STAND. COM. REP. NO. 1173 -06

Honolulu, Hawaii

Merch 24 , 2006

RE: S.B. No. 2273 S.D. 2

Honorable Calvin K.Y. Say Speaker, House of Representatives Twenty-Third State Legislature Regular Session of 2006 State of Hawaii

Sir:

Your Committee on Labor & Public Employment, to which was referred S.B. No. 2273, S.D. 2, entitled:

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

begs leave to report as follows:

The purpose of this bill is to clarify and conform existing statutory language regarding the Employees' Retirement System (ERS) to current practices. Among other things, this bill:

- (1) Allows former contributory plan members whose accumulated contribution balances are more than \$1,000 to leave their contributions in the ERS until they reach the age of 62;
- (2) Requires the filing of accidental and ordinary death benefit claims within three years of a member's death;
- (3) Allows former employees with vested contributory plan rights to withdraw their contributions at any time;
- (4) Allows the Board of Trustees of the ERS to use limited liability companies as an investment vehicle;
- (5) Establishes a deadline for employer contributions and requires payment of interest by the employer on late

contributions for members who are called to active military duty;

- (6) Clarifies that ordinary death benefits are payable to a beneficiary if a member with vested status dies before the member is eligible to retire while on active military duty;
- (7) Gives members who are out of state on active military duty additional time to make the Hybrid Plan election;
- (8) Eliminates the June 30, 2006, deadline by which members must claim noncontributory plan membership service for such service to be eligible for conversion to the Hybrid Plan membership service since no ruling has yet been received from the Internal Revenue Service;
- (9) Clarifies selection and irrevocability of beneficiary designations under survivor retirement options;
- (10) Clarifies that the computation of non-tax qualified benefits for highly compensated individuals includes the member's class of service as of June 30, 2004; and
- (11) Amends and adds various definitions for consistency and conformity.

The Department of Budget and Finance, Board of Trustees of the ERS, and Hawaii State Teachers Association testified in support of this bill. A member of the Maui County Council supported the intent of this measure.

Your Committee notes that various "housekeeping" amendments to the ERS are necessary to clarify and conform existing statutes to current practice, as well as to meet federal regulations that may have been recently amended which will impact the ERS.

As affirmed by the record of votes of the members of your Committee on Labor & Public Employment that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2273, S.D. 2, and recommends that it pass Second Reading and be referred to the Committee on Finance.

STAND. COM. REP. NO. 173-06

Respectfully submitted on behalf of the members of the Committee on Labor & Public Employment,

KIRK CALDWELL, Chair

State of Hawaii House of Representatives The Twenty-third Legislature

Record of Votes of the Committee on Labor & Public Employment

Bill/Resolution No.:	Date:	_			
SB 2273 SD2		3-17-06			
Committee Referral:	☐ The comn	☐ The committee is reconsidering its			
LAB, FIN	previous decision on the measure.				
The recommendation is to: Pass, unamended Pass, with amendments					
□ Hold □ Recommit					
LAB Members	Ayes	Ayes (WR)	Nays	Excused	
1. CALDWELL, Kirk (C)	~				
2. NAKASONE, Bob (VC)	/				
3. CHONG, Pono					
4. ITO, Ken	~				
5. OSHIRO, Marcus R.					
6. SHIMABUKURO, Maile S. L.					
7. SOUKI, Joseph M.	-				
8. MEYER, Colleen Rose	-				
9. STEVENS, Anne V.					
TOTAL	7			2	
The recommendation is: Adopted If joint referral, did not support recommendation. committee acronym(s) Vice Chair's or designee's signature:					
Distribution: Original (White) – Committee Duplicate (Yellow) – Clerk's Office					