STAND. COM. REP. NO. 1236 -08

Honolulu, Hawaii

March 19, 2008

RE: S.B. No. 3005

S.D. 2 H.D. 1

Honorable Calvin K.Y. Say Speaker, House of Representatives Twenty-Fourth State Legislature Regular Session of 2008 State of Hawaii

Sir:

Your Committee on Labor & Public Employment, to which was referred S.B. No. 3005, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO FEDERAL TAX QUALIFICATION OF THE EMPLOYEES' RETIREMENT SYSTEM,"

begs leave to report as follows:

The purpose of this bill is to protect the tax-qualified status of the Employees' Retirement System (ERS) by:

- (1) Eliminating optional membership in the ERS for elective officers;
- (2) Implementing a one-time irrevocable election by elective officers to be excluded from membership in the ERS; and
- (3) Providing that a retirant may return to service as an elective officer without suspension of their retirement benefits under certain conditions.

The Department of Budget and Finance and ERS Board of Trustees testified in support of this bill.

The Internal Revenue Service (IRS) is required to determine whether governmental public pension plans such as the ERS comply with federal income tax laws. As a result, the ERS is mandated to submit determination letters to the IRS and make remedial plan

SB3005 HD1 HSCR LAB HMS 2008-2934

amendments based on a five-year cycle. This measure allows the ERS to comply with regulations under federal income tax laws, thus maintaining its tax-qualified status which benefits its membership.

However, your Committee finds that elective officers and judges who have reached the maximum retirement allowance and continue to be active members will continue to be required to contribute to the ERS without receiving added retirement benefits. This may be resolved by repealing the statutory cap on retirement benefits for elective officers and judges. Although it is unclear at this point what effect this action will have on the tax-exempt status of the ERS, this issue deserves further consideration.

Accordingly, your Committee has amended this bill by deleting its contents and inserting the provisions of H.B. No. 3083, H.D. 1. As amended, this measure continues to protect the taxqualified status of the ERS with the same provisions but in addition, it repeals the statutory cap on retirement benefits for elective officers and judges.

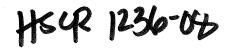
Other technical, nonsubstantive amendments have been made for clarity, consistency, and style.

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. 3005, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 3005, S.D. 2, H.D. 1, and be referred to the Committee on Finance.

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

ALEX M. SONSON, Chair

## State of Hawaii House of Representatives The Twenty-fourth Legislature



## Record of Votes of the Committee on Labor & Public Employment

Bill/Resolution No.: SB 3005, SD2	Committee Referral: LAB, FIN	Date O	3-11-08	
☐ The committee is reconsidering its previous decision on the measure				
The recommendation is to:  Pass, unamended (as is) Pass, with amendments (HD) Pass short form bill with HD to recommit for future public hearing (recommit)				
LAB Members	Ayes	Ayes (WR)	Nays	Excused
1. SONSON, Alex M. (C)	<b>X</b>			
2. NAKASONE, Bob (VC)		appropriate the second of the		
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3. EVANS, Cindy				
4. HAR, Sharon E.				×
5. LEE, Marilyn B.	<b>x</b>			
6. LUKE, Sylvia				k
7. McKELVEY, Angus L.K.	×			
8. NISHIMOTO, Scott Y.				لع
9. SOUKI, Joseph M.	\ \X			
10. TAKAMINE, Dwight Y.	<b>×</b>			
11. TAKUMI, Roy M.	×			
12. MEYER, Colleen Rose				×
13. PINE, Kymberly Marcos		<u></u>		<u>~</u>
TOTAL (13)	77		0	4
The recommendation is:  If Adopted Not Adopted did not support recommendation.  If joint referral, did not support recommendation.				
Vice Chair's or designee's signature:				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office				