

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

TO THE HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT
AND
THE HOUSE COMMITTEE ON TRANSPORTATION
ON

HOUSE BILL NO. 2606

FEBRUARY 9, 2016, 9:15 A.M.

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM

Chairs Nakashima and Aquino, Vice Chairs Keohokalole and LoPresti, and Members of the Committees,

H.B. 2606 provides for a retirement benefit incentive for members of the Employees' Retirement System (ERS) who are eligible for retirement and serve in positions that have been identified for layoff due to the consolidation or abolition of functions, or the privatization of the functions of the positions. These members would be eligible for additional retirement service credit of up to three years.

As of the submittal of this testimony, the Board of Trustees of the Employees' Retirement System (ERS) has not yet reviewed H.B. 2606 and therefore has not yet taken a formal position on the "temporary retirement benefit incentive" offered by this proposal; however the ERS staff has the following comments and concerns on H.B. 2606:

1. It is unclear whether the identified members must lose their position as part of a layoff when their position is privatized. In other words, is the member entitled to the retirement benefit incentive even if the member remains employed with the privatized entity? It is unclear whether the member would be eligible to retire and commence their benefit from ERS even if they have continued employment with the private entity or in another State or county position, this would seem a superfluous benefit if they have continued employment. The identified member could also take the retirement benefit incentive, retire, and then immediately return to work in another ERS covered position.
2. The additional service credit provided by this bill potentially increases a general employee's retirement benefit by an additional 3.75 to 6 percent. The percentage increase would be greater for other employee categories. This provision would violate Section 88-99 regarding the moratorium on benefit enhancements until the ERS is fully funded.

3. There is no funding provided in this bill; in other words, there is no requirement that either the employer or employee would have to make contributions for or pay for the actuarial cost of the enhanced benefit. This means that the unfunded liability will be increased and all employers would absorb the increased costs of this special retirement benefit through increased contribution rates or by maintaining the current rates for a longer period of time.
4. Although noted as a “temporary retirement benefit incentive” there is no provision to sunset this bill. This section should be of limited duration, tied to the event that it is intended to address. For example, Act 253, Session Laws of Hawaii 2000, which was enacted to reform existing public employment laws, provided a “special retirement incentive” benefits, similar to the special retirement benefit proposed under this bill, to employees who voluntarily separated from service when their positions were identified for abolishment or when they were directly affected by a reduction-in-force or a workforce restructuring plan. The benefits under Act 253 were originally in effect until June 30, 2003. The “sunset” date was subsequently extended by Act 131, Session Laws of Hawaii 2002, until June 30, 2008. If there is no limitation, there is a risk of unintended consequences, that benefits that are not a proper fit for future circumstances or which, over time, have become unfeasible or unsupportable, will become locked in either through oversight or by the State constitutional protection for accrued benefits.
5. This bill would also set a precedent for an ERS member to receive service credit for "time" in which the member had not actually been employed by the State or a county, serving in the military, or otherwise engaged in a government function.

If “special” enhanced benefits will be provided, the reason for providing the benefits, and the associated costs, should be carefully balanced. ERS staff believes that this cannot be achieved by a one-size fits all “permanent” solution and that this bill does not address the concerns of employees who are laid off due to privatization before they "vest" or specifically for those employees who are eligible to commence retirement benefits.

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



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION

AFSCME Local 152, AFL-CIO

RANDY PERREIRA, Executive Director • Tel: 808.543.0011 • Fax: 808.528.0922

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

Testimony by
Hawaii Government Employees Association

February 9, 2016

**H.B. 2606 – RELATING TO THE
EMPLOYEES' RETIREMENT SYSTEM**

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO strongly supports the purpose and intent of H.B. 2606, with a proposed amendment. Under this bill, employees whose positions are identified for layoff due to privatization will become eligible for a retirement incentive up to a maximum of three years of service credit as of the date of retirement.

As drafted, H.B. 2606 only applies to employees who are already eligible for a service retirement as of the date of application for retirement. However, we respectfully request that this benefit be extended to include all employees who are only a few years short of being eligible for retirement. Without such assistance, employees may face economic hardship that will be permanent through no fault of their own. We cannot allow that to occur.

Thank you for the opportunity to testify in support of H.B. 2606 with the suggested amendment.

Respectfully submitted,

Randy Perreira
Executive Director

LABtestimony

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 08, 2016 8:55 AM
To: LABtestimony
Cc: ddochin@hhsc.org
Subject: *Submitted testimony for HB2606 on Feb 9, 2016 09:30AM*

HB2606

Submitted on: 2/8/2016

Testimony for LAB on Feb 9, 2016 09:30AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Desiree K Dochin	Individual	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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LABtestimony

From: mailinglist@capitol.hawaii.gov
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To: LABtestimony
Cc: ikang1960@gmail.com
Subject: *Submitted testimony for HB2606 on Feb 9, 2016 09:30AM*

HB2606

Submitted on: 2/8/2016

Testimony for LAB on Feb 9, 2016 09:30AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
isabel kang	Individual	Support	No

Comments:

