

TESTIMONY BY DAVID SHIMABUKURO  
ADMINISTRATOR, EMPLOYEES' RETIREMENT SYSTEM  
STATE OF HAWAII  
TO THE SENATE COMMITTEE ON JUDICIARY AND LABOR  
AND  
TO THE SENATE COMMITTEE ON INTERGOVERNMENTAL AND MILITARY AFFAIRS  
ON  
SENATE BILL NO. 2178

FEBRUARY 8, 2008

RELATING TO THE RE-EMPLOYMENT OF RETIREES BY  
THE STATE OR COUNTIES

Chairs Taniguchi and Inouye and Members of the Committees:

S.B. 2178 allows the state and county governments to hire retired state or county public employees in any civil service or exempt position and continue to receive their pensions and retiree health benefits if the retirant is retired for at least six months from the date of retirement.

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.

This measure also requires the employers to make contributions on the rehired retirant's salary to the pension accumulation fund and provide the legislature with an annual report on these types of positions.

We have the following comments and concerns on this measure:

- 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.

- An amendment is needed to prohibit reemployment agreements between the employers and employees prior to retirement to comply with the Internal Revenue Code.
- The definition of "Jurisdiction" does not include reference to the "state" entities in general.
- Reference to "medical" benefits on page 4, line 18 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 Committees 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.

LINDA LINGLE  
GOVERNOR



MARIE C. LADERTA  
DIRECTOR

CINDY S. INOUE  
DEPUTY DIRECTOR

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

February 7, 2008

TESTIMONY TO THE  
SENATE COMMITTEE ON JUDICIARY AND LABOR  
SENATE COMMITTEE ON INTERGOVERNMENTAL AND MILITARY AFFAIRS  
For Hearing on Friday, February 8, 2008  
9:00 a.m., Conference Room 016

BY

MARIE C. LADERTA, DIRECTOR

**Senate Bill No. 2178**  
**Relating to the Re-Employment of Retirees**

TO CHAIRPERSONS TANIGUCHI AND INOUE AND MEMBERS OF THE  
COMMITTEES:

The purpose of Senate Bill 2178 is to allow the state and county governments to re-employ retired state or county government employees on a full-time basis without negative retirement consequences, such as the forfeiture of retirement benefits already earned and being collected by retirants. Senate Bill 2178 differs from other proposed measures related to the rehiring of retirants on the following two key points: (1) the re-employment of a retirant is not limited to an exempt or a civil service position in a critical to fill or in labor shortage occupation; and (2) the wait period before a retirant can be re-employed is 6 months.

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, 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



**Testimony to the  
Senate Committee on Judiciary and Labor**  
Senator Brian T. Taniguchi, Chair  
Senator Clayton Hee, Vice Chair  
and  
**Senate Committee Intergovernmental and Military Affairs**  
Senator Lorraine R. Inouye, Chair  
Senator Shan S. Tsutsui, Vice Chair

Friday, February 8, 2008, 9:00 a.m.  
State Capitol, Conference Room 016

By  
Sharen Tokura  
Human Resources Director

**WRITTEN TESTIMONY ONLY**

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**Bill No. and Title:** Senate Bill No. 2178, Relating to the Re-employment of Retirees by the State or Counties.

**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 Senate Bill No. 2178, 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 insure 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,



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Counties

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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.

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 that 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 insure 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 insuring 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.



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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, the Judiciary’s workforce is comprised of approximately 52% of employees, which is up from 49% last year, 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.

The language included in this bill which requires a mandatory wait period of six months prior to reemployment and requires compliance with civil service procedures when civil service positions are filled strikes 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 this measure.

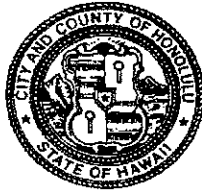
Thank you for the opportunity to testify on Senate Bill 2178.



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 Brian T. Taniguchi, Chair  
and Members  
Committee on Judiciary and Labor  
The Honorable Lorraine R. Inouye, Chair  
and Members  
Committee on Intergovernmental and Military Affairs  
The Senate  
State Capitol  
Honolulu, Hawaii

Dear Chair Taniguchi, Chair Inouye and Members of the Committees:


I am Ken Y. Nakamatsu, Director of Human Resources of the City and County of Honolulu. Senate Bill 2178 proposes to allow the rehire of retirees by county governments. Although we strongly support the intent of this measure, we recommend that Senate 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 S.B. 2710 will indicate, 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.

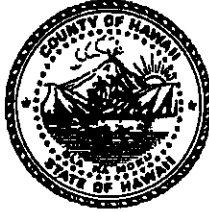
In light of the forgoing we recommend that you forward Senate Bill 2710.

Thank you for the opportunity to testify on S.B. 2178.

