

CHARMAINE TAVARES
Mayor



KALBERT K. YOUNG
Director of Finance

AGNES M. HAYASHI
Deputy Director of Finance

COUNTY OF MAUI

DEPARTMENT OF FINANCE

200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793

February 6, 2008

Honorable Alex M. Sonson, Chair
and Members of the Committee on Labor & Public Employment
State House of Representatives
Room 309
Honolulu, Hawaii 96813

RE: HB3247 - "RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM"

Dear Chair Sonson and Members:

This testimony is offered in consideration of HB 3247, entitled "RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM."

HB 3247 seeks to amend that portion of Chapter 88-74, Hawaii Revised Statutes (HRS) relating to the calculation of retirement benefits for police officers in the State Employee Retirement System (ERS). This measure would essentially double the retirement benefit for police officers from the current calculation of 2.5% per year of service to 5% per year of service.

While recognizing and appreciating the responsibilities required of police officers, this revision is extreme and would place additional burdens on county government employers to provide adequate annual funding contributions to the ERS and a burden upon the ERS to provide investment returns that could sustain such a retirement benefit. Please remember that the ERS, the Employers Union Trust Fund (EUTF), and every government jurisdiction in the State are under pressures to resolve excessively large unfunded liabilities for both post employment programs.

The unfunded liability for the ERS alone is estimated in excess of \$5 billion. To amend HRS to provide for additional retirement benefits without also requiring greater contributions from employees, installing strategies to guarantee funds are available to pay for benefits, or to address the overall unfunded liability issue first is not prudent.

Sincerely,

A handwritten signature in black ink, appearing to read "Kalbert Young", written over a circular stamp.

KALBERT YOUNG
Director of Finance

KKY:jlrk
Sent by FAX 800-535-3859

Harry Kim
Mayor



William Takaba
Director

Nancy E. Crawford
Deputy Director

County of Hawaii

Finance Department

25 Aupuni Street, Room 118 • Hilo, Hawaii 96720
(808) 961-8234 • Fax (808) 961-8248

February 5, 2008

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

OPPOSITION TO HOUSE BILL 3247, RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM

Thank you for the opportunity to submit testimony on House Bill 3247, relating to the employees' retirement system. The County of Hawaii is concerned about the financial impact this bill may have on our contributions to the Employees' Retirement System and is therefore opposed to this bill.

Sincerely yours,

A handwritten signature in black ink, appearing to read "William Takaba", with a long horizontal line extending to the right.

William Takaba
Director

DEPARTMENT OF BUDGET AND FISCAL SERVICES
CITY AND COUNTY OF HONOLULU
530 SOUTH KING STREET, ROOM 208 • HONOLULU, HAWAII 96813
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MUFI HANNEMANN
MAYOR



MARY PATRICIA WATERHOUSE
DIRECTOR

MARK K. OTO
DEPUTY DIRECTOR

February 7, 2008

The Honorable Alex M. Sonson, Chair
and Members of the Committee on Labor & Public Employment
State House of Representatives
Room 309
Honolulu, Hawaii 96813

Subject: H.B. 3247 - Relating To The Employees Retirement System

The City and County of Honolulu opposes H.B. 3247 that proposes to allow police officers a retirement allowance of five percent of the retiree's average final compensation for each year of service as a police officer. In developing the City's operating budget for fiscal year 2009, we were faced with the fact that the City's employer contribution for police officers to the retirement system was increasing from 15.75 percent in fiscal year 2008 to 19.70 percent in fiscal year 2009. This change will increase the retirement system contribution amount in the City's budget for police officers alone by \$22 million.

We would like to have time to study the effects of this measure and to work with the Employees' Retirement System to determine the effects on employer contributions that could result from this change in the retirement allowance rate. The counties are responsible for the majority of the public safety employees in the state and the counties should be given the opportunity to analyze the long-term effects of such a major change.

We respectfully ask that H.B. 3247 be held.

Sincerely,

A handwritten signature in black ink, appearing to read "M. Waterhouse", is written over a light blue horizontal line.

Mary Patricia Waterhouse, Director
Budget and Fiscal Services

TESTIMONY BY DAVID SHIMABUKURO
ADMINISTRATOR, EMPLOYEES' RETIREMENT SYSTEM
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT
ON
HOUSE BILL NO. 3247

FEBRUARY 8, 2008

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM

Chair Sonson and Members of the Committee:

H.B. 3247 increases the retirement allowance from 2-1/2% to 5% for each year of credited service for a police officer in the Contributory Plan.

This Bill will provide members with an enhanced retirement benefit that will increase the 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 Board of Trustees has not yet taken a position on this Bill.

Thank you for the opportunity to testify on this Bill.

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT
ON
HOUSE BILL NO. 3247

February 8, 2008

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM

House Bill No. 3247 increases the retirement allowance for service as a police officer from 2½ percent to 5 percent of the average final compensation for each year of credited service. This would provide a benefit of 125 percent for officers with 25 years of service. Currently, police officers may retire with 25 years of service and the retirement benefit is 2½ percent of their average monthly compensation. The maximum retirement allowance is not to exceed 80 percent.

We are opposed to this bill. The Employees' Retirement System's unfunded liability remains at \$5.1 billion. Any enhancement in retirement benefits will increase costs to employers and increase the Employees' Retirement System's unfunded liability. Act 256, SLH 2007, prohibits benefit enhancements for any group of members for the period January 2, 2008 until January 2, 2011.



SHOPO

STATE OF HAWAII ORGANIZATION OF POLICE OFFICERS

"A Police Organization for Police Officers Only"

Representative Alex M. Son Son Chair
Representative Bob Nakasone, Vice-Chair

Committee on Labor & Public Employment:

DATE: Friday February 8, 2008
TIME: 8:30 A.M.
PLACE: Conference Room 325
State Capitol

TESTIMONY ON HOUSE BILL 3247 RELATING TO THE EMPLOYMENT RETIREMENT SYSTEM

Chairman and Members of the House Labor & Public Employment Committee:

My name is Tenari Ma'afala I am the SHOPO President representing over 2700 police officer across the State of Hawaii. SHOPO SUPPORTS House Bill 3247 relating to Retirement Allowance. This bill allows police officers a retirement allowance of five percent of the retirees average final compensation for each year of service as a police officer.

House Bill 3247 directly addresses the retention and recruitment of police officers. A key component to recruitment and retention is pay and benefits.

Currently, there are approximately 200 vacancies in the Honolulu Police Department.

Honolulu is one of 14 major municipalities in the nation with a fully accredited police department. Our officers are proud to be a part of one of the finest police departments in the Nation. Our officers are highly trained and qualified. Our officers can easily obtain jobs in other jurisdictions. Therefore, our officers are recruited by other states.

What does this mean? We have less officers protecting our highways, streets and most of all our communities. We have less recruiting power and retention of police officers becomes an issue. And foremost, the safety and security of our communities are compromised. A shortage of police officers is a dangerous situation for everyone.

Police Officers have a direct impact on all aspects of our community including, but not limited to: the state's economy (ie tourism) traffic safety, protection of property,

protection of people's rights, domestic disputes, illegal drugs, NOT TO MENTION THE ADDED RESPONSIBILITIES OF HOMELAND SECURITY.

We respectfully ask you to provide us the benefits to recruit and retain officers to keep our community safe.

SHOPO urges this Honorable Committee to pass HB 3247.