

TESTIMONY BY DAVID SHIMABUKURO
ADMINISTRATOR, EMPLOYEES' RETIREMENT SYSTEM
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON LABOR & PUBLIC EMPLOYMENT
ON
HOUSE BILL NO. 2429
RELATING TO SEPARATION INCENTIVES

FEBRUARY 2, 2010

Chair Rhoads and Members of the Committee:

H.B. 2429 authorizes the State executive branch to offer a voluntary severance or a special retirement incentive benefit to State employees who elect to voluntarily separate from service when their positions are identified for abolishment or when they are affected by a reduction-in-force or workforce restructuring plan.

The ERS Legislative and Administrative Committee opposes the special retirement incentive benefit provisions in this measure since it will afford these members an early retirement benefit that will increase the ERS' \$6.2 billion unfunded actuarial accrued liability.

The special retirement incentive benefit is also contrary to the provisions of Act 256, Session Laws of Hawaii 2007, which placed a moratorium on benefit enhancements until January 2, 2011.

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 HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT
ON
HOUSE BILL NO. 2429

February 2, 2010

RELATING TO SEPARATION INCENTIVES

House Bill No. 2429 authorizes the State Executive Branch to offer a voluntary severance or a special retirement incentive benefit to State employees who elect to voluntarily separate from service when their positions are identified for abolishment or when they are directly affected by a reduction-in-force or workforce restructuring plan.

We oppose this bill as the criteria detailed in Section _ 3(c) allowing employees to qualify for a special retirement benefit will increase the unfunded liability of the Employees' Retirement System. The funding of the Employees' Retirement System is based on the assumption that employees meet the age and service requirements specified in the statutes. Any special treatment that deviates from these requirements will result in an actuarial loss and thus, increase the unfunded liability of the system.