



**STATE OF HAWAII**  
**DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT**  
235 S. BERETANIA STREET  
HONOLULU, HAWAII 96813-2437

February 7, 2008

TESTIMONY TO THE  
HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT  
For Hearing on Friday, February 8, 2008  
8:30 a.m., Conference Room 309

BY

MARIE C. LADERTA, DIRECTOR

**House Bill No. 2710**  
**Relating to the Re-Employment of Retirees**

TO CHAIRPERSON SONSON AND MEMBERS OF THE COMMITTEE:

The purpose of House Bill 2710 is to allow the counties to hire retired state or county government employees without restriction as to the length of employment or number of hours worked per week.

The Department of Human Resources Development appreciates the intent of this measure as it authorizes public employers to consider state or county retirants for re-employment without negatively impacting the retirants' retirement pay benefits and retirement medical health benefits. The Executive Branch will strongly support a separate authority for state government that enables the hiring of retirants into full-time employment without negatively impacting their earned retirement pension and medical retirement benefits based on the following provisions being met:

1. Rehiring of state or county retirants will be limited to labor shortage and difficult-to-fill exempt or civil service positions as determined by the Director of Human Resources of the appropriate state jurisdiction. For clarity and proper administration, we

recommend the inclusion of definitions for state jurisdiction and executive branch as follows:

**“For the purposes of this section:**

**“State jurisdiction” means the department of education; the judiciary; the Hawaii health systems corporation; the office of Hawaiian affairs; the state executive branch; and the legislative branches of the state governments.”**

**“State executive branch” means all the departments of the executive branch of the state government, except the University of Hawaii, the Hawaii health systems corporation, and the department of education.”**

2. A mandatory one calendar year wait period from the retirant’s date of retirement to qualify for full-time employment. A new definition of “one calendar year” will result in uniform interpretation and application among the separate state jurisdictions.

**“One calendar year means twelve consecutive months from the date of employee’s retirement to the date of employee’s re-employment under this Act”.**

3. The retirant will continue to receive the normal retirement benefits and medical retirement benefits without penalty if employed full-time under this proposed measure.
4. A retirant hired for full-time employment shall not earn additional retirement service credit, shall not make additional employee contributions to the Employee Retirement System, and shall not earn additional system benefits.
5. Each participating state jurisdiction shall make employer contributions to the pension accumulation fund in accordance with Section 88-122(e), HRS.
6. The hiring of retirants shall be based on civil service employment laws, if applicable, and relevant state and federal employment laws of the respective state jurisdiction.
7. If the position is designated to a collective bargaining unit, the re-employed retirant shall join the appropriate collective bargaining unit. We recommend that specific language to ensure the continuity of the current bargaining unit inclusion or exclusion process in classifying new positions authorized by the Legislature as follows:

"88-\_\_ Re-employment of state and county retirants. Subsection (b) Sections 88-21 . . . a retired state or county employee, who is hired by the State or county under this section: . . .

**(3) Shall join the appropriate bargaining unit if hired in a position covered by collective bargaining."**

8. An annual Legislative reporting requirement for each state jurisdiction that employs retirants full-time under this Act.
9. A five-year sunset provision which begins on July 1, 2008 and ends on June 30, 2013 will provide each state jurisdiction with additional time needed to develop and facilitate the filling of anticipated shortage and difficult to fill positions.

**"This Act shall take effect on July 1, 2008 and shall be repealed on June 30, 2013."**

Thank you for the opportunity to testify on this very important measure as a separate legislative authority that addresses the above provisions will provide state government with a workforce staffing tool that balances the needs of state services and the state taxpayers' concerns.

Respectfully Submitted,

  
MARIE C. LADERTA

DEPARTMENT OF HUMAN RESOURCES  
**CITY AND COUNTY OF HONOLULU**

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MUFI HANNEMANN  
MAYOR



KENNETH Y. NAKAMATSU  
DIRECTOR

February 8, 2008

The Honorable Alex M. Sonson, Chair  
and Members  
Committee on Labor and Public Employment  
House of Representatives  
State Capitol  
Honolulu, Hawaii

Dear Chair Sonson and Members of the Committees:

I am Ken Y. Nakamatsu, Director of Human Resources of the City and County of Honolulu, and I am speaking on behalf of the Council of Mayors. House Bill 2710 proposes to allow the rehire of retirees by county governments. This is an important measure that will assist the county governments in meeting our workforce needs, and we strongly support this measure.

