

TESTIMONY BY DAVID SHIMABUKURO
ADMINISTRATOR, EMPLOYEES' RETIREMENT SYSTEM
STATE OF HAWAII
TO THE SENATE COMMITTEE ON JUDICIARY AND LABOR
ON
SENATE BILL NO. 3004

FEBRUARY 8, 2008

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM

Chair Taniguchi and Members of the Committee:

S.B. 3004 amends various provisions of Chapter 88, Hawaii Revised Statutes to clarify and conform existing statutes to current practice. In addition to the housekeeping amendments, this Bill proposes the following:

- Require employers to transmit payroll and personnel transactions electronically to the ERS. The prospective implementation date of July 1, 2010 will give the State and counties two years to make the necessary changes in their payroll and personnel computer systems in order to comply with this new retirement reporting requirement.
- Require direct deposit for lump sum refunds of accumulated contributions greater than \$250 if the member does not elect to roll over the payment into an eligible retirement plan. This method may be waived if another method is determined more appropriate. The proposed amendment is consistent with the current requirement of depositing monthly or semimonthly retirement checks into a financial institution.
- Clarify the definition of "beneficiary" to include mandatory designations "statutorily required by law" such as Noncontributory Plan ordinary death benefits which can only be paid to the spouse, reciprocal beneficiary or children.
- In order to receive membership credit, Contributory and Hybrid plan members must make retirement contributions while on leave of absence for professional improvement or when performing a governmental function.

- Automatically increase the annual ceiling on pension benefits to parallel the increases in the federal ceiling under Section 415 of the Internal Revenue Code.
- Instead of remitting the employee's retirement contributions based on the employee's "rate of compensation prior to inception of military service", the State and county governments must remit the employee's contributions based on the compensation that the member would have received (including all salary increases) had the member not been on active military duty in the armed forces. This revision is required in order to comply with the federal Uniform Services Employment and Reemployment Rights Act (USERRA).
- Clarify the language that accidental death benefits for Noncontributory Plan members are not subject to the 10-year service credit requirement that is applicable to ordinary death benefits in the Noncontributory Plan.

The Board of Trustees supports this Administration bill and recommends its passage.

Thank you for the opportunity to testify on this measure.

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. 3004

February 8, 2008

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM

Senate Bill No. 3004 makes various amendments to Chapter 88, Hawaii Revised Statutes, which govern the Employees' Retirement System (ERS). These changes clarify existing language and conform current statutes with ERS' operating practices, address federal requirements, and make various streamlining and housekeeping amendments.

The Department of Budget and Finance supports this administration measure. This bill will result in improved ERS performance and streamline day-to-day operations.