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LABtestimony

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To: LABtestimony
Cc: masykes11@gmail.com
Subject: *Submitted testimony for HB2606 on Feb 9, 2016 09:30AM*

HB2606

Submitted on: 2/8/2016

Testimony for LAB on Feb 9, 2016 09:30AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Melissa Ann Sykes	Individual	Support	No

Comments:

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From: mailinglist@capitol.hawaii.gov
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Cc: puakeaaloha@gmail.com
Subject: Submitted testimony for HB2606 on Feb 9, 2016 09:30AM



HB2606

Submitted on: 2/8/2016

Testimony for LAB on Feb 9, 2016 09:30AM in Conference Room 309

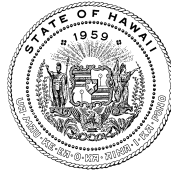
Submitted By	Organization	Testifier Position	Present at Hearing
Kathleen Kidder	Individual	Comments Only	No

Comments: Aloha, I have been employed at MMMC since 1987 as a Health Unit Clerk. The first 8 years were Emergency hire, so those years didnt count towards my years of service. I worked w/o any benefits. The only reason I held on for so long years was because I was told to hang in there. My position would soon be made permanent. I finally was able to get a permanent position in a different dept. Fast forward to 2016. I was planning on retiring in Sept 2016 with 20 yrs permanent full time service (28 in total). Since Kaiser will be taking over 7/1/16 I will be 2 months shy of my goal. I find it unfair that I have given 28 yrs to MMMC only to have nothing to show for it come 7/1/16. Please consider a early retirement package for those that are so close to retirement. Thank you for your time.

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DAVID Y. IGE
GOVERNOR



WESLEY K. MACHIDA
DIRECTOR

RODERICK K. BECKER
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE

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ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT
ON
HOUSE BILL NO. 2606

February 9, 2016
9:30 a.m.

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM

House Bill No. 2606 amends Chapter 88, Hawaii Revised Statutes (HRS), by adding a new section to Subpart C of Part II, to establish a retirement benefit incentive for public employees, otherwise eligible to retire, whose positions are subject to layoff due to the consolidation or abolition of functions, or the privatization of the functions of the position.

The Department of Budget and Finance opposes this bill that will provide an enhancement to retirement benefits. This measure provides retirement-eligible employees with a retirement incentive of 1/12 of a year for each year of service, up to a maximum of three years of service credit. The cost for this incentive is unknown at this time but could be significant. Furthermore, it is unclear as to the need for a retirement benefit enhancement for someone who is already eligible to retire.

In addition, this benefit enhancement is counter to Section 88-99, HRS, which places a moratorium on benefit enhancements until such time as the actuarial value of the Employees' Retirement System's (ERS) assets is 100% of the ERS' unfunded actuarial accrued liability (UAAL). This bill will only add to the ERS' UAAL by enhancing benefits to employees who are already eligible to retire.

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February 8, 2016

RE: HB 2446, SB 2077 – Support
HB 2445, SB 2039 – Support
HB 2606, SB 3000 – Support

I have dedicated my career as a nurse to MMMC, for the last 25 years, along with many other State of Hawaii employees with HHSC. Our pay salary has always been significantly less than the private sector primarily due to our retirement package, that we were lead to believe would never go away. Our retirement was a significant factor in our choice to remain dedicated caregivers to our community hospitals. Now the day is coming that none of us thought we would ever see, when our jobs are being abolished through privatization. This has a huge impact, as many of us are just short of age or years of service to qualify for full retirement.

Throughout the years we have struggled with the difficulty to recruit & retain experienced/qualified staff due to our state contracts that deferred the bulk of our benefits till retirement. This privatization will cause our hospital to lose a higher amount of nurses to early retirement or to other hospitals within HHSC to get their retirement. Maui has already had an increase number of nurses retire before they intended. These are highly skilled nurses that need to be replaced, subjecting Maui region to increasing staff shortages. University of Hawaii, Maui Campus produces new excellent nurses, but they need to gain experience by being mentored by the senior nurses. This subjects Maui community to a difficult transition due to this forced attrition.

It is very frustrating since several of us are so close to a step movement in vesting or the ability to retire. There are minimal opportunities to fulfill our retirement goals that we were promised. Leaving the Maui region is not an option for most people whose families & homes are established here. Changing professions to an unskilled job to continue to retain state or county employment isn't fair to the employees or prospective employers. Providing separation benefits & allowing for early retirement without penalties is the politically correct way to ease this transition for our hard working employees who jobs are directly impacted by the abolishment of Maui Region HHSC through privatization.

These bills would allow employees facing a RIF, privatization, etc. to receive an early retirement incentive, voluntary separation benefit, and ensures future ERS benefits. Thank you for your consideration & allowing my testimony. Feel free to contact me if you have any questions.

