

STAND. COM. REP. NO. 247

Honolulu, Hawaii
Feb 9, 2007

RE: H.B. No. 1292

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fourth State Legislature
Regular Session of 2007
State of Hawaii

Sir:

Your Committee on Labor & Public Employment, to which was referred H.B. No. 1292 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 ensure compliance with the Internal Revenue Code, thus enabling the Employees' Retirement System (ERS) to maintain its tax-qualified status, by:

- (1) Repealing provisions that allow elective officers to exercise their option to join the ERS at any time during their term of office;
- (2) Repealing provisions that allow elective officers and judges:
 - (A) To withdraw from ERS membership while remaining in office; and
 - (B) Who have reached the 75 percent statutory cap on retirement benefits to withdraw from ERS membership by retiring even though they remain in office;
- (3) Requiring elective officers to exercise a one-time irrevocable option to join the ERS when they are elected for the first time; and



- (4) Setting forth the circumstances under which retirees may return to service as elective officers without suspension of their retirement benefits.

The Department of Budget and Finance, Attorney General, Board of Trustees of the ERS, Office of Hawaiian Affairs, and Hawaii State Teachers Association testified in support of this bill.

Your Committee finds that this measure protects the ERS' tax qualified status, ensuring the favorable tax treatment of employee contributions made on a pre-tax basis.

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 H.B. No. 1292 and recommends that it pass Second Reading 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