Sincerely,

  
KEN Y. NAKAMATSU  
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 Brian Taniguchi  
Chair, Committee on Judiciary and Labor  
415 South Beretania Street  
Honolulu, HI 96813

The Honorable Lorraine Inouye  
Chair, Committee on Intergovernmental  
and Military Affairs  
415 South Beretania Street  
Honolulu, HI 96813

Dear Chair Taniguchi, Chair Inouye, and Committee Members:

Re: SB 2178 and SB 2710

Thank you for your willingness to hear SB 2178 which was introduced as part of the County of Hawai'i package, and SB 2710 which was introduced as part of the package of the Hawai'i Council of Mayors. Because SB 2710 has the full support of the four counties, I would ask you to hold SB 2178 and give full consideration to SB 2710.

Section 1 of SB 2710 does an excellent job of explaining the difficulties that county governments are facing in filling its labor force, and explains why SB 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.

SB 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 have been in contact with the unions and the ERS, and we will continue to meet with them to identify and address their concerns. Please keep HB 2710 alive as we try to resolve all outstanding issues.

I hope you can give SB 2710 your favorable consideration.

Aloha,

  
Harry Kim  
MAYOR



# HAWAII FIRE FIGHTERS ASSOCIATION

INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS LOCAL 1463, AFL-CIO  
2305 S. BERETANIA ST., RM. 202, HONOLULU, HAWAII 96826-1493  
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# LATE

The Twenty Fourth Legislature  
The Senate  
Committees on Judiciary and Labor  
And Intergovernmental and Military Affairs

Testimony by  
Hawaii Fire Fighters Association

**S.B. No. 2178**                    **Relating to the Re-Employment of Retirees by State or Counties**  
**S.B. No. 2710**                    **Relating to the Re-Employment of Retirees**

My name is Robert H. Lee and I am the President of the Hawaii Fire Fighters Association, Local 1463, IAFF, AFL-CIO. On behalf of the 1,800 professional and 800 retired fire fighters throughout the State, the Hawaii Fire Fighters Association appreciates the opportunity to comment on these bills and supports the intent of S. B. No. 2178 and S.B. No. 2710, which permits the rehiring of state and county retirees without affecting retirement benefits.

The Hawaii Fire Fighters Association recognizes the situation that the public sector workforce faces in the near future and believes this measure will address some of the challenges that are ahead.

Both measures afford the appointing authority the flexibility to re-employ retirees with no impact on the retirement benefits being received. One of the core functions of the Hawaii Fire Fighters Association is to represent our active members in the workplace which includes conditions of employment, wages and benefits. While we believe this will attract well-experienced and well-qualified retirees to return to public service, it is critical that the filling of positions through this procedure does not impact any promotional opportunities or minimum manning hiring and staffing for our members. As this proposal does not address the definition of "critical to fill or labor shortage" position, we request that some type of definition is reflected. Also, with regard to determining the positions that is being sought to fill, it is important that the employers through good faith consultation with the exclusive bargaining representative engage in discussions regarding the rehiring process and procedure.

As an aside, in 2003, H.B. 569, Relating to Public Employees was introduced on our behalf. H.B. No. 569 would have established a Deferred Optional Retirement Plan (DROP). The DROP is similar to what is being proposed in this bill in that retirees could continue to be employed, receive retirement health benefits, cease to make the contributions to the ERS but in return, the pension amount due to the retiree would be maintained by the ERS for lump sum payout (with interest) upon separation from service.

Recognizing Act 256-07, we do not see this bill as a benefit enhance. Rather it is allowing public employees to receive their well earned and deserved pension while meeting the need to maintain the continuity of excellent public services.

Thank you for the opportunity to testify on these bills.



**HAWAII GOVERNMENT EMPLOYEES ASSOCIATION**

AFSCME LOCAL 152, AFL-CIO

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**LATE**

The Twenty-Fourth Legislature, State of Hawaii  
Hawaii State Senate  
Committee on Judiciary and Labor  
Committee on Intergovernmental and Military Affairs

Testimony by  
HGEA/AFSCME, Local 152, AFL-CIO  
February 8, 2008

**S.B. 2178 – RELATING TO THE RE-  
EMPLOYMENT OF RETIREES BY  
THE STATE OR COUNTIES**

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO supports the purpose and intent of this measure with an amendment. Currently, S.B. 2178 proposes rehiring state and county retirees in any civil service or exempt position without adversely affecting their retirement benefits if they have been retired for at least six months. Changing demographics and low unemployment rates makes rehiring experienced and well-qualified retirees an important consideration. We do not believe the requirement that the retiree must be retired for six months before they are rehired is necessary.

However, we believe hiring retirees should be limited to critical-to-fill or shortage category positions. The future of civil service depends upon active recruitment of those applicants with the skills, abilities and commitment to a government career. This includes current employees who should be considered for promotional opportunities under the civil service merit system. Widespread reliance upon retirees will not encourage the recruitment and promotion of these career employees or address the challenges of succession planning.

We support S.B. 2178 with the amendment referenced above, which is also contained in H.B. 2848. Thank you for the opportunity to testify in support of this significant bill.

Respectfully submitted,

Nora A. Nomura  
Deputy Executive Director