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LEGISLATIVE REFERENCE BUREAU
State of Hawaii
State Capitol
415 S. Beretania Street, Room 446
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Written Comments

HCR278

REQUESTING THE LEGISLATIVE REFERENCE BUREAU TO CONDUCT A STUDY TO MEASURE THE EFFECTIVENESS OF THE POST RETIREMENT ALLOWANCE IN FULFILLING ITS PURPOSE TO HELP OFFSET THE RISING COST OF LIVING AND KEEP UP WITH INFLATION

Comments by the Legislative Reference Bureau
Charlotte A. Carter-Yamauchi, Acting Director

Presented to the House Committee on Labor & Public Employment

Tuesday, March 29, 2010, 10:00 a.m.
Conference Room 309

Chair Rhoads and Members of the Committee:

The Bureau appreciates the opportunity to comment on this measure.

House Concurrent Resolution No. 278 directs the Bureau to conduct a study on the current Post Retirement Allowance to determine whether it is fulfilling its purpose of maintaining a standard of living for retired members and beneficiaries.

While the Bureau takes no position on the merits of the measure, it is concerned with the scope of the research responsibilities requested under the measure. The Bureau can provide the Legislature with background information on the post-retirement feature of the retirement system law. However, it is manifestly unclear how any study by the Bureau could answer the ultimate question posed by the measure, namely whether the post-retirement feature "is fulfilling its purpose of maintaining a standard of living for retired members and beneficiaries."

The measure appears to be premised upon the assumption that the pensioner's bonus—and that alone—is supposed to enable retirees to maintain a given standard of living.

In reality, there are a myriad of factors that impact upon the level of retirees' incomes and their ability to maintain their respective standards of living, a few of which include (but certainly are not limited to):

- (1) The age and years of service at which the retiree chose (or may have been forced by circumstances) to retire;
- (2) The retirement option selected by a retiree;
- (3) The age at which the retiree began collecting Social Security;
- (4) In some instances, whether the retiree opted out of the Social Security system altogether many years ago;
- (5) Other sources of income such as deferred compensation, other pensions (such as prior private employers or military), personal investments, or family assets;
- (6) The health of the retiree; and
- (7) Other factors too numerous to mention.

In addition, if the Legislature would like to ascertain what the projected increases provided under the pensioner's bonus law may be over the course of a class of retirees' estimated lifetime, the Employees' Retirement System would be the appropriate entity to determine these projections, since it is our understanding that they regularly contract actuarial services for the purpose of projecting the cost of providing retiree benefits. In order for the Bureau to conduct such a study, the contracting of an actuary may be necessary, and the Bureau's budget does not currently contain sufficient funds to cover the costs of contracting these services.

Thank you for this opportunity to provide written comments on this measure. If you have any questions, please do not hesitate to contact the Bureau at 587-0666.

yamashita1-----Kristen

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 28, 2011 1:20 PM
To: LABtestimony
Cc: DHigashi46@hawaii.rr.com
Subject: Testimony for HCR278 on 3/29/2011 10:00:00 AM

Testimony for LAB 3/29/2011 10:00:00 AM HCR278

Conference room: 309
Testifier position: support
Testifier will be present: Yes
Submitted by: Donna Higashi
Organization: Individual
Address:
Phone:
E-mail: DHigashi46@hawaii.rr.com
Submitted on: 3/28/2011

Comments:

Dear Representative Rhoads and members of the House Labor Committee,

There are several bills in the Legislature this year which hope to minimize the State of Hawaii's fiscal problems in the future.

One bill in particular HB1038, HD2, SD1 proposes a change to the ERS's PRA (Post Retirement Allowance) from 2 1/2% to 1 1/2%. This may seem to fix the problem and save the state money, but in the long run could greatly impact our retirees negatively. I feel that the intent of the ERS's PRA is highly misunderstood and grossly overlooked. As a member of the HSTA-R COLA Fairness Committee, we have been studying this situation for many years.

That is why I strongly support HR245/HCR278 requesting the Legislative Reference Bureau to conduct a study to measure the effectiveness of the Post Retirement Allowance in fulfilling its purpose to help offset the rising cost of living and keep up with inflation.

We need to be assured that we are all going in the right direction together. Thank you for the opportunity to testify.

Sincerely,

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

yamashita1-----Kristen

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, March 29, 2011 12:33 AM
To: LABtestimony
Cc: odetfuji4u@hawaii.rr.com
Subject: Testimony for HR245 on 3/29/2011 10:00:00 AM

Testimony for LAB 3/29/2011 10:00:00 AM HR245

Conference room: 309
Testifier position: support
Testifier will be present: No
Submitted by: Odetta Fujimori
Organization: Individual
Address:
Phone:
E-mail: odetfuji4u@hawaii.rr.com
Submitted on: 3/29/2011

Comments:

Mr. Chairman and Members of the House Labor Committee, please support HR245 and HCR278. As a retired state worker, I believe such a study will provide meaningful and relevant information regarding the retirement system's Post Retirement Allowance (PRA), which by definition is meant to assist retirees and to mitigate the effects of inflation.

On a personal note, I am in my 16th year of retirement and learned that my actual post retirement allowance (PRA) today is factored at 1.85%. Whatever happened to the 2.5% post retirement allowance I started out with?

Going forward, in ten years if the current PRA of 2.5% continues, it is estimated that my adjusted retirement allowance will lose nearly 1% due to inflation and be worth only 1.54%. That is not what was promised to me when I retired in 1995.

This committee can help to produce an effective study by supporting HR245 and HCR278 and encouraging both the House and Senate chambers to adopt these resolutions.

Thank you very much.

Odetta Kealalio Fujimori