The retirement of the baby boomer generation and the unprecedented challenges it will create for all employers has been widely discussed. To successfully meet this challenge and ensure the continuation of the services upon which our public relies, the Mayors recognize that the counties will need to have available to us all possible tools. Accordingly, the Mayors have made the passage of this bill a priority. They view this bill as an essential tool that will put us on equal footing with the private sector and federal government employers as we compete for the sought after skills held by our retirees. Currently, we are at a distinct disadvantage as retirees who return to full-time work for us for more than three months must give up their pension and retiree medical benefits—a loss not required if they go to work for a private employer or the federal government.

We recognize that the Employees Retirement System (ERS) has some concerns about the bill as currently written. We understand that one of their concerns is about the effect of such legislation on their tax exempt status. We are in complete agreement with the ERS on this issue—their tax exempt status must be protected. Accordingly, we are working with the ERS to address this and their other concerns. We are also keeping our lines of communications open with the Unions on this matter. As we continue our discussions with the interested parties, we respectfully request that the current measure be moved forward—this will provide us with time to identify and recommend amendments to the bill.

In light of the forgoing we urge you to pass this measure.

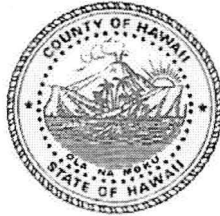
Thank you for the opportunity to testify on H.B. 2710.

Sincerely,

A handwritten signature in cursive script that reads "Ken Nakamatsu".

KEN Y. NAKAMATSU  
Director of Human Resources

Harry Kim  
Mayor



Michael R. Ben, SPHR  
Director of Human Resources

Ronald K. Takahashi  
Deputy Director of Human Resources

## County of Hawai'i Department of Human Resources

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February 8, 2008

The Honorable Alex M. Sonson, Chair  
And Members of the Committee on Labor & Public Employment  
House of Representatives  
State Capitol  
Honolulu, HI 96813

Dear Chairman Sonson and Members of the Committee:

### **Re: HB 2710 Relating to the Re-employment of Retirees**

I am Michael R. Ben, Director of Human Resources for the County of Hawai'i. I am testifying to ask for your favorable action on HB 2710.

This bill represents the efforts of the Conference of Mayors to address their concerns about our continuing efforts to attract qualified and competent employees to public service. While we continue to think of ways to actively recruit and attract qualified and competent employees, HB 2710 provides us with one more useful tool with which to do so.

For several years now, Hawai'i County has experienced low unemployment with both the private and public sectors competing for workers from a diminished labor pool. Private and public sectors on the Big Island both have many unfilled vacancies, with some private businesses actually having to close because of a lack of workers. Currently, we have 26 classes of work for which we recruit on a continuing basis; that is, we have no established closing date for these recruitments. This has been necessitated by of a lack of sufficient applicants from which to make appointments to our vacancies. Of these 26 classes, 7 classes have been on continuous recruitment for over 2 years.

The private sector has the "carrot" of attracting retirees from public service without affecting these retirees' benefits from the ERS and the EUTF. Retirees who do seek private sector employment have had years of quality training and work experiences in the public sector. Rather than having them turn to the private sector, why not enable us to benefit from their knowledge, skills, and abilities gained while employed in the public sector and where we have first hand

*Hawai'i County is an Equal Opportunity Provider and Employer.*

The Honorable Alex M. Sonson, Chair  
And Members of the Committee on Labor & Public Employment  
February 8, 2008  
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knowledge about their knowledge, skills, and abilities, and their work ethic that they would bring back to the public sector?

We realize that there will be concerns expressed by public sector unions, the Employees' Retirement System, and perhaps the Employer-Union Trust Fund. The Conference of Mayors, together with their staff such as myself, will work with all interested parties to arrive at a bill which all parties can support. In fact, HB 2710 is an initial attempt to address some of the concerns initially expressed to us by the public sector unions.

I ask for your favorable consideration of HB 2710 to enable us to continue working with all interested parties on this matter.

As a point of information, while there may be other similar bills on this subject matter, Hawai'i County intends to focus on HB 2710 and its companion bill SB 2710 so as to not cause any confusion or misinterpretation as to where we stand in our support of the concept of re-employing public sector retirees.

Thank you.

Sincerely,

A handwritten signature in cursive script that reads "Michael R. Ben".

Michael R. Ben, SPHR  
Director of Human Resources

**Harry Kim**  
*Mayor*



**Dixie Kaetsu**  
*Managing Director*

**Barbara J. Kossow**  
*Deputy Managing Director*

# County of Hawai'i

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February 6, 2008

The Honorable Alex Sonson  
Chair, Committee on Labor  
415 South Beretania Street  
Honolulu, HI 96813

Dear Chair Sonson and Committee Members:

Re: HB 2710

Section 1 of HB 2710 does an excellent job of explaining the difficulties that county governments are facing in filling its labor force, and explains why HB 2710 is seen as a partial remedy for our difficulty. To the extent that additional details are needed, the Directors of Human Resources for the counties are available to provide more information. Let me simply say that government is blessed with some outstanding employees who would continue to work, even if they are eligible to retire, so long as they do not suffer financially.

HB 2710 is a way to allow these people to contribute to county government rather than "forcing" them into the private sector. And make no mistake, they will go to the private sector and be welcome there, because their work ethic and expertise are highly valued.

We know there are concerns among unions and ERS, which we want to identify and address. Please keep HB 2710 alive as we try to iron out these issues.

I hope you can give HB 2710 your favorable consideration.

Aloha,

**Harry Kim**  
**MAYOR**



CHARMAINE TAVARES  
Mayor



LYNN G. KRIEG  
Director

LANCE T. HIROMOTO  
Deputy Director

COUNTY OF MAUI  
DEPARTMENT OF PERSONNEL SERVICES

200 SOUTH HIGH STREET • WAILUKU, MAUI, HAWAII 96793-2155  
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February 5, 2008

The Honorable Alex M. Sonson, Chair  
and Members of the  
Committee on Labor & Public Employment  
The House of Representatives  
State Capitol  
Honolulu, Hawaii 96813

Dear Representative Sonson and Committee Members:

Subject: H.B. 2710, RELATING TO THE RE-EMPLOYMENT OF RETIREES

I am Lynn G. Krieg, Director of Personnel Services, County of Maui. Thank you for allowing me to present testimony on H.B. 2710.

For the past several years, Maui County has been experiencing one of the lowest unemployment rate in the nation and having to compete with the private sector for qualified employees. We currently have over forty (40) job classes on continuous recruitment and this does not take into account recruitments for seasonal and intermittent employment. At the same time, we are facing the reality that within the next four to five years approximately 20% to 25% of our current workforce will be eligible to retire. We also know that many of them, once secure in their retirement, seek to return to some form of productivity and yearn to return to the workforce. For the public employer, it is frustrating to see this resource available, but unattainable on a full-time basis without the individuals risking their retirement benefits, when in reality the vacancies are increasing and the number of qualified applicants is dwindling.

With this reality in mind, the mayors of all the county jurisdictions have joined together in support of H.B. 2710 in an effort to put a mechanism in place that would allow any interested and invigorated retiree the opportunity to return to service without jeopardizing his or her retirement benefits. This would also make available a pool of applicants who would require little or no training upon returning to public sector employment, and one would also assume that the employer would save in terms of health coverage, since the retiree would continue his or her retiree health benefits.

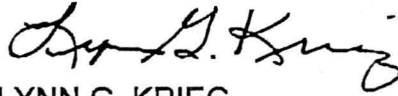


Honorable Alex M. Sonson, Chair  
Committee on Labor & Public Employment  
Page 2  
February 5, 2008

Based on the foregoing, Maui County asks for your committee's serious and favorable consideration of H.B. 2710.

Thank you for the opportunity to testify.

Sincerely,



LYNN G. KRIEG  
Director of Personnel Services

**TESTIMONY OF THE  
COUNTY OF KAUAI  
OFFICE OF THE MAYOR**

**TO THE HOUSE COMMITTEE  
ON LABOR AND PUBLIC EMPLOYMENT**

**TWENTY-FOURTH LEGISLATURE  
REGULAR SESSION OF 2008**

February 8, 2008  
8:30 a.m.

**TESTIMONY ON HOUSE BILL NO. 2710, RELATING TO THE RE-EMPLOYMENT OF  
RETIREES.**

**TO THE HONORABLE ALEX M. SONSON, CHAIR, AND MEMBERS OF THE  
COMMITTEE:**

My name is Bryan J. Baptiste, Mayor, testifying on behalf of the County of Kauai  
(County).

The County strongly supports House Bill No. 2710.

The bill allows a county to hire retired state or county government employees  
without penalty to the employee.