Mahalo,

Rose Kroner

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February 8, 2016

RE: HB 2446, SB 2077 – Support
HB 2606, SB 3000 – Support
HB 2445, SB 2039 – Support

I have been permanently employed by MMMC for 19 years. My seniority would have been higher, but due to the politics of the State System I was unable to receive credit for all my time worked. Even though there were positions available, I had to work as “E-hire” for a year first, which now disqualifies me from early retirement as the Maui Region is privatized this year. Even though I was a longtime resident of Maui & honor graduate of Maui Community College in nursing, I was left with no other option, short of leaving the island, to get my foot in the door. Even that sacrifice wasn’t enough, as I could not be considered for a job as the RN I trained to be, unless I first accepted a job below my level of education, training & pay class!

It makes me lose faith in our political system that I am now again at the mercy of the State to receive what I have worked long & hard to achieve. It seems there has been a bullseye on my employment from day 1, preventing me from reaching my goals. I love taking care of our patients at the hospital, both visitors and community members. I give them quality care with aloha that I hope I will receive in turn when I am in need. Even though I receive letters of appreciation frequently from my patients, I often feel like I am not appreciated by MMMC, HHSC, or the State of Hawaii. All of us employees are victims of this bureaucracy. It is a huge injustice if we cannot even count on the government process to protect our rights & benefits.

I am willing to work in any job with the state or county of Maui to retain my tenure in the retirement system that I sacrificed all these years to achieve. Since there are not any nursing jobs that I can transfer to, I applied in November 2015 for several positions advertising active recruitment to maintain my employment on Maui. So far I have been disqualified to work as a painter, park superintendent or with waste water management. I finally received a letter stating I am qualified for unskilled labor jobs as a janitor, groundskeeper, grass cutting, & golf course maintenance. The letter states I am on the list, but no job offers have been presented. I would rather fill one of these significantly lower paying jobs on Maui, rather than RIF to an outer island & bump another dedicated nurse from achieving his/her work goals.

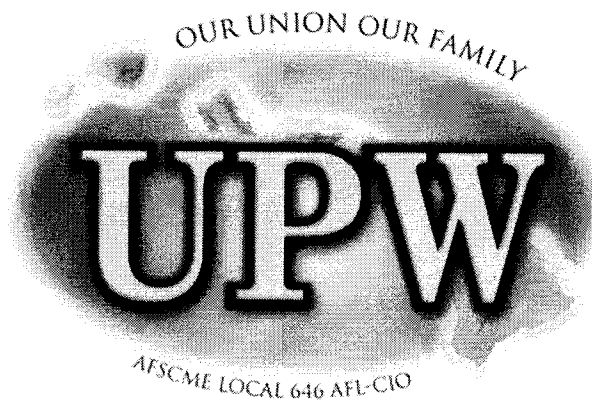
I know of several people that literally had their golden egg turn into humpty dumpty, by dying before they could afford to retire. All the sacrifices that they made to dedicate themselves to work at the hospital were all in vain, as their hard earned pension was forfeited to the state by their death. Their families missed out on their life with their commitment to the hospital & their death destroyed the employee’s plans to provide financial security for their children & mates. I am convinced that the stress of being understaffed, underpaid & underappreciated was a factor in their premature deaths.

I implore you to give these bills your blessing, and pass them as an act of appreciation for the dedication & hard work that I & my fellow coworkers have provided. These bills would allow employees facing a RIF, privatization, etc. to receive an early retirement incentive, voluntary separation benefit, and ensures future ERS benefits.

Thank you for taking my testimony into consideration as you make your decision on these bills. If you have any questions please feel free to contact me. I would have preferred to appear in person to testify, but was not granted the time off to attend the hearing.

Mahalo,

Charles R. Kroner, Jr



LATE TESTIMONY

THE HAWAII STATE HOUSE OF REPRESENTATIVES
The Twenty-Eighth Legislature
Regular Session of 2016

COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT (LAB)/
COMMITTEE ON TRANSPORTATION (TRN)

The Honorable Mark M. Nakashima, Chair (LAB)
The Honorable Henry Aquino, Chair (TRN)
The Honorable Jarrett K. Keohokalole, Vice Chair (LAB)
The Honorable Matthew LoPresti, Vice Chair (TRN)

DATE OF HEARING: Tuesday, February 9, 2016
TIME OF HEARING: 9:30 a.m.
PLACE OF HEARING: State Capitol
415 South Beretania Street
Conference Room 309

TESTIMONY ON HOUSE BILL 2606 RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM

By DAYTON M. NAKANELUA,
State Director of the United Public Workers (UPW),
AFSCME Local 646, AFL-CIO

My name is Dayton M. Nakanelua, State Director of the United Public Workers, AFSCME, Local 646, and AFL-CIO. The UPW is the exclusive bargaining representative for approximately 12,000 public employees, which include blue collar non-supervisory employees in Bargaining Unit 01 and institutional, health and correctional employees in Bargaining Unit 10, in the State of Hawaii and various counties. The UPW also represents about 1,500 members of the private sector.

HB2606 Relating to the Employees' Retirement System establishes a retirement benefit incentive for public employees otherwise eligible to retire, whose positions are subject to layoff due to the consolidation or abolition of functions, or the privatization of the functions of the position.

The UPW supports the intent of this measure. Thank you for the opportunity to submit this testimony.