

Honolulu, Hawaii

April 8, 2016

RE: S.B. No. 2077
S.D. 1
H.D. 2

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Eighth State Legislature
Regular Session of 2016
State of Hawaii

Sir:

Your Committee on Finance, to which was referred S.B. No. 2077, S.D. 1, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO SEPARATION BENEFITS,"

begs leave to report as follows:

The purpose of this measure is to authorize the state executive branch and other jurisdictions to offer a severance benefit or a special retirement benefit to an employee who elects to separate from service when the employee's position is identified for abolishment or when the employee is directly affected by a reduction-in-force or workforce restructuring plan, including privatization.

Specifically, the measure establishes the following benefits for separated public employees:

- (1) A severance benefit of five percent of the employee's base annual salary for each year of service, up to a maximum of ten years, provided that the amount is not more than fifty percent of the employee's base annual salary; and
- (2) A special retirement benefit that allows the employee to receive an unreduced pension benefit if the employee meets certain age and length of service requirements.



This measure also requires the State, through the Department of Budget and Finance, to pay a percentage of the base Medicare or non-Medicare monthly contribution to the Hawaii Employer-Union Health Benefits Trust Fund based on the years of service worked and one-half of the monthly contributions for the employee-beneficiary or employee-beneficiary with dependent beneficiaries upon the death of the employee.

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO (HGEA); HGEA Retirees Unit; HGEA Unit 13 Public Safety Department-Kulani Correctional Facility; and numerous individuals testified in support of this measure. The Department of Budget and Finance testified in opposition. The Board of Trustees of the Employees' Retirement System and United Public Workers, AFSCME, Local 626, AFL-CIO provided comments.

Your Committee has amended this measure by authorizing only the Hawaii Health Systems Corporation to offer a voluntary severance or a special retirement benefit to an employee under this measure. Specifically, your Committee amended this measure by:

- (1) Clarifying the definitions for "agency" or "attached agency" and "employee;"
- (2) Deleting the definitions for "other jurisdictions" and "state executive branch;"
- (3) Adding definitions for "exclusive representative" and "public employer;"
- (4) Clarifying which employees qualify for the voluntary severance benefit in lieu of exercising any reduction-in-force rights and in lieu of receiving a special retirement benefit;
- (5) Changing the credited service criteria for the special retirement benefit for employees who are at least 50 years of age from 10 years of credited service as a contributory class A or B member to 5 years of credited service as a contributory class A or B member;
- (6) Adding four criteria for the special retirement benefit for class H members who became members:

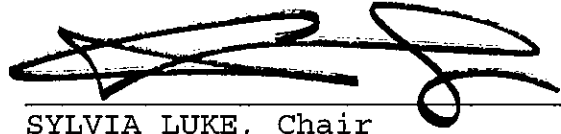


- (a) Prior to July 1, 2012, have at least 5 years of credited service and are at least 57 years of age;
 - (b) Prior to July 1, 2012, have at least 30 years of credited service and are at least 50 years of age;
 - (c) After June 30, 2012, have at least 10 years of credited service and are at least 60 years of age; and
 - (d) After June 30, 2012, have at least 30 years of credited service and are at least 57 years of age;
- (7) Deleting the section authorizing other jurisdictions to provide the severance benefit or special retirement benefit to employees under an official reduction-in-force or a workforce restructuring plan;
 - (8) Deleting the section authorizing payments for a severance benefit or special retirement benefit to be deposited into an account at the Hawaii Employer-Union Health Benefits Trust Fund;
 - (9) Changing the requirements for monthly contributions to the Hawaii Employer-Union Health Benefits Trust Fund based on years of service worked and date of hire;
 - (10) Inserting a severability clause;
 - (11) Changing the effective date to take effect upon its approval and apply to employees of the Hawaii Health Systems Corporation who are separated from service as a consequence of Act 103, Session Laws of Hawaii 2015; and
 - (12) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2077, S.D. 1, H.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 2077, S.D. 1, H.D. 2.



Respectfully submitted on
behalf of the members of the
Committee on Finance,

A handwritten signature in black ink, appearing to read 'Sylvia Luke', written over a horizontal line.

SYLVIA LUKE, Chair



Record of Votes of the Committee on Finance

Bill/Resolution No.: SB 2077, SD1, HD1	Committee Referral: LAB, FIN	Date: 4/5/16		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
FIN Members	Ayes	Ayes (WR)	Nays	Excused
1. LUKE, Sylvia (C)	/			
2. NISHIMOTO, Scott Y. (VC)	/			
3. CACHOLA, Romy M.	/			
4. CULLEN, Ty J.K.	/			
5. DeCOITE, Lynn	/			
6. JOHANSON, Aaron Ling	/	/		
7. JORDAN, Jo	/	/		
8. KEOHOKALOOLE, Jarrett	/			
9. KOBAYASHI, Bertrand	/			
10. LoPRESTI, Matthew S.	/			
11. LOWEN, Nicole E.	/			
12. ONISHI, Richard H.K.	/	/		
13. TOKIOKA, James Kunane	/			
14. YAMASHITA, Kyle T.	/			
15. POUHA, Feki	/			
16. WARD, Gene	/	/		
TOTAL (16)	13	3		
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. committee acronym(s)				
Vice Chair's or designee's signature: _____				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				