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**DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT**  
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February 7, 2008

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

BY

MARIE C. LADERTA, DIRECTOR

**House Bill No. 2848**  
**Relating to Government Employees**

TO CHAIRPERSON SONSON AND MEMBERS OF THE COMMITTEE:

The purpose of House Bill 2848 is to permit the state and county governments to rehire retired employees as permanent workers in critical-to-fill or labor shortage positions, without affecting rehired retirees' retirement benefits. House Bill 2848 differs from other proposed measures related to rehiring of retirants in two key points: (1) the re-employment of a retirant appears to be limited to civil service positions in a critical-to-fill or in labor shortage occupation, and (2) a participating state or county jurisdiction is not required to pay the employer's contribution to the Employees' Retirement System, pursuant to Section 88-122(e).

The Department of Human Resources Development appreciates the intent of this measure as it authorizes public employers to consider state or county retirants for full-time civil service employment in critical-to-fill and labor shortage positions without negatively impacting the retirants' retirement pay 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, a definition of state jurisdiction should be included 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.”**

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 reemployed 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,

  
for MARIE C. LADERTA



*The Judiciary, State of Hawaii*

**Testimony to the Twenty-Fourth Legislature, 2008 Session**  
House Committee on Labor & Public Employment  
The Honorable Alex M. Sonson, Chair  
The Honorable Bob Nakasone, Vice Chair

Friday, February 8, 2008, 8:30 a.m.  
State Capitol, Conference Room 309

by  
Sharen M. Tokura  
Human Resources Director

**WRITTEN TESTIMONY ONLY**

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**Bill No. and Title:** House Bill No. 2848, Relating to Government Employees

**Purpose:** This bill allows the state and county governments to rehire retired employees as permanent workers in critical-to-fill or labor shortage positions without affecting the rehired retirees' retirement benefits.

**Judiciary's Position:**

The Judiciary supports House Bill No. 2848, which proposes to permit retirees to be rehired by the state and county governments without suspension of their retirement benefits.

The Judiciary's goal is to provide superior service for everyone accessing or requiring services in our court system. To do so, we must ensure that the Judiciary is properly staffed with qualified and dedicated employees. To accomplish this, we require alternative means to effectively address the current labor market.

It is a well-accepted fact that Americans are enjoying increased longevity which has compelled us to dispense with old myths surrounding the "right age" to retire. In addition, increasing numbers of employers are being impacted by the mass number of workers reaching retirement eligibility coupled with a shrinking labor pool of qualified and skilled workers to replace them.



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House Committee on Labor & Public Employment  
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This situation is exacerbated in government organizations in which rules and policies have been set up to prevent or discourage employees from remaining in the workforce when they are eligible to retire or have retired. This, coupled with a low unemployment rate, has created shortages in occupations unique to public service. Further, it prevents government agencies from competing with private sector employers for the same trained and qualified candidates because of fears of jeopardizing the retirement system and creating unfunded liability for the public.

For these reasons, the Judiciary is in support of the concept of enabling qualified retirants the option to continue to work in our public institutions without jeopardizing their retirement benefits, while at the same time recognizing the need for guidelines to safeguard against abuse and ensure the continued viability of the retirement system.

The Judiciary recognizes two key areas in which the employment of retirees is beneficial to our organization.

The first is the management and transfer of key knowledge and skills. In this role, the retiree is hired for their ability to mentor and transfer key institutional knowledge and information as a way of transitioning their replacements and ensuring the continuity of critical services. These retirants are hired for the specific knowledge and skill set they possess that makes them uniquely able to impart critical knowledge to others. This past year, the Judiciary has embarked on an experimental modernization project which specifically addresses this need. So as not to adversely affect retirement benefits, retirants are hired as less than half-time temporary appointees. This bill will further the cause of knowledge transfer.

The second area in which the employment of retirants is attractive is in the ability to rehire these individuals in jobs for which there is a labor shortage or difficulty in recruiting. In this case, the retirant can be hired into hard to fill occupations, such as social workers or information technology specialists, thereby, helping to bridge the labor market gap and permitting the public employers to compete for these individuals who would otherwise have no other alternative but to turn to the private sector if they wish to continue working in some capacity or embarking on a "second career." This bill will permit retirants to continue their public service in other capacities.

While we realize these may be "baby steps," there is an urgency to pass enabling legislation to assist public employers with a means of addressing the looming retirement crisis. At the present time, approximately 52% of the Judiciary's workforce (up from 49% last year) is comprised of employees who will be eligible to retire within the next five to ten years. This is a staggering number when considering the challenges we will be facing to recruit and train qualified replacements.



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There are sufficient safeguards in the bill to discourage abuse and inappropriate utilization of retirants in filling civil service positions. These safeguards, in addition to a mandatory one-year wait period, include a limitation to critical-to-fill or labor-shortage positions, and requires compliance with civil service procedures when filling civil service positions. These safeguards should suffice in striking a fair balance between providing a means to rehire qualified retirees vs. concerns with providing another costly benefit as an “entitlement” program for retirees.

The Judiciary is in support of House Bill No. 2848.

Thank you for the opportunity to comment on this measure.

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. House Bill 2848 proposes to allow the rehire of retirees by county governments. Although we strongly support the intent of this measure, we recommend that House Bill 2710, which is also being heard today and which has the support of the Council of Mayors, be used as the measure to address this issue.

As our testimony on H.B. 2710 indicated, the rehire of retirees is a priority issue for the Mayors and we are actively working with the Employees Retirement System and other interested parties to find common ground.

In light of the forgoing we recommend that you forward House Bill 2710.

Thank you for the opportunity to testify on H.B. 2848.

Sincerely,

A handwritten signature in cursive script, appearing to read "Ken Y. Nakamatsu".

KEN Y. NAKAMATSU  
Director of Human Resources

TESTIMONY BY DAVID SHIMABUKURO  
ADMINISTRATOR, EMPLOYEES' RETIREMENT SYSTEM  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT  
ON  
HOUSE BILL NO. 2848

FEBRUARY 8, 2008

RELATING TO GOVERNMENT EMPLOYEES

Chair Sonson and Members of the Committee:

H.B. 2848 allows the state and county governments to hire retired state or county government employees in critical-to-fill or labor shortage positions and continue to receive their pensions if the retirant is retired for at least one calendar year prior to reemployment.

Retired state or county government employees will not earn retirement service credit, contribute to the system, or gain additional system benefits as a result of their re-employment.

We have the following comments and concerns on this measure:

- The ERS actuary 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.
- 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.



Date of Hearing: February 8, 2007

Committee: House Labor & Public Employment

Department: Education

Person Testifying: Patricia Hamamoto, Superintendent

Title: H.B. 2848, Relating to government employees

Purpose: To permit state and county governments to rehire retired employees as permanent employees without affecting the rehired retirees' retirement benefits.

Department's Position: The Department of Education supports H.B. 2848. Due to the low statewide unemployment rate, coupled with the aging "baby-boomer" workforce, we are in need of additional tools to address our staffing requirements. Bringing back retired employees to government service without penalty is one such tool.

Act 51, SLH 2004 transferred the recruitment of the Department's civil service personnel from the Department of Human Resources Development to the Department of Education. Therefore, on page 1, line 17 of the new section being proposed for Chapter 88, Hawaii Revised Statutes, pertaining to appointing authorities, we recommend inserting the following language: "... Or the assistant superintendent of the department of education office of human resources, for employees hired by the Department of Education,..." Our proposed amendment will allow the Department of Education to certify that retirees rehired was done so in accordance with applicable civil service law and implement the provisions of H.B. 2848.