

Honolulu, Hawaii

MAR 24 2011

RE: H.B. No. 1038
H.D. 2
S.D. 1

Honorable Shan S. Tsutsui
President of the Senate
Twenty-Sixth State Legislature
Regular Session of 2011
State of Hawaii

Sir:

Your Committee on Judiciary and Labor, to which was referred H.B. No. 1038, H.D. 2, 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 address the unfunded liability of the Employees' Retirement System (ERS) by:

- (1) Providing for retirement benefit changes for state and county employees who become members of the ERS after June 30, 2012, that are different from the retirement benefits of current employees; and
- (2) Reducing the investment yield assumption for the ERS to 7.75 percent for the fiscal year ending June 30, 2011.

Your Committee received testimony in support of this measure from the Department of Budget and Finance, Administrator of the ERS, and Department of Budget and Fiscal Services of the City and County of Honolulu. Your Committee received comments on this measure from the Hawaii Fire Fighters Association and two individuals.

Your Committee finds that this measure is one of several measures being heard that address the unfunded liability of the ERS to thereby preserve the ERS and ensure its stability for the



future. During the course of the hearings on these various proposed methods to address the ERS issue, your Committee has become acutely aware of the conflicting concerns of preserving the currently unstable retirement system and the impacts that reducing retirement benefits will have on the recruitment and retention of state and county employees. Your Committee is of the firm opinion that the ERS unfunded liability must be decisively addressed in the near future, and this measure represents one option for doing so. Although segregating employees based on their date of hire is not necessarily optimal, your Committee believes that this represents a realistic and sensible method of addressing a portion of the enormous unfunded liability that the ERS currently faces.

Your Committee notes that this measure incorporates the substance of several House bills and constitutes an omnibus bill addressing ERS retirement benefits. Together with its testimony, the ERS submitted a draft containing suggested technical amendments and conforming clarifications.

Your Committee has amended this measure by:

- (1) Incorporating the recommended technical and conforming amendments recommended by the ERS; and
- (2) Making further 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 H.B. No. 1038, H.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1038, H.D. 2, S.D. 1, and be referred to the Committee on Ways and Means.

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



CLAYTON HEE, Chair



The Senate
 Twenty-Sixth Legislature
 State of Hawai'i

Record of Votes
Committee on Judiciary and Labor
JDL

Bill / Resolution No.:* HB 1038, HD2	Committee Referral: JDL, WAM	Date: 3/22/11		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
HEE, Clayton (C)	✓			
SHIMABUKURO, Maile (VC)	✓			
GABBARD, Mike	✓			
IHARA, Jr., Les	✓			
SLOM, Sam	✓			
TOTAL	5			
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes