

TESTIMONY BY DAVID SHIMABUKURO  
ADMINISTRATOR, EMPLOYEES' RETIREMENT SYSTEM  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT  
ON  
SENATE BILL NO. 2039, S.D. 1

MARCH 11, 2008

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM

Chair Sonson and Members of the Committee:

S.B. No. 2039, S. D. 1 provides a one-time lump sum pension bonus payment for retirants 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 credited service earned by the retirant.

The Board of Trustees takes no position on this Bill. However, we would like to provide the following comments:

- The cost of this Bill is estimated at \$2,283,736 as follows:

State (general fund portion)	\$1,766,271
County of Honolulu	328,214
County of Hawaii	55,064
County of Maui	45,683
County of Kauai	34,004
Honolulu Board of Water Supply	<u>54,500</u>
Total	\$2,283,736

- The Bill would affect about 7,870 retirants and the average lump sum payment per retirant would be about \$290.
- Budgetary authorization is needed for an additional \$40,000 in BUF 141 for computer reprogramming costs, postage, supplies, etc. to carry out the purpose of this Bill.

- The following technical amendments are recommended:
  - Reference to "seventy-five" should be changed to "seventy" in section 1 on page 1, line 15.
  - Reference to "retirees" on the following pages 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:
    - Page 13, line 12
    - Page 14, lines 4 and 7
  - Insert "pension" between "sum" and "bonus" on page 13, line 15.
  - Insert "earned by the retirant" after "credited service" on page 13, line 17.
  - Replace "at least twenty years of retirement" with "been in retirement for at least twenty years" on page 14, lines 4 and 5.
  - Insert "a sum derived by adding up " between "equal to" and "\$1 per month" on page 14, line 6.
  - Insert "credited" between "per year of" and "service" on page 14, line 6.
  - Insert a new section on page 14, line 9 to clarify that ERS is authorized to bill each of the counties for the bonuses payable to county retirants as follows:

SECTION 4. The counties shall bear the respective amounts of the pension bonus payable to their respective retirants pursuant to this Act. If a county fails to pay the full amount of the pension bonuses payable to its retirants within 30 days of the date the county is billed by the system, the

amount owed may be collected as  
provided in section 88-126(c),  
Hawaii Revised Statutes.

We would be willing to work with your Committee on these  
additional amendments to carry out the purpose of this  
Bill.

Thank you for the opportunity to testify on this measure.



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

## HAWAII GOVERNMENT EMPLOYEES ASSOCIATION

AFSCME LOCAL 152, AFL-CIO  
888 MILILANI STREET, SUITE 601 • HONOLULU, HAWAII 96813-2991



Nora A. Nomura *Deputy Executive Director*  
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### HOUSE OF REPRESENTATIVES THE TWENTY-FOURTH LEGISLATURE REGULAR SESSION OF 2008

#### COMMITTEE ON LABOR & PUBLIC EMPLOYMENT

Rep. Alex M. Sonson, Chair  
Rep. Bob Nakasone, Vice Chair

Testimony by  
Hawaii Government Employees Association  
March 11, 2008

#### S.B. 2039, SD1 RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO supports passage of S.B. 2039, SD1. 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.

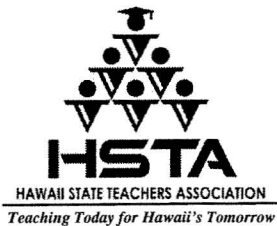
This bill is a well-needed measure which will help the retirees most in need to meet today's rising costs of living. All retirees face the financial challenges of living on a fixed income. The individuals who will be affected and benefit from this bill, those 75 years of age and older, are particularly 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,

A handwritten signature in black ink, appearing to read 'Nora A. Nomura', is written over a horizontal line.

Nora A. Nomura  
Deputy Executive Director



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**Roger K. Takabayashi**  
President

**Wil Okabe**  
Vice President

**Karolyn Mossman**  
Secretary-Treasurer

**Mike McCartney**  
Executive Director

TESTIMONY BEFORE THE HOUSE COMMITTEE ON  
LABOR & PUBLIC EMPLOYMENT

RE: SB 2039, SD1 – RELATING TO THE EMPLOYEES' RETIREMENT  
SYSTEM.

March 11, 2008

ROGER TAKABAYASHI, PRESIDENT  
HAWAII STATE TEACHERS ASSOCIATION

Chair Sonson and Members of the Committee:

The Hawaii State Teachers Association **supports** SB 2039, SD1, 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.

COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT Representative Alex Sonson,  
Chair Representative Bob Nakasone, Vice Chair

DATE: Tuesday, March 11, 2008  
TIME: 9:00 a.m.  
PLACE: Conference Room 309  
State Capitol  
415 South Beretania Street

RE: SB2039,SD1 Relating to the Employees' Retirement System

Representative Sonson and members of the Labor and Public Employment Committee, the Hawaii State Teachers Association - Retired, consisting of more than 4,300 retired teachers statewide, supports the passage of SB2039,SD1.

This bill which was crafted by a special committee which was established by HSTA-R to study the Post Retirement Allowance increases that state and county retirees receive each year, and how they compare with the rising cost of living. What our committee found was that the annual non-compounding Post Retirement Allowance was a fixed dollar amount equal to 2.5% of the pension received by a retiree in his first year of retirement. Over time the year to year increases provided by the Post Retirement Allowance fell further and further behind the more than 3 percent average annual 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 those who have already been hurt the most by inflation, the older retirees who retired many years ago. SB2039,SD1 attempts to provide some relief for those older retirees.

SB2039,HD1 provides for a one-time bonus to all state and county retirees in the Employees Retirement System, who have been retired at 20 years or more and who are at least 75 years old. The bonus paid will be \$1.00 for each month of service with state and county governments. The Employees Retirement System estimates that 7870 retirees would qualify for the bonus.

Please support SB2039,SD1.

Justin Wong, President  
Hawaii State Teachers Association - Retired

COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT  
Representative Alex Sonson, Chair  
Representative Bob Nakasone, Vice Chair

DATE: Tuesday, March 11, 2008  
TIME: 9:00a.m.  
PLACE: Conference Room 309  
State Capitol  
415 South Beretania Street

March 8, 2008

RE: SB2039, SD1 Relating to the Employees' Retirement System

Dear Representative Sonson and members of the Labor and Public Employment Committee,

I strongly 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 will surely help at a time when inflation goes beyond the cost of living. This is for those 7,870 retirees who have been retired the longest and whose annual Post Retirement Allowance, received every July 1 is still based on the initial smaller base income.

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 has worked for the State for his/her lifetime 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.

Please support this bill and pass it on to the House Finance Committee. 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

Aloha, Please have copies of this written testimony delivered to the House Labor Committee hearing on SB 2039 SD1 scheduled for 9:00 am in Room 30 at the Capitol on March 11, 2008. Mahalo. J. Y. Tanaka

HOUSE OF REPRESENTATIVES  
THE TWENTY-FOURTH LEGISLATURE  
REGULAR SESSION OF 2008

Committee on Labor and Public Employment Rep. Alex M. Sonson, Chair  
Rep. Bob Nakasone, Vice Chair

Aloha Chairman Sonson, Vice-Chairman Nakasone and Members of the Committee,

Mahalo for this opportunity to present testimony in support of SB 2039 SD 1.

My name is "Joe" Y. Tanaka, and I am the current Chair of the HSTA-Retired COLA Fairness Committee (CFC). I write in behalf of the Committee.

The Post Retirement Allowance (PRA) is a benefit that all state/county retirees receive from the HI State Retirement System (ERS). Its purpose is to provide retirees with a supplement to their pensions to help them cope with ever-rising prices for goods and services (inflation) in the economy. Thus, PRA is truly a worthy and significant benefit for retirees and does credit to Hawaii's retirement system for having such a program.

As wonderful as PRA is, however, it does contain a serious flaw in that retirees best able to cope with inflation receive the most PRA dollars, while vice versa, retirees needing the most help receive the least dollar amounts. Moreover, it is this bizarre economic paradox that necessitates the call for bills such as SB 2039 to help long-term retirees, especially those with lower pensions, receive their due in fighting inflation. Such has been the case for over 35 years wherein several so called "catch-up," "bonus," etc. ad hoc bills have been introduced, passed and "sunsetted," the latest in 2003.

We support SB 2039 for passage. It will provide relief especially for those long-term retirees age 75+ with overall smaller pensions to combat inflation and makes the playing field fairer with dollars based upon months in state/county service. Obviously, more work needs doing to make PRA itself get the most bang out of the dollars being dispensed, and we stand ready to help and be part of the solution. 2039 represents a good beginning on the tip of the iceberg; so first things first, please move and pass upon 2039.

Mahalo,  
Joe Y. Tanaka (signed, 03-09-08)  
Chair, HSTA-R COLA Fairness Committee (CFC)



HOUSE COMMITTEES ON LABOR AND PUBLIC EMPLOYMENT

Rep. Alex M. Sonson, Chair  
Rep. Bob Nakasone, Vice-Chair  
Tuesday, March 11, 2008  
Conference Room 309

**S.B. 2039, SD1: RELATING TO THE EMPLOYEES RETIREMENT SYSTEM**

Chairman Sonson and members of the Labor and Public Employment 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,SD1, 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, SD1 offers token relief for the older retiree.

As lawmakers, you have a unique opportunity through this Bill to recognize the dedication of state and county workers who contributed much to Hawaii's growth and progress in the fifties and sixties. These workers retired without enjoying the true benefits of collective bargaining. Furthermore, as members of the contributory system, they are the ones who helped to keep ERS funded beyond the 80% level.

Our retired teachers organization, HSTA-R, is committed to seeking a fair and equitable system for all state and county retirees. We know this bill will help the older retirees and ask that it be passed and referred to the House Committee on Finance.

Thank you for the opportunity to speak in support of S.B. 2039,SD1.

Odetta Fujimori,  
Member of HSTA-R COLA Fairness Committee

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

Committee on Labor and Public Employment

SB 2039, SD1

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM.

Provides for a one time lump sum payment for retirees at least 75 years of age who have been in retirement at least 20 years. Makes appropriation. (SB2039 SD1)

March 11, 2008

Chair Sonson and Members of the Committee:

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

The House Committee on Labor and Public Employment  
Representative Alex Sonson, Chair  
415 South Beretania Street  
Tuesday, March 11, 2008  
Conference Room 309  
9:00 AM

Chair Sonson and members of the House Committee on Labor and Public Employment

Please accept my testimony in SUPPORT of SB 2039 which would give our senior retirees a one time bonus payment based on their years of service to the State of Hawaii. The cost of living has clearly out paced the annual PRA increase provided in our pension. Our elder retirees can surely use this financial help.

Thank you for the opportunity to testify.

Sincerely,  
Lorraine M. Hora  
HSTA-Retired  
648 Hinano Street  
Hilo, Hi 96720

WRITTEN ONLY

TESTIMONY BY GEORGINA K. KAWAMURA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYEMENT  
ON  
SENATE BILL NO. 2039, S.D. 1

March 11, 2008

LATE TESTIMONY

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM

Senate Bill No. 2039, S.D. 1, 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 \$2.284 million, averaging approximately \$290 per retiree and would affect 7,870 retirees.

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.