Our county would appreciate the relief offered by this bill. In the next five years,  
approximately 32 per cent of our employees will be eligible for retirement. Many of these  
employees occupy key, one-of-a kind positions which require in-depth knowledge of the  
County and its operations, such as fiscal officers and division heads. In addition, other  
retirement-eligible employees, including engineers and police officers, are in hard to recruit  
job categories. As a small neighbor island county, the applicant pool available to us is very  
small and limited. The bill would allow the County to retain selected employees until we  
can hire qualified replacements in a challenging recruiting environment.

We thank the Committee for the opportunity to present testimony on this matter.

TESTIMONY BY DAVID SHIMABUKURO  
ADMINISTRATOR, EMPLOYEES' RETIREMENT SYSTEM  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT  
ON  
HOUSE BILL NO. 2710

FEBRUARY 8, 2008

RELATING TO THE RE-EMPLOYMENT OF RETIREES

Chair Sonson and Members of the Committee:

H.B. 2710 allows a county to hire retired state or county government employees without restriction as to length of employment or number of hours worked per week.

Retired state or county government employees would be able to continue to receive their pension and retiree health benefits but will not earn retirement service credit as a result of their re-employment.

We have the following comments and concerns on this measure:

- The ERS tax attorney informed us that the immediate rehiring of retirants could jeopardize the ERS' tax-exempt status. This could result in members being taxed on their accrued retirement benefits at the time of vesting rather than upon distribution. Members would continue to be taxed on the increased value of their annual accrued retirement benefits and annual interest earnings. ERS members will also lose the favorable federal pre-tax treatment on retirement contributions that are deducted from their paychecks. Rollovers and trustee to trustee transfers to the ERS may be taxed upon its transfer rather than being tax deferred until the member retires.
- The ERS actuary recommends that any retirant who returns to employment in a position requiring ERS membership to be separated at least one calendar year before reemployment.

The actuary feels that this Bill provides members with an enhanced retirement benefit that will increase the State and county governments' contributions to the ERS and increase the ERS' \$5.1 billion unfunded liability. This is contrary to the provisions of Act 256, Session Laws of

Hawaii 2007, which placed a moratorium on benefit enhancements until January 2, 2011.

- The ERS actuary also recommends that the employer make retirement contributions on the retirant's salary to the ERS (15% for general employees and 19.7% for police officers and firefighters). This is the amount that would have been remitted to reduce the ERS' unfunded liability if the position had been filled by a new employee instead of a retirant.
- An amendment is needed to prohibit reemployment agreements between the employers and employees prior to retirement to comply with the Internal Revenue Code.
- Reference to "retiree" should be changed to "retirant" pursuant to Section 88-21, HRS, which defines "retirant" as a member who has retired and becomes a beneficiary of ERS.
- Reference to "medical" benefits on page 4, line 16 should be "health" benefits.
- An amendment should be added to require a June 30, 2013 sunset date.

We will be happy to work with your Committee on technical changes to carry out the purpose of this Bill.

The ERS Board of Trustees has not yet taken a position on this Bill.

Thank you for the opportunity to testify on this Bill.

HONOLULU FIRE DEPARTMENT  
**CITY AND COUNTY OF HONOLULU**

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MUFİ HANNEMANN  
MAYOR



KENNETH G. SILVA  
FIRE CHIEF

ALVIN K. TOMITA  
DEPUTY FIRE CHIEF

February 6, 2008

The Honorable Alex M. Sonson, Chair  
Committee on Labor and Public Employment  
House of Representatives  
State Capitol, Room 323  
Honolulu, Hawaii 96813

Dear Chair Sonson:

Subject: H.B. 2710 Relating to Reemployment of Retirees

I am Kenneth G. Silva, Fire Chief of the Honolulu Fire Department (HFD). The HFD supports S.B. 2710, which proposes to allow county governments the ability to hire retired state or county government employees without restriction as to the length of employment or the number of hours worked per week. This will remedy the county governments' need to hire qualified and experienced personnel without the current limitations of an 89-day contract and will benefit retirees who desire to continue working without incurring negative retirement consequences. The HFD believes this proposal to be a win-win situation for employers and employees.

The HFD strongly urges your committee's passage of S.B. 2710.

Should you have any questions, please call HFD Legislative Liaison Lloyd Rogers at 723-7173.

Sincerely,

A handwritten signature in cursive script, appearing to read "Kenneth G. Silva".

KENNETH G. SILVA  
Fire Chief

KGS/LR:cn