

**LATE TESTIMONY**

DEPARTMENT OF BUDGET & FISCAL SERVICES  
**CITY AND COUNTY OF HONOLULU**

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PETER B. CARLISLE  
MAYOR



MICHAEL R. HANSEN  
DIRECTOR

February 11, 2011

The Honorable Clayton Hee, Chair  
and Members of the Committee on Judiciary and Labor  
The Senate  
State Capitol  
Honolulu, Hawaii 96813

Dear Chair Hee and Members:

Subject: Senate Bill Nos. 1262, 1264, 1265, 1216, and 1341  
Relating to 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 corrections. The City views Senate Bills 1262, 1264, 1265, 1216, and 1341 as part of a package of bills proposing changes aimed at addressing the Retirement System's unfunded liability. The City does not support **these bills unless they are part of a package designed to address the unfunded liability issue in a comprehensive manner**—with reasonable changes to benefits and a moratorium on benefit enhancements, as well as increases in the Employer contribution rate.

The increases in the Employer contribution provided in Senate Bill 1264 will have a severe negative impact on our budget going forward. Senate Bill 1216 may also negatively affect our budget. However, this is balanced by the provisions included in SB 1262, SB 1265, and SB 1341 that place a moratorium on benefit enhancements and update the benefits structure making it more realistic and sustainable. This comprehensive approach will, we hope, ultimately result in a system that is more stable and Employer costs that are more predictable.

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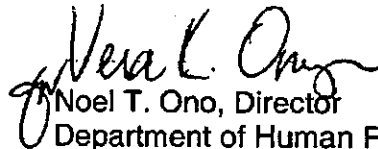
We realize this Committee is facing very difficult decisions on many matters, including this one. We urge the Committee to take the comprehensive approach needed to set the Retirement System on a sustainable path.

Thank you for the opportunity to testify on these measures.

Yours truly,



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



Noel T. Ono, Director  
Department of Human Resources

TESTIMONY BY KALBERT K. YOUNG  
INTERIM DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE SENATE COMMITTEE ON JUDICIARY AND LABOR  
ON  
SENATE BILL NO. 1262

February 11, 2011

RELATING TO EMPLOYEES' RETIREMENT SYSTEM BENEFIT ENHANCEMENT  
MORATORIUM

Senate Bill No. 1262 institutes a moratorium on the enhancement of Employees' Retirement System benefits until the system's fund ratio is at least eighty percent.

The Department of Budget and Finance strongly supports this Administration bill which will allow the Employees' Retirement System to improve and protect its funded status. Placing a moratorium on the enhancement of Employees' Retirement System benefits until the system's fund ratio is at least eighty percent will prevent the unfunded liability from growing through enactment of benefit enhancements during this period.

The Administration believes that stability in the level of benefits received by current and former employees is an important factor in facilitating the Employees' Retirement System's ability to eventually eliminate its unfunded liability and ensure the long-term viability of the system.