

TESTIMONY BY THOMAS WILLIAMS
EXECUTIVE DIRECTOR, EMPLOYEES' RETIREMENT SYSTEM
STATE OF HAWAII

TO THE HOUSE COMMITTEE ON LABOR & PUBLIC EMPLOYMENT
ON

HOUSE BILL NO. 2123

FEBRUARY 2, 2016, 9:30 A.M.

RELATING TO RETIREMENT

Chair Nakashima, Vice Chair Keohokalole and Members of the Committee,

H.B. 2123 would raise the retirement age and required years of service for retirement benefits, and would reduce the retirement benefits, for judges who first earn credited service as a judge after June 30, 2016, by amending sections 88-73 and 88-74, Hawaii Revised Statutes.

The Employees' Retirement System (ERS) Board of Trustees has not had the opportunity to review this bill and, therefore, has not yet taken a formal position. ERS staff, however, has the following comments:

- The bill uses the term "normal retirement age" to refer to age sixty-five in both of the sections amended by the bill. "Normal retirement age" is a defined term that was included in section 88-73 for tax-compliance purposes. We suggest that, for the sake of clarity, the term "age sixty-five" be used instead of a defined term. In all other places in sections 88-73 and 88-74, the actual age referred to (e.g., "age sixty") is used.
- The bill amends subsection 88-74(c), which applies to individuals who became ERS members prior to July 1, 2012, to reduce retirement benefits and raise the retirement ages for judges who first earn credited service as a judge after June 30, 2016. We note that no corresponding amendment was made to subsection (g), which applies to individuals who become ERS members after June 30, 2012, or to subsections (d) and (h), which apply to individuals with mixed service, which may include service as a judge first earned after June 30, 2016.
- The bill raises the retirement age for judges above the retirement age for other members of the Contributory plan (age 55 for individuals who became members before July 1, 2012, and age 60 for individuals who become members after June 30, 2012).

On behalf of the Board of Trustees and staff of ERS we wish to thank you for the opportunity to testify.



The Judiciary, State of Hawai'i

Testimony to the House Committee on Labor and Public Employment

Representative Mark M. Nakashima, Chair
Representative Jarrett Keohokalole, Vice Chair

Tuesday, February 02, 2016, 9:30 a.m.
State Capitol, Conference Room 309

By

Rodney A. Maile
Administrative Director of the Courts

WRITTEN TESTIMONY ONLY

Bill No. and Title: House Bill No. 2123, Relating to Retirement.

Purpose: House Bill No. 2123 proposes to amend the provisions of chapter 88, Hawai'i Revised Statutes, to: 1) establish different age and service retirement requirements for current ERS members who subsequently become a judge after June 30, 2016 and for new ERS members who become a judge after June 30, 2016, and 2) reduces the service retirement allowance for credited service as a judge for new judicial appointments after June 30, 2016.

Judiciary's Position:

The Judiciary respectfully opposes House Bill No. 2123 as it: 1) establishes more stringent age and service requirements for persons being appointed as a judge after June 30, 2016, and 2) creates a disincentive for current ERS members to become judges due to the reduced service retirement allowance for credited service as a judge.

Prior to passing Act 163, Session Laws of Hawai'i 2011, the age and service retirement requirements for judges were the same as for other contributory plan members who became members of the ERS at the same time, i.e., age 55 with 5 years of service. With the passing of Act 163, the age and service requirements for current contributory plan members remained at age 55 with 5 years of service. However, for those contributory plan members who became judges after June 30, 2012, their age and service requirements increased to age 60 with 10 years of



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service. Thus, while other contributory plan members remained at age 55 with 5 years of service, a disparity arose with those ERS members who became judges after June 30, 2012.

House Bill No. 2123 will result in further expansion of this disparity by increasing the age and service requirements to age 65 with 12 years of service for existing ERS members who become judges after June 30, 2016. If these members retain their current ERS membership status and not become judges after June 30, 2016, i.e., stay in the contributory plan as a general employee, they would maintain the vesting requirements of age 55 with 5 years of service instead of being subject to the age 65 with 12 years of service vesting requirements.

House Bill No. 2123 also impacts new ERS members upon appointment as judges after June 30, 2016. New ERS members who are appointed judges after June 30, 2016 will be subject to the vesting requirements of age 65 with 12 years of service. The age 65 with 12 years of service vesting requirements is more stringent than any other category of ERS members. This new requirement will not be applicable to other members in the contributory or hybrid classes such as elected and legislative officials, fire or police officers, and the general group of employees/members. Furthermore, new ERS members who are appointed judges at age 59 or older will not meet the more stringent vesting requirement of 12 years as the Hawaii State Constitution requires mandatory retirement for judges at age 70. Some very experienced attorneys could thereby be deterred from applying as they would not be eligible for any pension benefits upon retirement and would give up actively earning more from their present retirement plan.

Adding to this disparity, House Bill No. 2123 proposes to again decrease the service retirement allowance for credited service as a judge from 3.0% (already decreased from 3.5% under Act 163 for judges appointed after June 30, 2012) to 2.0% for new judicial appointments after June 30, 2016. In particular, the more stringent age and service requirements (age 65 with 12 years of service), together with having no increase in the service retirement allowance upon becoming a judge serves as a disincentive for those **current** ERS members who wish to become judges, such as prosecutors, public defenders, deputy attorney general, etc. who already earn a 2.0% retirement allowance.

For these reasons, the Judiciary respectfully opposes House Bill No. 2123

Thank you for the opportunity to provide testimony on House Bill No. 2123.



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

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LATE

The Twenty-Eighth Legislature, State of Hawaii
House of Representatives
Committee on Labor and Public Employment

Testimony by
Hawaii Government Employees Association

February 2, 2016

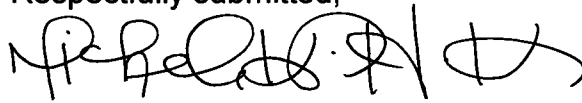
H.B. 2123 – RELATING TO RETIREMENT

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO raises serious reservations on H.B. 2123, which amends Ch. 88, Hawaii Revised Statutes, by adversely changing the vesting requirements and pension calculation for judges.

Although some may classify this measure as a “housekeeping” bill necessary for all employees to be on par with wholesale changes made to the Employees’ Retirement System in 2012, we respectfully raise strong concerns. Maintaining a fair compensation and benefits package for judges can incentivize experienced attorneys to public service to serve as judges. Adopting this legislation may dissuade those most adept and impartial from serving and will hinder the Judiciary’s ability to recruit the most qualified.

Thank you for the opportunity to testify with reservations on H.B. 2123.

Respectfully submitted,


for Randy Perreira
Executive Director