of the proposed amendments in H.B. No. 1038, H.D. 1, which adjusts the age requirements for various benefit levels.

Accordingly, your Committee has amended this measure by:

- (1) Conforming the age requirements for various benefit levels to H.B. No. 1038, H.D. 1;
- (2) Inserting an effective date of July 1, 2050, to allow for further discussion; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity and conformity.

As affirmed by the record of votes of the members of your Committee on Judiciary and Labor that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1341, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1341, S.D. 1, and be referred to the Committee on Ways and Means.



Respectfully submitted on
behalf of the members of the
Committee on Judiciary and
Labor,




CLAYTON HEE, Chair



The Senate
 Twenty-Sixth Legislature
 State of Hawai'i

Record of Votes
Committee on Judiciary and Labor
JDL

Bill / Resolution No.:*	Committee Referral:	Date:		
SB 1341	JDL, WAM	2/14/11		
<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 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
HEE, Clayton (C)	✓			
SHIMABUKURO, Maile (VC)	✓			
GABBARD, Mike	✓			
IHARA, Jr., Les				✓
SLOM, Sam	✓			
TOTAL	4	0	0	1
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes