

**TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 2749, S.D. 1**

February 28, 2012

RELATING TO EMPLOYEES' RETIREMENT SYSTEM

Senate Bill No. (SB) 2749, Senate Draft (S.D.) 1, corrects typographical and non-substantive errors in sections 88-74, 88-81, 88-335 and 88-338 of the Hawaii Revised Statutes (HRS), and harmonizes service retirement, ordinary disability retirement, and ordinary death benefits for Employees' Retirement System (ERS) members who become members of the system after June 30, 2012. However, SB 2749, S.D. 1, deletes the provisions of the original version of this bill, which would restore parity between judges and other contributory plan members with respect to age and service requirements for retirement.

The Department of Budget and Finance strongly supports the original version of this bill which proposed the following necessary amendments to Chapter 88, HRS:

- Sections 88-74 (i) and 88-81 (a) and (f) is amended to correct typographical errors that will otherwise lead to unnecessary confusion;
- Sections 88-73(b) and 88-74 (c) and (d) is amended to restore parity between judges and other contributory plan members with respect to age and service requirements for retirement. Section 88-335, is amended to make the ordinary disability retirement benefits multiplier for individuals who become members of the system after July 1, 2012 consistent with the one and three fourths percent service multiplier which is applicable to these members.

- Section 88-338 (a) is amended to clarify the ordinary disability retirement allowance amounts upon retirement for class H (“Hybrid”) members who became a member before July 1, 2012 and for those members who will become a member after July 1, 2012. The multiplier applicable to current members is 2 percent of the average final compensation whereas the multiplier that will be applicable to individuals who become members after July 1, 2012 is one and three fourths percent of the average final compensation.

If the amendments are not made to Sections 88-73(b) and 88-74 (c) and (d), current members of the system who become judges after June 30, 2012 will be subject to more stringent age and service requirements than other contributory plan members who become members at the same time.

TESTIMONY BY WESLEY K. MACHIDA
ADMINISTRATOR, EMPLOYEES' RETIREMENT SYSTEM
STATE OF HAWAII
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 2749, S.D. 1

FEBRUARY 28, 2012

RELATING TO EMPLOYEES' RETIREMENT SYSTEM

Chair Ige and Members of the Committee,

S.B. 2749, S.D. 1 proposes to amend sections 88-74, 88-81, 88-335, and 88-338 of the Hawaii Revised Statutes to correct typographical errors and to harmonize service retirement, ordinary disability retirement and ordinary death benefits for members of the Employees' Retirement System who become members of the ERS after June 30, 2012.

The ERS Board of Trustees supports this bill.

This bill makes the following amendments to clarify benefit changes made by Act 163, Session Laws of Hawaii 2011:

- Deletes from section 88-74(f) reference to water safety officers. Section 88-74(f) applies to individuals who join the ERS as contributory plan members after June 30, 2012. All water safety officers who became ERS members after June 30, 2012 are "Hybrid Plan" members. The category of water safety officers who are Contributory Plan members and who become members of the ERS after June 30, 2012 does not exist.
- Corrects typographical errors in sections 88-74(i) and 88-81(a) and (f).
- Amends section 88-335 to apply the same benefit multiplier (1.75%) for service retirement benefits and ordinary disability benefits for Hybrid Plan members who become ERS members after June 30, 2012. Although Act 163 provided for a lower benefit multiplier for Hybrid Plan members who become ERS members after June 30, 2012 than for current

members, Act 163 did not make a corresponding change to the benefit multiplier for ordinary disability benefits.

- Amends section 88-338(a) to make the service requirement for payment of the Hybrid Plan hypothetical account balance as an ordinary death benefit for an individual who becomes a member after June 30, 2012 the same (10 years) as the service requirement for an inter vivos withdrawal by the member.

Included in the original version of this bill was an amendment to restore the age and service retirement requirements under sections 88-73(b) and 88-74(c) and (d) for current members who become judges after June 30, 2012 to the same age and service retirement requirements as other Contributory Plan members who became ERS members prior to July 1, 2012. Act 163 enacted more stringent retirement requirements for individuals who become members of the system after June 30, 2012, and for current members who become judges after June 30, 2012. As a result, current members who become judges after June 30, 2012 became subject to more stringent age and service requirements than other Contributory Plan members who became ERS members at the same time. As it was intended to restore parity with respect to age and service requirements for current members who become judges after June 30, 2012, this Committee may wish to consider reinstating this amendment.

In conclusion, these amendments are necessary to correct, clarify and harmonize the benefit changes made Act 163, Session Laws of Hawaii 2011. The ERS Board of Trustees strongly supports this bill.

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