

LATE TESTIMONY

WRITTEN ONLY

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEES ON JUDICIARY AND LABOR
AND PUBLIC SAFETY, GOVERNMENT OPERATIONS, AND MILITARY AFFAIRS
ON
HOUSE BILL NO. 174, H.D. 1

March 22, 2011

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM

House Bill No. 174, H.D. 1, increases the members on the Employees' Retirement System Board of Trustees from eight to ten; allows for one member of the Board of Trustees to represent the counties; and mandates that the counties shall be responsible for all expenses incurred by the county member.

The Department of Budget and Finance supports the general intent of this measure to have one county representative on the Board of Trustees; however, the county representative should represent all members, not just the counties.

DEPARTMENT OF BUDGET & FISCAL SERVICES

CITY AND COUNTY OF HONOLULU

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March 22, 2011

The Honorable Clayton Hee, Chair
and Members of the Committee on Judiciary and Labor
The Honorable Will Espero, Chair
and Members of the Committee on Public Safety, Government
Operations and Military Affairs
The Senate
State Capitol
Honolulu, Hawaii 96813

Dear Chairs Hee and Espero and Members:

Subject: **House Bill No. 174, H.D. 1**
Relating to Employer-Union Health Benefits Trust Fund

The Departments of Budget and Fiscal Services and Human Resources **support** House Bill 174, House Draft 1 as it provides for county representation on the Employees' Retirement System (ERS) Board of Trustees.

The counties comprise four of the five public employers contributing to the ERS, but have no guaranteed seat on its board. The proposed amendment adds a county appointed representative to the board.

The decisions of the ERS board significantly affect the City and all the counties, our employees, and our retirees, yet the state is the only public employer with a seat on the board. Although we acknowledge the service and contributions of the ERS board, no one on the board have an in depth knowledge of the effect of board decisions on the overall budgets, employees, and retirees of the counties. For example, the composition of our workforce—a substantial percentage of which are police officers and fire fighters—is significantly different from that of the state.

The City fully understands that a county representative—like all other board members—would have a fiduciary responsibility to the beneficiaries of the system. We also believe, however, that in this very challenging time the Board would benefit from the addition of a county perspective as they consider and formulate strategies to overcome those challenges.

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The City objects to the provision in the current draft that would require the counties to be responsible for the expenses related to the representative selected by the counties. We know of no other Retirement System trustee whose expenses (such as travel and lodging) must be paid for by an entity other than the trust fund. We wonder why the counties should be, unfairly in our opinion, singled out to assume this cost. Unless our understanding is mistaken, we ask that the provision be removed.

For the reasons stated, we strongly support passage of this bill, with amendment, and also ask that the effective date be changed to July 1, 2011.

Thank you for the opportunity to testify on H.B. 174, H.D. 1

Yours truly,



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



for Noel T. Ono, Director
Department of Human Resources