

TESTIMONY BY DAVID SHIMABUKURO
ADMINISTRATOR, EMPLOYEES' RETIREMENT SYSTEM
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 2538

RELATING TO THE
PAYMENT OF EMPLOYEES' RETIREMENT SYSTEM BENEFITS

FEBRUARY 22, 2010

Chair Oshiro and Members of the Committee:

The ERS Board of Trustees supports this Administration Bill since it will streamline the processing of ERS pension payments and reduce the number of benefit payment transactions by 40% (from 764,000 to 455,000 payments each year).

Under this measure, approximately 25,700 pensioners and beneficiaries out of 38,000 will be paid on a monthly rather than on a semimonthly basis. In addition, approximately 1,400 of these recipients will have their benefit payments deposited directly into a financial institution instead of receiving paper checks.

This measure will result in cost savings in postage, check printing, check imaging, and bank fees; and will also increase the ERS' investment earnings. The ERS estimates that this proposal will add approximately \$955,000 annually to ERS' bottom line.

To help retirees and beneficiaries transition from a semimonthly payment to a monthly payment cycle, the ERS will communicate the change and adjust the semimonthly payments in January 2011 and February 2011, before implementing the March 2011 monthly payment process as follows:

<u>Current Pension Payment Date</u>	<u>New Pension Payment Date</u>
1/15/2011	1/20/2011
1/31/2011	1/31/2011
2/15/2011	2/21/2011
2/28/2011	2/28/2011

Thereafter, the pension payment dates will be on the last day of each month.

Thank you for the opportunity to testify on this measure.

**HAWAII GOVERNMENT EMPLOYEES ASSOCIATION**

AFSCME Local 152, AFL-CIO

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The Twenty-Fifth Legislature, State of Hawaii
House of Representatives
Committee on Finance

Testimony by
Hawaii Government Employees Association
February 22, 2010

H.B. 2538 (HSCR307-10) – RELATING
TO THE PAYMENT OF EMPLOYEES'
RETIREMENT SYSTEM BENEFITS

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO, supports H.B. 2538 (HSCR307-10) in part and opposes in part. If enacted, H.B. 2538 (HSCR307-10) will accomplish two things: (1) effective March 1, 2011, all payments from the state retirement system will be made to retirees just once a month; and (2) all state retirement payments will be made directly into a retiree's bank account.

We strongly oppose that part of H.B. 2538 (HSCR307-10) which would change the state retirement payments to those older retirees who now receive payments twice monthly to once a month. If H.B. 2538 (HSCR307-10) is passed, approximately 25,700 individuals, or two-thirds of the approximately 38,000 individuals who now receive state retirement payments semi-monthly will receive their payment just once a month. It may not seem to be a significant change, but switching from semi-monthly payments to a monthly payment may add an additional financial burden for these older retirees.

It will mean that those retirees, many of whom who are not receiving a large pension, will need to be more careful about budgeting their monthly expenses. We are also concerned about problems that might occur due to a miscalculation or error in a payment to retiree if they are only paid once per month, than the current semi-monthly schedule.

The law to switch state retirement payments to retirees from semi-month to monthly was changed in 2002. The intent of H.B. 2538 (HSCR307-10), that all retirees will eventually be paid once a month, can occur over time.

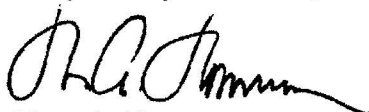
We support that part of H.B. 2538 (HSCR307-10) which will make state retirement payments directly into retirees' bank accounts. This will add an extra layer of protection for retirees who do not currently receive their retirement payments through direct

Hawaii State Senate, Committee on Finance
Re: H.B. 2538 – Relating To The Payment Of Employees' Retirement System Benefits
February 22, 2010
Page 2

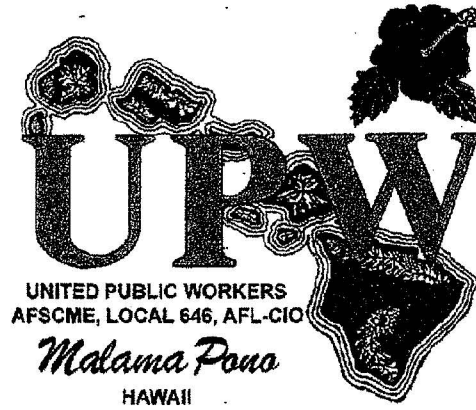
deposit. The possibility of a payment not being properly received, such as being misdelivered in the mail, being stolen in the process of being delivered, or being misplaced once a check is received, will be greatly eliminated.

We appreciate the opportunity to testify in support of the direct deposit provisions of H.B. 2538 (HSCR307-10); however, we oppose making the monthly pension payments retroactive.

Respectfully submitted,



Nora A. Nomura
Deputy Executive Director



House of Representatives
The Twenty-Fifth Legislature
Regular Session of 2010

Committee on Finance
Rep. Marcus Oshiro, Chair
Rep. Marilyn Lee, Vice Chair

DATE: Monday, February 22, 2010
TIME: 11:30 am
PLACE: Conference Room 308

**TESTIMONY OF THE UNITED PUBLIC WORKERS, LOCAL 646, ON HB 2538,
RELATING TO THE PAYMENT OF EMPLOYEES' RETIREMENT SYSTEM
BENEFITS**

HB 2538 provides for the payment of state retirement benefits on a monthly basis and requires the payment to be directly deposited to a financial institution account.

The UPW has serious concerns with the section on monthly payments. Currently, about two-thirds of the retirees receive semi-monthly payments. Some of these retirees are in their 80's even 90's; many survive entirely on their retirement benefits. This change from semi to monthly payments would be traumatic and place an additional hardship on these retirees in planning their budget and coping with their expenses. Many live paycheck to paycheck, on a subsistence level, and do not have the luxury of having "cash on hand." As the state seeks cost-saving measures, we hope these ideas are not implemented at the expense of our most vulnerable.

For this reason we oppose HB 2538. Thank you for the opportunity to testify.



SHOPO

STATE OF HAWAII ORGANIZATION OF POLICE OFFICERS

House of Representatives
Twenty-Fifth Legislature
Regular Session of 2010

"A Police Organization for Police Officers Only"

Committee on Finance

Rep. Marcus Oshiro, Chair
Rep. Marilyn Lee, Vice Chair

Date: Monday, February 22, 2010
Time: 11:30am
Place: Conference Room 308

Testimony Relating to House Bill 2538 regarding the Payment of Employees' Retirement System

My Name is Tenari Ma'afala State President for the State of Hawaii Organization of Police officers ("SHOPO"). SHOPO oppose HB 2538.

HB 2538 provides for the payment of state retirement benefits on a monthly basis and requires the payment be directly deposited to a financial institution account.

SHOPO has concerns with the section in the measure on monthly payments. Currently about two – thirds of these retirees receive semi-monthly payments. Some of these retirees are in there 80s or 90s and many survive entirely on their retirement benefits. A change from a semimonthly, to a single payment a month would create financial hardship in planning and coping with their expenses. Many live paycheck to paycheck on a subsistence level and do not have the luxury of having cash on hand. As the state seeks cost-saving measures, we hope this measure is not implemented at the expense of our most vulnerable.

SHOPO opposes the passage of HB2538. Thank you