

Honolulu, Hawaii

FEB 11 2016

RE: S.B. No. 2346

S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Twenty-Eighth State Legislature  
Regular Session of 2016  
State of Hawaii

Sir:

Your Committee on Judiciary and Labor, to which was referred  
S.B. No. 2346 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:

- (1) Authorize the Board of Trustees of the Employees' Retirement System to appoint investment support staff and other investment professionals, in addition to investment officers;
- (2) Require the Employees' Retirement System to make direct payments to a spouse or former spouse of a system member or retirant pursuant to a qualified domestic relations order beginning on January 1, 2018; and
- (3) Appropriate funds to the Employees' Retirement System to implement this measure and hire one full-time equivalent claims examiner position.

Your Committee received testimony in support of this measure from the Family Law Section of the Hawaii State Bar Association and two individuals. Your Committee received testimony in opposition to this measure from the Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO. Your Committee received comments on this measure from the Employees' Retirement System.



Your Committee finds that the successful investment of the Employees' Retirement System's ("System") funds is essential to the stability and sustainability of the System. Although the Board of Trustees' members are responsible for the general management of the System's assets and implementation of the System's investment policy, internal and external investment experts are heavily depended upon for advice. Authorizing the Board of Trustees to appoint investment support staff and other investment professionals will address the System's long-term staffing needs, resulting from the complexity of the System's portfolio and dynamics of the modern financial markets.

Your Committee further finds that under existing law, only private employers are required to abide by the federal Employee Retirement Income Security Act, authorizing non-member former spouses to receive retirement benefits directly from the retirement plan's administrator pursuant to a qualified domestic relations order. Authorizing the System to make direct payments to a spouse or former spouse of a System member will decrease litigation and ensure compliance with Hawaii domestic relations orders.

Your Committee has amended this measure by:

- (1) Replacing "qualified domestic relations order" with "Hawaii domestic relations order" for the purpose of clarity; and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

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. 2346, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2346, S.D. 1, and be referred to your Committee on Ways and Means.



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

  
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GILBERT S.C. KEITH-AGARAN, Chair



