

LINDA LINGLE
GOVERNOR



STATE OF HAWAII
EMPLOYEES' RETIREMENT SYSTEM

February 19, 2010

Senator Donna Mercado Kim, Chair
Senate Committee on Ways and Means
Twenty-Fifth State Legislature
State Capitol, Room 210
Honolulu, Hawaii 96813

Dear Chair Kim and Members of the Committee:

Re: S.B. No. 2691, S.D. 1 - Relating to the Payment of
Employees' Retirement System Benefits

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.

The ERS Board of Trustees also requests the Senate Committee on Ways and Means restore the monthly payment cycle amendments in S.B. No. 2691 to 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).

The requested amendments will require members to be paid on a monthly rather than on a semimonthly basis. At the present time, there are 25,700 retirees and beneficiaries receiving semimonthly payments and 12,300 retirees and beneficiaries receiving monthly pension payments.

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.



Employees' Retirement System
of the State of Hawaii

Senator Donna Mercado Kim

February 19, 2010

Page 2

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:

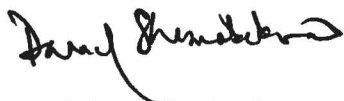
| <u>Current Pension Payment Date</u> | <u>New Pension Payment Date</u> |
|---|-------------------------------------|
| 1/15/2011 | 1/20/2011 |
| 1/31/2011 | 1/31/2011 |
| 2/15/2011 | 2/21/2011 |
| 2/28/2011 | 2/28/2011 |

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

The requested amendments will reduce our banking transaction costs and increase the ERS' investment earnings. This will add approximately \$938,000 to ERS' bottom line each year.

Please share this information with the members of your Committee. If you have any questions, please call me at 586-1700.

Very truly yours,



David Shimabukuro
Administrator