

WRITTEN ONLY

TESTIMONY BY GEORGINA K. KAWAMURA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE SENATE COMMITTEE ON JUDICIARY AND LABOR  
ON  
SENATE BILL NO. 2039

February 8, 2008

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM

Senate Bill No. 2039 provides a one-time, lump sum bonus equal to \$1 per month per year of service earned by each State and county retiree who is 75 years of age or older with at least 20 years of retirement as of June 30, 2008. The bill appropriates an unspecified amount in general funds in FY 09 to be deposited into the Employees' Retirement Systems' operating budget to provide for the one-time, lump sum pension bonus.

We are opposed to this bill.

In 2002, Act 233, SLH 2002, provided a one-time lump sum bonus of \$200 per eligible employee. At that time, costs were estimated at \$1,912,400. Based on the provisions of this bill, costs are estimated at \$2.224 million.

To enable the Employees' Retirement System to eventually eliminate its large unfunded liability, Act 256, SLH 2007, included a prohibition of benefit enhancements for any group of members for the period January 2, 2008 until January 2, 2011. While a lump sum bonus may not be considered an enhancement of benefits, now is not the time to be considering this type of program.



**HAWAII GOVERNMENT EMPLOYEES ASSOCIATION**

AFSCME LOCAL 152, AFL-CIO

888 MILILANI STREET, SUITE 601 • HONOLULU, HAWAII 96813-2991



Randy Perreira *Executive Director*  
Tel: 808 543-0011 Fax: 808 528-0922

Nora A. Nomura *Deputy Executive Director*  
Tel: 808 543-0003 Fax: 808 528-0922

Derek M. Mizuno *Deputy Executive Director*  
Tel: 808 543-0055 Fax: 808 523-6879

THE SENATE  
THE TWENTY-FOURTH LEGISLATURE  
REGULAR SESSION OF 2008

COMMITTEE ON JUDICIARY AND LABOR

Senator Brian T. Taniguchi, Chair  
Senator Clayton Hee, Vice Chair

Testimony by  
Hawaii Government Employees Association  
February 8, 2008

S.B. 2039 – RELATING TO THE EMPLOYEES’ RETIREMENT SYSTEM

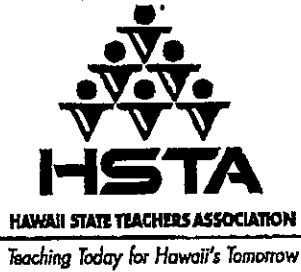
The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO supports passage of S.B. 2039. This bill authorizes a one-time, lump sum payment to state or county retirees who are at least 75 years of age and who have been in retirement for at least 20 years as of June 30, 2008.

This bill is a well-needed measure which will help the retirees most in need to meet today’s rising costs of living. All retirees face the financial challenges of living on a fixed income. The individuals who will be affected and benefit from this bill, those 75 years of age and older, are particularly hard hit with the continually rising cost of living. Because their retirement is based on what they made when they were working, as a group, they are probably receiving the much smaller retirement benefits than the retirees who retired more recently. However, they are faced with the same kind of costs that everyone faces today. For example, over the course of just a few years, the price of gas has gone from less than \$2.00 a gallon to well over \$3.00 a gallon today. This represents almost a doubling of price within a little over three years. This is only one necessity of many that have increased in price and will continue to increase because of the volatility of today’s economy. This bill provides those retirees with needed relief from those costs.

Thank you for the opportunity to submit our testimony in support of this bill.

Respectfully submitted,

Nora A. Nomura  
Deputy Executive Director



1200 Ala Kapuna Street • Honolulu, Hawaii 96819  
Tel: (808) 833-2711 • Fax: (808) 839-7106 • Web: www.hsta.org

TESTIMONY BEFORE THE SENATE COMMITTEE ON  
JUDICIARY AND LABOR

**Roger K. Takabayashi**  
President

**Wil Okabe**  
Vice President

**Karolyn R. Mossman**  
Secretary-Treasurer

**Mike McCartney**  
Executive Director

RE: SB 2039 – RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM

FEBRUARY 8, 2008

ROGER TAKABAYASHI, PRESIDENT  
HAWAII STATE TEACHERS ASSOCIATION

Chair Taniguchi and Members of the Committee:

The Hawaii State Teachers Association *supports* SB 2039 which will give all retirees who are at least 75 years of age and who have been retired 20 years or more, an additional income which they can surely use to help sustain themselves. The July 1<sup>st</sup> post retirement allowance which all retirees enjoy does not adequately meet these members' needs since it is based on their first PRA which was computed on a smaller salary base 20 or more years ago.

Thank you for the opportunity to testify.

