

Honolulu, Hawaii

April 5, 2012

RE: S.B. No. 2750  
S.D. 1  
H.D. 2

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

Sir:

Your Committee on Finance, to which was referred S.B. No. 2750, S.D. 1, H.D. 1, entitled:

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

begs leave to report as follows:

The purpose of this measure is to address the Employees' Retirement System's unfunded liability by amending the law regarding the calculation of a member's average final compensation, to prevent pension spiking. Specifically, among other things, this measure:

- (1) Requires a public employee's or former public employee's last state or county employer to pay to the Employees' Retirement System the present value of additional benefits resulting from pension spiking; and
- (2) Limits the amount of compensation to be considered in an Employees' Retirement System member's average final compensation benefit calculation, by excluding from the calculation formula, late career compensation spikes that are attributable to non-base pay compensation, including overtime.



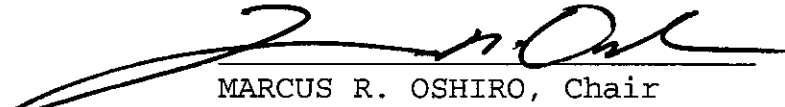
The Employees' Retirement System Board of Trustees and Department of the Attorney General testified in support of this measure. The Honolulu Police Department, Honolulu Fire Department, Hawaii Fire Department, Hawaii Government Employees Association, University of Hawaii Professional Assembly, and State of Hawaii Organization of Police Officers testified in opposition to this measure. The Department of Budget and Finance and Department of Budget and Fiscal Services of the City and County of Honolulu provided comments.

Your Committee has amended this measure by:

- (1) Changing its effective date to July 1, 2030, to promote further discussion; and
- (2) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2750, S.D. 1, H.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 2750, S.D. 1, H.D. 2.

Respectfully submitted on  
behalf of the members of the  
Committee on Finance,

  
MARCUS R. OSHIRO, Chair



