

TESTIMONY BY DAVID SHIMABUKURO
ADMINISTRATOR, EMPLOYEES' RETIREMENT SYSTEM
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT
ON
SENATE BILL NO. 2691, S.D. 1
RELATING TO THE
PAYMENT OF EMPLOYEES' RETIREMENT SYSTEM BENEFITS

MARCH 12, 2010

Chair Rhoads and Members of the Committee:

The ERS Board of Trustees supports S.B. No. 2691, S.D. 1 which requires ERS retirees and beneficiaries to have their benefit payments deposited directly into a financial institution. This measure will reduce ERS' postage, check printing, and check imaging costs by about \$32,000 each year.

However, the ERS Board of Trustees prefers H.B. No. 2538 that includes the same direct deposit provisions but also requires members' pensions to be paid on a monthly rather than on a semimonthly basis.

The monthly payment cycle provisions would help streamline the processing of ERS pension payments and reduce the number of benefit payment transactions by 40% (from 764,000 to 455,000 payments per year). At the present time, there are 25,700 retirees and beneficiaries receiving semimonthly payments and 12,300 retirees and beneficiaries receiving monthly pension payments.

The proposed monthly pension payment cycle for all retirees and beneficiaries will reduce ERS' banking transaction costs and increase investment earnings. This will add an additional \$923,000 to ERS' bottom line each year.

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 a 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:

<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
Hawaii State House of Representatives
Committee on Labor & Public Employment

Testimony by
Hawaii Government Employees Association
March 12, 2010

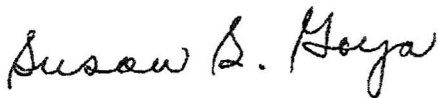
S.B. 2691, S.D. 1 - RELATING
TO THE PAYMENT OF
EMPLOYEES' RETIREMENT
SYSTEM BENEFITS

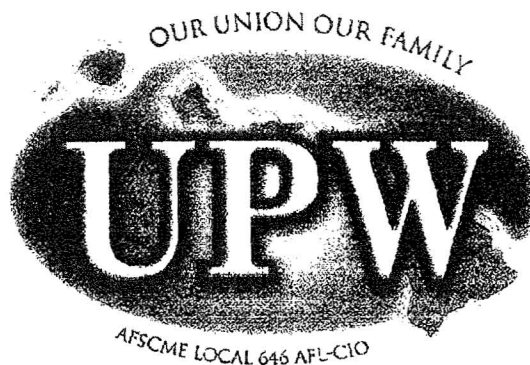
The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO supports S.B. 2691, S.D. 1. If enacted, S.B. 2691, S.D. 1 will require that all retirees and beneficiaries be paid by direct deposit beginning March 1, 2011. In addition to the significant savings the state and county governments 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 will go to where they are intended. The possibility of a payment not being properly received, such as misdelivery in the mail, being stolen in the process of being delivered, or being misplaced once a check is received, will be virtually eliminated.

We appreciate the opportunity to testify in support of S.B. 2691, S.D. 1.

Respectfully submitted,


for Nora A. Nomura
Deputy Executive Director



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

Committee on Labor & Public Employment

Rep. Karl Rhoads, Chair
Rep. Kyle T. Yamashita, Vice Chair

DATE: Friday, March 12, 2010
TIME: 10:000 a.m.
PLACE: Conference Room 309

**TESTIMONY OF THE UNITED PUBLIC WORKERS, LOCAL 646, ON HB 2691,
SD1, RELATING TO THE PAYMENT OF EMPLOYEES' RETIREMENT
SYSTEM BENEFITS**

SB 2691, SD1, requires all retirees and beneficiaries of the ERS to designate a financial institution account into which retirement benefits may be deposited.

The United Public Workers, Local 646, supports the SD1 which deleted the section on monthly payments.

The UPW has serious concerns with the original bill. 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.

Thank you for the opportunity to testify.