SENATE COMMITTEE ON JUDICIARY AND LABOR

Senator Brian Taniguchi, Chair  
Senator Clayton Hee, Vice-Chair

DATE: Friday, February 8, 2008  
TIME: 9:00 a.m.  
PLACE: Conference Room 016

**S.B. 2039: RELATING TO THE EMPLOYEES RETIREMENT SYSTEM**

Chairman Taniguchi and members of the Senate Judiciary and Labor Committee, good morning. My name is Odetta Fujimori, and although I am not seventy-five years of age and have been retired for only twelve years, I ask for your support of SB 2039, which provides a bonus equal to \$1 per month per year of service for state and county retirees who have been retired for twenty years and who are seventy-five years of age or older.

A 2006 study by ERS' Actuary points out that a 1985 retiree's pension, although increased by 2.50% (not compounded) each year through a post retirement allowance, is faced with an 87.38% change in the Consumer Price Index (CPI) since retirement and would therefore need an ad hoc increase of nearly 17% of the retiree's benefit to restore his/her purchasing power. Taking this scenario one step further, a pensioner who retired in 1980 is faced with almost a 145% change in the CPI since retirement and will need an ad hoc increase of nearly 35% to restore his/her purchasing power.<sup>1</sup> S.B. 2039 will provide some relief for the older retiree and toward that individual's purchasing power.

State lawmakers have an opportunity through S.B. 2039, to recognize the dedication of state and county workers who contributed much to Hawaii's growth and progress in the fifties and sixties, without the true benefits of collective bargaining. Furthermore, as members of the contributory system, these retirees are the ones who helped to keep ERS funded beyond the 80% level.

HSTA-R is committed to seeking a fair and equitable system all state and county retirees. Our organization's COLA Fairness Committee will continue to focus on this issue. We know this bill will help the older retirees and ask that it be passed and referred to the Senate Ways and Means Committee.

Thank you for the opportunity to speak in support of S.B. 2039.

Odetta Fujimori,  
Member of HSTA-R COLA Fairness Committee

---

<sup>1</sup> Gabriel Roder Smith & Company, Post Retirement Allowance Study, December 11, 2006, page 5.

**testimony**

---

**From:** Beverly Gotelli [bgotelli@msn.com]  
**Sent:** Wednesday, February 06, 2008 5:25 PM  
**To:** testimony  
**Subject:** Support SB 2039

COMMITTEE ON JUDICIARY AND LABOR  
Senator Brian T. Taniguchi, Chair  
Senator Clayton Hee, Vice Chair

DATE: Friday, February 8, 2008  
TIME: 9:00 A.M.  
PLACE: Conference Room 016  
State Capitol  
415 South Beretania Street

February 6, 2008

RE: SB 2039 Relating to the Employee's Retirement System

Senator Taniguchi, Senator Hee,

As a recent retiree I am in support of SB 2039 which would provide for a one time lump sum payment for retirees at least 75 years of age who have been retired for at least 20 years.

Those employees who dedicated their working years to the State and County should be given this one time payment due to the small increases they have received annually in July. When they retired their retirement compensation may have been adequate. Since then cost has steadily increased and the post retirement allowance they receive is not sufficient to provide for their needs today.

I don't think anyone of us would like to be in a situation where we are over eighty years old and receive a retirement check of \$250.00 a month to live on. This legislation will help those who are currently receiving compensation that is not adequate. I urge the Committee to support this legislation.

Thank you for the opportunity to testify.

Beverly A. Gotelli  
HSTA-R COLA Fairness Committee

**testimony**

---

**From:** Justin Wong [wongj060@hawaii.rr.com]  
**Sent:** Wednesday, February 06, 2008 9:04 PM  
**To:** testimony  
**Subject:** SB2039

**SENATE COMMITTEE ON JUDICIARY AND LABOR**

Senator Brian Taniguchi, Chair  
Senator Clayton Hee, Vice Chair

DATE: Friday, February 8, 2008  
TIME: 9:00 a.m.  
PLACE: Conference Room 016  
State Capitol  
415 South Beretania Street

**RE: SB2039, Relating to the Employees Retirement System**

Senator Taniguchi and members of the Committee on Judiciary and Labor, thank you for receiving our testimony.

HSTA - Retired, consisting of more than 4,300 retired teachers statewide, supports the passage of **SB2039**. This bill which was crafted by a special committee established by HSTA-R to study the Post Retirement Allowance increases that retirees receive each year, and how they compare with increases in the cost of living. What the committee found was that the 2.5% non-compounding Post Retirement Allowance was not sufficient to offset rises in the cost of living. Over time, the year to year percentage increases provided by the Post Retirement Allowance fell further and further behind the more than 3 percent average increase in the cost of living.

While HSTA-R's ultimate objective is to permanently fix this discrepancy between the Post Retirement Allowance and inflation, we have chosen at this time to attempt to help only those retirees who have already been hurt the most by inflation, older retirees who retired many years ago. **SB2039** attempts to help those older retirees.

**SB2039** provides for a one-time bonus to all state and county retirees in the Employees Retirement System, who have been retired at least 20 years and who are at least 75 years old. The bonus paid will be \$1.00 for each month of service with the state and county governments. The ERS estimates that approximately 7,800 current retirees would qualify for the bonus.

