

MAR - 1 2012

SENATE RESOLUTION

REQUESTING THE AUDITOR TO CONDUCT AN AUDIT OF STATE DEPARTMENTS
WITH HIGH RATES OF ADDITIONAL COMPENSATION PAID TO
EMPLOYEES.

1 WHEREAS, recent payroll data for the agency that operates
2 ambulances in the City and County of Honolulu revealed that the
3 ten highest-paid employees worked extensive amounts of overtime,
4 more than doubling their annual average base salary of \$63,252
5 to an average of nearly \$140,000 annually; and
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7 WHEREAS, at the state Department of Public Safety, which
8 runs the prison system and has between 2,200 and 2,400 workers,
9 seventy-five employees worked more than 1,000 hours of overtime
10 in fiscal year 2009 and twenty-five did so the following year --
11 the equivalent of 125 eight-hour work days; and
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13 WHEREAS, while these cases were unusual, they highlight a
14 problem that is contributing to a severe funding shortfall in
15 Hawaii's retirement system for county and state workers; and
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17 WHEREAS, employees who earn substantially more than their
18 base salary near the end of their careers in order to boost
19 future retirement pay - a practice known as pension spiking --
20 are adding to the financial problems of Hawaii's Employees'
21 Retirement System; and
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23 WHEREAS, while pension spiking is not against the law --
24 the overtime hours, after all, are authorized by supervisors --
25 it is one of multiple factors that have created an unfunded
26 liability estimated at roughly \$8,200,000,000; and
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28 WHEREAS, a small number of excessive overtime cases can
29 have a significant effect in driving up the projected costs for
30 the retirement system; and
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32 WHEREAS, the amount employees and their employers are
33 required to contribute to the system each year is determined in
34 part by their base salaries, while the actual pension payments
35 are calculated based on the three years with highest overall



1 compensation, including overtime, differentials, and other
2 supplemental pay; and
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4 WHEREAS, the wider the gap between base salary and
5 supplemental pay, the more the system's funding will fall short
6 of promised benefits; and
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8 WHEREAS, for example, if the ten highest-paid emergency
9 medical services workers were to retire soon, their cases would
10 add an estimated \$4,000,000 to \$5,000,000 to the unfunded
11 liability total, according to an Employees' Retirement System
12 consultant's projections; and
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14 WHEREAS, given the strong possibility of similar cases
15 throughout government agencies, the overall impact is much
16 larger and virtually unknown; now, therefore,
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18 BE IT RESOLVED by the Senate of the Twenty-sixth
19 Legislature of the State of Hawaii, Regular Session of 2012,
20 that the Auditor is requested to conduct an audit of state
21 departments with high rates of additional compensation paid to
22 employees, including:
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- 24 (1) A review of the use of overtime pay, and any excessive
25 use of sick leave and other forms of compensation such
26 as compensatory time, which may directly or indirectly
27 contribute to increased overtime for employees, and
28 the impact of the use of additional compensation on
29 pension payments;
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- 31 (2) A description of any specific instances of "pension
32 spiking";
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- 34 (3) An identification of any patterns of abuse of
35 additional compensation by either employees or their
36 supervisors; and
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- 38 (4) Recommendations for addressing the issues raised in
39 the audit; and
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41 BE IT FURTHER RESOLVED that in conducting the audit, the
42 Auditor may focus the initial efforts on those departments that
43 have been identified as paying substantial additional
44 compensation to employees; and



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BE IT FURTHER RESOLVED that the Auditor is requested to submit the findings and recommendations of the audit to the Legislature no later than twenty days prior to the convening of the Regular Session of 2013; and

BE IT FURTHER RESOLVED that certified copies of this Resolution be transmitted to the Auditor and the Administrator of the Employees' Retirement System.

OFFERED BY: *James Hernandez*

