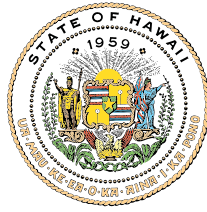


JOSH GREEN, M.D.
GOVERNOR

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THOMAS WILLIAMS
EXECUTIVE DIRECTOR

GAIL STROHL
DEPUTY EXECUTIVE DIRECTOR

**STATE OF HAWAII
EMPLOYEES' RETIREMENT SYSTEM**

**TESTIMONY BY THOMAS WILLIAMS
EXECUTIVE DIRECTOR, EMPLOYEES' RETIREMENT SYSTEM
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON LABOR
ON
HOUSE BILL NO. 1041**

February 4, 2025

9:00 A.M.

Conference Room 309 and VIA Videoconference

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM.

Chair Sayama, Vice Chair Lee, and Members of the Committee,

The Board of Trustees of the ERS supports passage of H.B. 1041, and humbly asks for your favorable consideration.

H.B. 1041, proposes to change the definition of the Required Beginning Date (RBD) in Chapter 88 HRS to conform to the updated tiered increase in ages based on year of birth when determining Required Minimum Distributions (RMD) as defined in the Internal Revenue Code of 1986, as amended, (IRC). It also proposes to remove the automatic distribution requirement for non-vested hybrid members so as not to mandate administration of a third-party retirement account vendor as instituted by the Setting Every Community Up for Retirement Enhancement (SECURE) 2.0 Act of 2022.

The changes proposed in H.B. 1041, would enable the ERS to continue to administer RMDs in accordance with IRC requirements in order to maintain our beneficial tax status. This allows our members to make contributions through an employer pick-up on a pre-tax basis and allows those contributions to accrue without triggering a taxable



Employees' Retirement System
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event upon vesting, both of which allow our members to defer hundreds of millions of dollars in taxable income.

The elimination of the current automatic refund mandate for non-vested hybrid members would relieve the ERS from the burdensome and costly requirement of administering an Individual Retirement Account (IRA) as a separate defined contribution plan, to transfer these automatic payments into. This bill would further streamline dispensation by having these distributions performed solely under the RMD process, which is not subject to the IRA transfer requirements. This would eliminate an often unwelcome and extraneous matrix of age, service, and membership requirements mandating refunds to this subset of Hybrid members.

The Board of Trustees of the ERS thanks the committee for the opportunity to provide testimony on H.B. 1041, and humbly requests your favorable consideration.