

SB 1269

WRITTEN ONLY

TESTIMONY BY KALBERT K. YOUNG
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STATE OF HAWAII
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 1269, S.D. 1

February 25, 2011

RELATING TO THE DEFINITION OF COMPENSATION FOR PURPOSES OF THE
EMPLOYEES' RETIREMENT SYSTEM

Senate Bill No. 1269, S.D. 1, amends the definition of "compensation" for the purpose of calculating retirement benefits by providing a gradual step-down calculation for additional compensation for members who are members as of June 30, 2011. In addition, for new members hired on or after July 1, 2011, compensation for calculating retirement benefits would not include additional compensation (overtime, bonuses, lump sum salary supplements, allowances, and differentials).

The Department of Budget and Finance supports this bill to exclude overtime, bonuses, lump sum salary supplements, and differentials for the purpose of calculating retirement benefits from July 1, 2011.

Changing the definition of compensation to only include base pay for all governmental employees effective July 1, 2011 (as in the original version of the bill) is estimated to save the State approximately \$13.2 million in Fiscal Year 2012 and save the counties approximately \$19.0 million. In addition, the Employees' Retirement System's (ERS) unfunded liability is estimated to be reduced by at least \$500 million.

Although Senate Bill No. 1269, S.D. 1, will not produce as much near-term benefits of reducing the public employers' annual contributions and long-term benefits of reducing the unfunded liability as the original draft, it is an important step in improving the long-term viability of the ERS.

Senate Committee on Ways and Means
David Y. Ige, Chair
Michelle Kidani, Vice-Chair

February 25, 2011

Testimony of John K. Sang

Chair IGE, Vice-Chair KIDANI and members of the Senate Committee on Ways and Means:

Thank you for this opportunity to provide comments with regards to Senate Bill 1269 relating to the Definition of Compensation for Purposes of the Employees Retirement System.

My father, a retired Honolulu Fireman who was proud of the service he provided to the community, he always touted the life investment he made when he joined the Fire Department. My father always said that although he could have probably made more money in private industry it would never be able to offer the long term security and retirement benefits that working for the City and County of Honolulu would guarantee.

Much to my father's chagrin I found my calling with a different service to community. Ten years ago I joined the Maui Police Department first and foremost because I wanted to serve as a Police Officer. When I joined the department I didn't realize what my father had said about the sacrifices of today leading to the promises of tomorrow actually meant until I started to learn about the retirement system and how it works. At the time I joined all I knew was I was joining a service that would provide me with security during my retirement. I have since come to the realization that although I will never become a millionaire as a Police officer I have been comforted to know that I have the promise of a comfortable retirement.

It is my belief that the inclusion of overtime in the calculation of retirement pensions is necessary and fair. Department policies mandate that officers who are tasked to perform overtime work shall perform that work. That overtime can be the result of late cases, arrests, investigations that extend beyond the normal working period and court time. Police officers do not have the luxury to simply say, "I'll do that tomorrow" or "that can wait until my next shift". Nor can we call the prosecutors office to tell them "hey, that's my day off can you re-schedule that criminal trial?". I don't know the reason(s) the overtime is being addressed but to unilaterally say excluding overtime from the calculation is a "fair" thing to do without looking at why overtime is incurred is like having tunnel vision.

Others have mentioned that if passed, state and county departments and agencies will see a mass exodus of people. I for one would not blame any of them for leaving. I would be worried about not just the loss of man power (MPD has approximately 22 officers who would be eligible to retire by the effective date of this bill) but the "brain drain" that would be associated. Most of those who are eligible are those in command or supervisory positions. These are the officers with the most years of experience something that can only come from years of service. I learn daily how to do my job more effectively by being taught by my field supervisors. And they have

learned through their years of experience. Sure, I could learn these lessons on my own or by making mistakes and learning from them. That's always an option but not one I prefer.

Committee members, I ask that this bill be deferred or put to bed at this stage. To penalize the rank and file for the mistakes or misjudgements of others is not fair.

You and your committee have been left with an incredibly difficult choice. To achieve the financial stability that you are tasked to find or to rescind the promises made to the estimated 15,000 State and County employees. I thank you again for this opportunity.