

HB 1038

HD2, SD1

WRITTEN ONLY

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
HOUSE BILL NO. 1038, H.D. 2, S.D. 1

April 1, 2011

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM

House Bill No. 1038, H.D. 2, S.D. 1, provides for retirement benefits for State and county employees who become members of the Employees' Retirement System of the State of Hawaii after June 30, 2012, that are different from the retirement benefits of current employees, and reduces the investment yield assumption for the Employees' Retirement System to 7.75% for the fiscal year ending June 30, 2011.

The Department of Budget and Finance supports this Administration bill as it incorporates technical corrections proposed by the Employees' Retirement System which will help to control increases in the cost of employee benefits for State and county employees who become members of the Employees' Retirement System after June 30, 2012, and reducing the investment yield assumption.

Although this measure will differentiate benefits within the Employees' Retirement System between employees based on their hire date, the Administration recognizes that such action is necessary to ensure the long-term viability of the Employees' Retirement System.

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PETER B. CARLISLE
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MICHAEL R. HANSEN
DIRECTOR

April 1, 2011

The Honorable David Ige, Chair
and Members of the Committee on Ways and Means
The Senate
State Capitol
Honolulu, Hawaii 96813

Dear Chair Ige and Members:

Re: HB 1038, H.D.2, S.D.1 -- Relating to the Employees' Retirement System

The City and County of Honolulu (City) is well aware of the serious challenges the Retirement System is facing and recognizes the need for significant course correction. The City offers the following comments on House Bill 1038, House Draft 2, Senate Draft 1. The City supports this measure which combined elements of several House Bills to create a comprehensive measure which addresses the Retirement System's unfunded liability by providing reasonable changes to benefits as well as increases in the Employer contribution rate.

We know that the increases in the Employer contribution provided in this bill will have a severe negative impact on our budget going forward. However, we recognize that this is balanced by other provisions of the bill that update the benefits making them more realistic and sustainable. This approach will, we hope, ultimately result in a system that is more stable and Employer costs that are more predictable.

We realize this Committee is facing very difficult decisions on many matters, including this one. We urge the Committee to pass this comprehensive measure to set the Retirement System on a sustainable path.

Thank you for the opportunity to comment on HB 1038.

Yours truly,

Handwritten signature of Michael R. Hansen in black ink.

Michael R. Hansen, Director
Department of Budget & Fiscal Services

Handwritten signature of Noel T. Ono in black ink.

Noel T. Ono, Director
Department of Human Resources

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 28, 2011 5:32 PM
To: WAM Testimony
Cc: DHigashi46@hawaii.rr.com
Subject: Testimony for HB1038 on 4/1/2011 9:00:00 AM

Testimony for WAM 4/1/2011 9:00:00 AM HB1038

Conference room: 211
Testifier position: comments only
Testifier will be present: No
Submitted by: Donna Higashi
Organization: Individual
Address:
Phone:
E-mail: DHigashi46@hawaii.rr.com
Submitted on: 3/28/2011

Comments:

Dear Senator Ige and Senate Ways and Means Committee Members,

One section of HB1038, HD2, SD1 (page 37) supports the changing of the ERS's PRA from 2 1/2% to 1 1/2%. As a member of the HSTA-R COLA Fairness Committee, I am not convinced that the mere changing of the percentage amount will serve the purpose or accomplish the intent of the PRA as described by law. The PRA is intended to help offset the rising cost of living and keep up with inflation.

At this time, HR245/HCR278 is being offered: Requesting the Legislative Reference Bureau to conduct a study to measure the effectiveness of the PRA in fulfilling its purpose. We hope that this study will give legislators more information so that changes to the ERS's PRA become more data driven.

Please consider this before making a huge scale decision on HB1038, especially on the section dealing with the ERS's PRA. I thank you for the opportunity to provide comments on this matter.

Sincerely,
Donna Higashi,
a retiree & member of
HSTA-R COLA Fairness Committee