

STAND. COM. REP. NO. **2300**

Honolulu, Hawaii

FEB 17 2012

RE: S.B. No. 2749
S.D. 1

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

Sir:

Your Committee on Judiciary and Labor, to which was referred
S.B. No. 2749 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 harmonize the
service retirement, ordinary disability retirement, and ordinary
death benefits for members of the Employees' Retirement System who
become members after June 30, 2012, and restores age and service
requirements for retirement parity for current members who become
judges after June 30, 2012, and other contributory plan members.
Specifically, this measure:

- (1) Restores parity between judges and other contributory
plan members with respect to age and service
requirements for retirement;
- (2) Deletes water safety officers from the list of
individuals who join the Employees' Retirement System as
contributory members after June 30, 2012, as this
category no longer applies because officers becoming
members after June 30, 2012, are Hybrid Plan members;
- (3) Applies 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;



- (4) Makes 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
- (5) Makes various housekeeping amendments to correct typographical errors and avoid confusion.

Your Committee received testimony in support of this measure from the Department of Budget and Finance and the Employees' Retirement System.

Your Committee finds that this measure makes several amendments to the pension and retirement laws in order to clarify benefit changes made under Act 163, Session Laws of Hawaii 2011. The purpose of Act 163 was to make various revisions to the Employees' Retirement System in order to reduce the system's unfunded liability. These amendments harmonize the service requirements and ordinary death benefits for individuals who become members of the Employees' Retirement System after June 30, 2012, as a result of Act 163.

In particular, your Committee notes that prior to the enactment of Act 163, Session Laws of Hawaii 2011, the age and service requirements for retirement for judges were the same as for other contributory plan members who became members of the Employees' Retirement System at the same time. However, Act 163 establishes more stringent age and service requirements for retirement by individuals who become members after June 30, 2012, and for current system members who become judges after June 30, 2012. As a result, current system members who become judges after June 30, 2012, are subject to more stringent age and service requirements than other contributory plan members of the system at the same time. In light of the reported \$8,164,000,000 Employees' Retirement System's unfunded liability as of June 30, 2011, your Committee finds that "grandfathering" in existing system members who become judges after June 30, 2012, so that the more stringent service and age requirements do not apply to these members is counterproductive to the reduction of the unfunded liability.

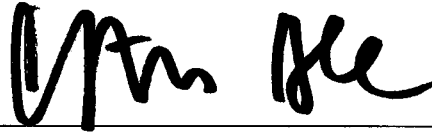
As such, your Committee has amended this measure by:



- (1) Deleting the provisions that restore parity between judges and other contributory plan members with respect to age and service requirements for retirements;
- (2) Changing the effective date to July 1, 2012; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity and style.

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. 2749, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2749, 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.:* SB2749	Committee Referral: JDL, WAM	Date: 2/8/12		
<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			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