

Honolulu, Hawaii

Feb 15, 2008

RE: H.B. No. 3083
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 H.B. No. 3083 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 the ERS;
- (3) Prohibiting elective officers and judges from retiring upon reaching the statutory cap on retirement benefits and subsequently delaying receipt of benefits until a future separation date; and
- (4) 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 Judiciary supported the intent of this measure.



The Internal Revenue Service (IRS) is required to determine whether governmental public pension plans such as the ERS are complying with federal income tax laws. As a result, the ERS is mandated to submit determination letters to the IRS and make remedial plan amendments based on a five year cycle. This measure allows the ERS to comply with regulations under federal income tax laws, thus maintaining their tax-qualified status which benefits their membership.

However, your Committee understands the concerns raised by the Judiciary that, as currently written, 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. Although it is unclear at this point what effect repealing the statutory cap for elective officers and judges will have on the tax-exempt status of the ERS, this issue deserves further consideration. Accordingly, your Committee has amended this bill by repealing the statutory cap on retirement benefits for elective officers and judges.

Other technical, nonsubstantive amendments were 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 H.B. No. 3083, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 3083, 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

520.08

Record of Votes of the Committee on Labor & Public Employment

Bill/Resolution No.: HB 3033 3083 "	Committee Referral: LAB, FIN	Date: 2/8/08		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> 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)	✓			
2. NAKASONE, Bob (VC)				X
3. EVANS, Cindy				X
4. HAR, Sharon E.	✓			
5. LEE, Marilyn B.	✓			
6. LUKE, Sylvia	✓			
7. McKELVEY, Angus L.K.				X
8. NISHIMOTO, Scott Y.	✓			
9. SOUKI, Joseph M.	✓			
10. TAKAMINE, Dwight Y.	✓			
11. TAKUMI, Roy M.	✓			
12. MEYER, Colleen Rose	✓			
13. PINE, Kymberly Marcos	✓			
TOTAL (13)	10			3
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral _____ did not support recommendation. _____ committed acronym(s)				
Vice Chair's or designee's signature:				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office				