Please, support **SB2039!**

Justin Wong, President  
Hawaii State Teachers Association - Retired

COMMITTEE ON JUDICIARY AND LABOR  
Senator Brian T. Taniguchi, Chair  
Senator Clayton Hee, Vice Chair

DATE: Friday, February 8, 2008  
TIME: 9:00 a.m.  
PLACE: Conference Room 016  
State Capitol  
415 South Beretania Street

February 4, 2008

RE: SB2039 Relating to the Employees' Retirement System

Dear Senator Taniguchi and Members of the Judiciary and Labor Committee,

I strong support SB2039 which will give all retirees who are at least 75 years of age and who have been retired 20 years or more, an additional income which they can surely use to help sustain themselves. The July 1st Post Retirement Allowance which all retirees enjoy, does not adequately meet these members needs since it is based on their first PRA which was computed on a smaller salary base 20 or more years ago.

I feel each person's appropriation is fair because it is based on \$1 per month or \$12 a year for each year of employment to the State or City and County. This recognizes a person who worked for the State for their life time vs. just 10 years to become vested for example. In contrast, the last "bonus bill" awarded in 2002 was the same lump sum amount of \$200.

It would be more gratifying if this bill was on-going for those retirees who are the most needy, but at this time this proposal is a step forward. Also thanks to the ERS, there are statistics available showing how many members are in this group and the approximate cost.

Thank you for the opportunity to testify.

Sincerely,

/s/ Donna Higashi,  
HSTA-Retired  
State Vice-President and  
Member of the  
HSTA-R COLA Fairness Committee



## testimony

---

**From:** Joe Tanaka [jtan@interpac.net]  
**Sent:** Thursday, February 07, 2008 4:19 PM  
**To:** testimony  
**Cc:** "HSTA-R CFC"  
**Subject:** Email testimony re. SB 2039

THE SENATE  
THE TWENTY-FOURTH LEGISLATURE  
REGULAR SESSION OR 2008

Senate Committee on Judiciary and Labor  
9:00 a.m., Friday, February 8, 2008  
Conference Room 016

Senator Brian Taniguchi, Chair, Senator Clayton Hee, Vice Chair, and Members of the Senate Committee on Judiciary and Labor,

Aloha! and Mahalo for this opportunity to submit testimony in support of SB 2039. My name is Yoshiichi "Joe" Tanaka, and I am a 15- year retired high school counselor. I am also serving my 8th year as the Chair of the HSTA-R COLA Fairness Committee (CFC) whose role and function is to spearhead the Association's commitment to attain more equity and fairness in the Post Retirement Allowance (PRA) currently granted to all retirees through the state Employees Retirement System. The PRA is a supplement of 2-1/2% of a retiree's original pension which is added to her/his pension on a monthly basis on July 1 of each year. The purpose of PRA is to serve as a supplement, not a cure, to help "public" retirees cope with the inevitable rising cost of living, INFLATION, in the economy. PRA is a significant benefit and it does credit to the state ERS to have this as part of its program.

SB 2039 is targeted toward helping longer term and thereby older retirees who constitute the group most severely affected by rising prices for goods and services. More precisely, it offers an important beginning point for improving PRA. There are flaws in the PRA system, despite the wonderful intent that underlies it. But, that is not what this hearing is all about and can come later. First things first: help retirees with 20 years in retirement and age 75 with \$1.00 a month per each month of state/county service which the bill seeks to do as a so-called "catch-up." While not a whole lot in terms of dollars per person, it at least has a connection with the phenomenon of inflation---something that is lacking in PRA.

So please lend your support to SB 2039 and do your part to do justice to these long-term retirees who really have been short-changed by the system.

Mahalo! and best to all for a successful 2008 legislative session. Keep up the good work.  
Joe Y. Tanaka

The key to making PRA more of

--

No virus found in this outgoing message.  
Checked by AVG Free Edition.

Version: 7.5.516 / Virus Database: 269.19.21/1263 - Release Date: 2/6/08 8:14 PM

# LATE

TESTIMONY BY DAVID SHIMABUKURO  
ADMINISTRATOR, EMPLOYEES' RETIREMENT SYSTEM  
STATE OF HAWAII  
TO THE SENATE COMMITTEE ON JUDICIARY AND LABOR  
ON  
SENATE BILL NO. 2039

FEBRUARY 8, 2008

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM

Chair Taniguchi and Members of the Committee:

S.B. 2039 provides for a one time lump sum payment for retirees at least 75 years of age who have been in retirement for at least 20 years as of June 30, 2008. The bonus is equal to \$1 per month of service earned by the retiree.

We have not yet determined the additional cost to the State and county governments for this Bill and will forward this information when received.

We suggest that the following changes be made:

- Reference to "per year" on page 13, line 16 and page 14, line 6 be deleted.
- Reference to "retiree" should be changed to "retirant."

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

We would be happy to work with your Committee on technical changes to carryout the purpose of this Bill.

Thank you for the opportunity to testify on this measure.