

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT
ON
HOUSE BILL NO. 1751

February 14, 2012

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM

House Bill No. 1751 increases the number of members of the Board of Trustees of the Employees' Retirement Systems (ERS) from eight to ten; and requires that one member of the Board be appointed by unanimous agreement of each of the four County mayors and approved by the Hawaii Association of Counties, subject to the advice and consent of the State Senate.

The Department of Budget and Finance recognizes that House Bill No. 1751 believes that increasing seats on the ERS board would provide representation to counties as employers within the ERS. The department does not support this premise and instead supports the position offered by the ERS Board of Trustees. Trustees on any board have a fiduciary duty to be responsible and mindful of the interests of all beneficiaries and to protect the long-term viability and interest of the trust as a whole. Trustees should not, and do not, represent a specific constituency. Furthermore, Hawaii Revised Statutes already allows for county representatives to be either elected or appointed as trustee(s) to the board - having a reserved seat on the board would be unnecessary.

I recommend the House Committee on Labor and Public Employment hold House Bill No. 1751.

TESTIMONY BY WESLEY K. MACHIDA
ADMINISTRATOR, EMPLOYEES' RETIREMENT SYSTEM
STATE OF HAWAII
TO THE HOUSE COMMITTED ON LABOR AND PUBLIC EMPLOYMENT
ON
HOUSE BILL NO. 1751

FEBRUARY 14, 2012

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM

Chair Rhoads and Members of the Committee,

HB 1751 proposes to increase the number of trustees on the ERS board of trustees (Board) from 8 to 10 and, in addition, proposes that the mayors and Hawaii State Association of Counties appoint a trustee to the Board to provide county representation on the Board.

The ERS Board of Trustees opposes this bill. The Board believes that maintaining the current number of board members adequately addresses the interests of all ERS members, retirees and the taxpayers of the State of Hawaii. An increase in the number of ERS trustees will make it more difficult to achieve quorum and to reach a consensus on the various issues for which Board decisions are required.

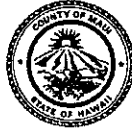
With reference to county representation on the Board, the ERS Board believes that any board member should have a fiduciary responsibility, not to a particular employee group, jurisdiction, or appointing body, but rather to all ERS members.

Thank you for the opportunity to testify on this important measure.

Council Chair
Danny A. Mateo

Vice-Chair
Joseph Pontanilla

Council Members
Gladys C. Baisa
Robert Carroll
Elle Cochran
Donald G. Couch, Jr.
G. Riki Hokama
Michael P. Victorino
Mike White



Director of Council Services
Ken Fukuoka

COUNTY COUNCIL
COUNTY OF MAUI
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793
www.mauicounty.gov/council

February 13, 2012

TO: Honorable Karl Rhoads, Chair
House Committee on Labor & Public Employment

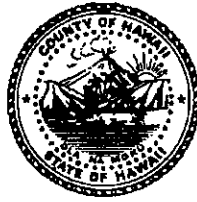
FROM: Robert Carroll
Council Member, East Maui

A handwritten signature in cursive script that reads "Robert Carroll".

SUBJECT: **HEARING OF FEBRUARY 14, 2012; TESTIMONY IN SUPPORT OF HB 1751,
RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM**

I SUPPORT HB 1751 for the reasons cited in testimony submitted by the Maui County Council Vice-Chair and HSAC Treasurer Joseph Pontanilla Chair, and urge you to pass this measure.

William P. Kenoi
Mayor



William T. Takaba
Managing Director

Walter K.M. Lau
Deputy Managing Director

County of Hawai'i
Office of the Mayor

25 Aupuni Street, Suite 2603 • Hilo, Hawai'i 96720 • (808) 961-8211 • Fax (808) 961-6553
KONA: 74-5044 Ane Keohokalole Highway, Bldg C • Kailua-Kona, Hawai'i 96740
(808) 323-4444 • Fax (808) 323-4440

February 13, 2012

The Honorable Karl Rhoads, Chair
and Members of the House Committee on Labor & Public Employment
Hawai'i State Capitol
415 South Beretania Street
Honolulu, Hawai'i 96813

RE: Testimony in Support of House Bill No. 1751
Hearing Tuesday, February 14, 2012, at 9:30 a.m., Conference Room 309

Honorable Chair Rhoads and Members of the Committee:

Hawai'i County supports H.B. 1751, to add County representation to the Employees' Retirement System Board. As the system continues to grow and as the counties' contributions continue to grow it seems imperative that the counties be represented on the Board. In these challenging economic times representation seems more critical than ever before.

Thank you for your attention to our concerns.

