

TESTIMONY BY DAVID SHIMABUKURO
ADMINISTRATOR, EMPLOYEES' RETIREMENT SYSTEM
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE
ON
SENATE BILL NO. 2691, S.D. 1, H.D. 1

RELATING TO THE
PAYMENT OF EMPLOYEES' RETIREMENT SYSTEM BENEFITS

MARCH 29, 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.

We note that among the 50 state retirement systems in the country, Hawaii is the only retirement system that continues to process pension benefits on a semimonthly rather than on monthly basis. Social Security recipients also receive their benefits on a monthly basis.

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:

Current Pension
Payment Date

New Pension
Payment Date

1/15/2011
1/31/2011
2/15/2011
2/28/2011

1/20/2011
1/31/2011
2/21/2011
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.



Randy Ferreira *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*
Tel: 808 543-0003 Fax: 808 528-0922

Derek M. Mizuno *Deputy Executive Director*
Tel: 808 543-0055 Fax: 808 523-6879

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

Testimony by
Hawaii Government Employees Association
March 29, 2010

S.B. 2691, S.D.1, H.D.1 – RELATING TO THE
PAYMENT OF EMPLOYEES' RETIREMENT
SYSTEM BENEFITS

The Hawaii Government Employees Association Retirees Unit, AFSCME Local 152, AFL-CIO supports S.B. 2691, S.D.1, H.D.1 in part and opposes in part. If enacted, S.B. 2691, S.D.1, H.D.1, will require that all retirees and beneficiaries be paid by direct deposit, beginning March 1, 2011. In addition to the significant savings the state and county governments would realize from not having to physically prepare and mail checks to retirees and beneficiaries either semi-monthly or monthly, having retirement payments made directly into retirees' bank accounts would add a layer of protection for retirees and beneficiaries. Direct deposit into retirees' bank accounts will ensure that retirement payments go to where they should go.

We strongly oppose that part of S.B. 2691, S.D.1, H.D.1 which would change the state retirement payments to those older retirees who now receive payments twice monthly to once a month. If S.B. 2691, S.D.1, H.D.1 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 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 miscalculation or errors in payments to retirees if they are only paid once per month, than the current semi-monthly schedule.

We appreciate the opportunity to testify in support of the direct deposit provisions of S.B. 2691, S.D.1, H.D.1; however, we oppose making the pension payments monthly.

Respectfully submitted,

Nora A. Nomura
Deputy Executive Director