

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

TO THE SENATE COMMITTEE ON JUDICIARY AND LABOR
ON

SENATE BILL NO. 2077

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

RELATING TO SEPARATION BENEFITS

Chair Keith-Agaran, Vice Chair Shimabukuro and Members of the Committee,

S.B. 2077 authorizes the State executive branch and other jurisdictions to offer a voluntary severance or special retirement benefit to its employees who elect to separate from service when their positions are identified for abolishment, affected by reductions-in-force or workforce restructuring, including privatization.

As of the submittal of this testimony, the Board of Trustees of the Employees' Retirement System (ERS) has not yet reviewed S.B. 2077 and therefore has not yet taken a formal position on the "special retirement benefit" offered by this proposal; however the ERS staff has the following comments and concerns regarding Section 2 of S.B. 2077:

1. This section should be of limited duration, and be 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 "special retirement incentive" benefits, similar to the special retirement benefit provided by 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 will become locked in either through oversight or the State's constitutional protection for accrued benefits. For example, the failure to make a distinction (discussed below) between class H members with ten years of service who became members before July 1, 2012, and after June 30, 2012, will not have a significant impact on the cost of the special retirement benefit at the present time because there are few, if any, members in the latter category. However, as the number of potentially affected members in the latter category increases, the costs of extending the special retirement benefit to class H members will significantly increase.

- a. 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.
2. Subsection 3 of the bill requires the State to pay for the additional actuarial present value of the benefits granted under the special retirement benefit. (§___-3(f).) However, it does not define what that means. This could be: (a) the additional actuarial present value under the actuarial valuation created as a result of allowing a member to retire when the member would not otherwise be able to do so, or (b) the difference in value between the member’s benefit reflecting termination of service without the special retirement provision and the value of the member’s benefit reflecting the special retirement benefit. Definition (b) alleviates the adverse impact on the ERS’s funded status better than definition (a).
3. The requirement in §___-5 for repayment of the special retirement benefit to the ERS if the employee returns to public service should not be waivable. The easy exception offered in this bill makes the requirement meaningless.
4. If a special benefits retirant returns to work, the bill should also require that the employee meet the age and service requirements in effect when the individual again retires.
5. §___-3 uses the term “vested member of the employees’ retirement system.” There is no such term in chapter 88. This term should be defined in the bill. For example: “A member of the employees’ retirement system of the State of Hawaii who has sufficient credited service to be eligible to receive the service retirement benefit in effect under section 88-74, 88-282, or 88-332, upon becoming eligible under section 88-73, 88-281 , or 88-331, respectively, to receive a retirement allowance.” (ERS staff would like to clarify that, under this definition, these terminated members would eventually have been eligible to receive a retirement allowance when the members reach the statutory retirement age without the special retirement allowance.)
6. §___-3, subsection (c): This subsection of special retirement benefit qualification criteria does not take into account the different “tiers” within each class of ERS members. Class A and H members who become members prior to July 1, 2012 have different retirement requirements and retirement benefits than Class A and H members who become members after June 30, 2012. For example, pre-7/1/2012 class A members with sufficient years of credited service can retire at 55. The respective retirement age for post-6/30/2012 members is 60. A post-6/30/2012 class A member would get a bigger “break” (qualifying 10 years earlier) than pre-7/1/2012 class A member if the early retirement age for both members is 50.

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
The Senate
Committee on Judiciary and Labor

Testimony by
Hawaii Government Employees Association

February 9, 2016

**S.B. 2077 – RELATING TO
SEPARATION BENEFITS**

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO strongly supports the purpose and intent of S.B. 2077. Under this bill, employees whose positions are privatized by an action of state or county government will become eligible for a voluntary severance payment or a special retirement benefit.

This legislation is similar to the separation incentive program that previously existed in Hawaii Revised Statutes. As drafted, S.B. 2077 offers employees two basic options: a severance payment or special retirement benefits. Within the Hawaii Health Systems Corporation Maui Region privatization there are employees at different life stages and this bill addresses that complexity. Employees with only a few years of creditable service with the HHSC may opt for a severance payment, which can be applied to continued health insurance coverage through the Hawaii Employer-Union Health Benefits Trust Fund. Or, for those who have more years of service, but need additional years before they can retire, there is a special retirement benefit to meet that important need. 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 S.B. 2077.

Respectfully submitted,

Randy Perreira
Executive Director

From: Carol Kramer
Submitted on: February 8, 2016
Testimony in support of SB2077, Relating to Separation Benefits
Submitted to: The Senate Committee on Judiciary and Labor
Aloha Chair Keith-Agaran and Members of the Committee,
I support SB2077.

I am in support of SB2077 as my husband is eligible to retire with his full pension on October 1, 2016 He will be age 62 on September 14, 2016.

My husband started working at Kula Hospital on August 1, 1997, after many years of working in the hotels, as he was passionate to work in an area that helps people. Even though his wage was approximately \$15,000 less per year, he considered the benefits that the State offered: sick leave, vacation, comp time, deferred compensation plan, and most importantly - retirement at age 62.

Due to the Kaiser takeover effective July 1, 2016, and his termination from the government effective June 30, 2016, he will have to wait to apply for retirement when he is age 65. In this situation, I believe there should be an exception to allow State employees to elect to use their accumulated sick leave towards years of service as this was not their choice to leave government service prior to their planned retirement date.

Thank you for your time and consideration.

From: mailinglist@capitol.hawaii.gov
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Subject: *Submitted testimony for SB2077 on Feb 9, 2016 09:15AM*
Date: Sunday, February 07, 2016 7:18:35 PM

SB2077

Submitted on: 2/7/2016

Testimony for JDL on Feb 9, 2016 09:15AM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
Carol Nakahara	Individual	Support	No

Comments:

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Date: Monday, February 08, 2016 8:55:44 AM

SB2077

Submitted on: 2/8/2016

Testimony for JDL on Feb 9, 2016 09:15AM in Conference Room 016

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

Comments:

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Subject: Submitted testimony for SB2294 on Feb 9, 2016 09:15AM
Date: Friday, February 05, 2016 9:26:47 PM

SB2294

Submitted on: 2/5/2016

Testimony for JDL on Feb 9, 2016 09:15AM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
Natalie	Individual	Support	No

Comments: I wasn't aware that this wasn't already required. Mahalo to the introducers of this bill. Please do not post my email address online.

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