Sincerely,

William T. Takaba
Managing Director

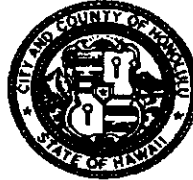
AMENDED

DEPARTMENT OF BUDGET & FISCAL SERVICES

CITY AND COUNTY OF HONOLULU

530 SOUTH KING STREET 2ND FLOOR • HONOLULU, HAWAII 96813
TELEPHONE: (808) 768-3900 • FAX: (808) 768-3179 • INTERNET: www.honolulu.gov/hr

PETER B. CARLISLE
MAYOR



MICHAEL R. HANSEN
DIRECTOR

February 14, ~~2011~~ 2012

The Honorable Karl Rhoads, Chair
and Members of the Committee on Labor and
Public Employment
The House of Representative
State Capitol
Honolulu, Hawaii 96813

Dear Chair Rhoads and Members:

Subject: House Bill No. 1751
Relating to the Employees' Retirement System

The Departments of Budget and Fiscal Services and Human Resources supports with an amendment House Bill 1751 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 has an in depth knowledge of the effect of board decisions on the overall budgets, employees, and retirees of the counties. The City fully understands that a county representative—like all other board members—would have a fiduciary responsibility to the beneficiaries of the system.

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.

The Honorable Karl Rhoads, Chair
and Members of the Committee on Labor and
Public Employment
The House of Representative
February 14, 2011- 2012
Page 2

Finally, we note that one of the other measures being heard today perhaps best highlights the value that county representation would bring to the Board. We understand that the Board had been discussing the issue of spiking over a period of several months. The result of those discussions was House Bill 2488. Unfortunately, the City was not part of those discussions and only recently became aware of the proposal. We are now asked to provide testimony on a bill for which we do not have the necessary background or understanding. Our situation would surely have been different had we been on the Board and had the ability to ask questions and share information on unique aspects of our operations.

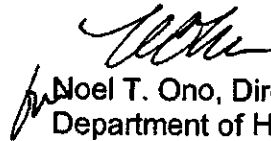
For the reasons stated, we strongly support passage of this bill with an amendment.

Thank you for the opportunity to testify on House Bill 1751.

Yours truly,



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



Noel T. Ono, Director
Department of Human Resources

Council Chair
Danny A. Matco

Vice-Chair
Joseph Pontanilla

Council Members
Gladys C. Baisa
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Elle Cochran
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February 13, 2012

TO: The Honorable Karl Rhoads, Chair
House Committee on Labor & Public Employment

FROM: Joseph Pontanilla, Treasurer
Hawaii State Association of Counties *Joseph Pontanilla*

SUBJECT: **HEARING OF FEBRUARY 14, 2012; TESTIMONY IN SUPPORT OF HB 1751,
RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM**

Thank you for the opportunity to testify in support of this important measure. The purpose of this measure is to include county representation on the State Employees' Retirement System Board of Trustees.

I am aware that the President of the Hawaii State Association of Counties ("HSAC") has submitted testimony, on behalf of HSAC, in support of this measure, which is in the HSAC Legislative Package. As the Treasurer of HSAC, I concur with the testimony submitted by the President, and urge you to support this measure.

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Hawai'i State Association of Counties (HSAC)
Counties of Kaua'i, Maui, Hawai'i & City & County of Honolulu

February 9, 2012

TESTIMONY OF MEL RAPOZO
PRESIDENT, HAWAII STATE ASSOCIATION OF COUNTIES
ON
H.B. NO. 1751, RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM
Committee on Labor & Public Employment
Tuesday, February 14, 2012
9:30 a.m.
Conference Room 309

Dear Chair Rhoads and Committee Members:

Thank you for this opportunity to submit testimony in strong support of H.B. No. 1751, Relating to the Employees' Retirement System. My testimony is submitted in my capacity as President of the Hawai'i State Association of Counties (HSAC).


HSAC is in full support of H.B. No. 1751, which proposes to amend Section 88-24 of the Hawai'i Revised Statutes to include county representation on the Board of Trustees of the Employees' Retirement System (ERS).

This proposal consists of ten trustees: the State Director of Finance, five of whom shall be members of the system, three citizens of the State who are not employees, and one member appointed by the mayors of the Counties and approved by HSAC. County representation on the ERS Board of Trustees will ensure that the board possesses the knowledge and expertise of county finances and the county workforce in making benefit decisions.

For the reason stated above, HSAC is in strong support of H.B. No. 1751 and asks for your favorable support.

Again, thank you for this opportunity to submit testimony.

Sincerely,



MEL RAPOZO
President, HSAC

AB/wa2012-524

4396 Rice Street, Suite 209, Lihu'e, Kaua'i, Hawai'i 96766, (808) 241-4188