

LATE

TESTIMONY BY WESLEY K. MACHIDA
ADMINISTRATOR, EMPLOYEES' RETIREMENT SYSTEM
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON LABOR & PUBLIC EMPLOYMENT
ON
HOUSE BILL NO. 779

FEBRUARY 11, 2011

RELATING TO FRINGE BENEFIT CONTRIBUTIONS

Chair Rhoads and Members of the Committee:

The Legislative Committee of the Employees' Retirement System of the State of Hawaii's (ERS) Board of Trustees opposes H.B. 779 which provides for quarterly employer contribution payments to the ERS as opposed to the current payments on a monthly basis.

Currently, all but one employer remit their contribution payments before the end of the following month. For example, the July payment will be paid to the ERS by end of August of the same year. This bill will delay the July payment until the end of September of the same year (currently the August payment is received at the end of September). The change in the payment schedule would result in approximately \$80 million in investments having to be sold to cover the September pension payroll. The loss in potential earnings from liquidating these investments could amount to over \$500,000.

Given the ERS's funded status, growing unfunded actuarial accrued liability, and loss in potential investment earnings, the Legislative Committee of the ERS Board of Trustees opposes this bill. Thank you for the opportunity to testify on this bill.

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TESTIMONY BY KALBERT K. YOUNG
INTERIM DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT
ON
HOUSE BILL NO. 779

February 11, 2011

RELATING TO FRINGE BENEFIT CONTRIBUTIONS

House Bill No. 779 requires State contributions to the Employees' Retirement System (ERS) to be paid from the general fund on a quarterly basis; payments to be made before the end of the fiscal quarter; departments and agencies whose employees are paid from State non-general funds to reimburse the State general fund for advance contributions; and assesses a monthly interest charge of 0.25% on the reimbursements.

The Department of Budget and Finance opposes this bill as it would negatively impact the investments and earnings of the ERS and result in increased public employer contributions to make up the difference.

Regarding reimbursement of the general fund by non-general funds, the payroll system automatically deducts the required ERS contribution from the respective funds for deposit into the general fund. Thus, there is no holding cost to the general fund.