

DAVID Y. IGE
GOVERNOR



THOMAS WILLIAMS
EXECUTIVE DIRECTOR

KANOE MARGOL
DEPUTY EXECUTIVE DIRECTOR

STATE OF HAWAII
EMPLOYEES' RETIREMENT SYSTEM

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

TO THE HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT
ON

SENATE BILL NO. 3000, S.D. 1

MARCH 18, 2016, 10:00 A.M.

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM

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

S.B. 3000, S.D. 1 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.

The Board of Trustees of the Employees' Retirement System (ERS) opposes this proposal.

The Board is already grappling with how to deal with the huge negative funding situation created by Act 103, SLH 2015. The loss to the ERS of ongoing employer and employee contributions, even absent of other special provisions, is forecast to increase the plan's unfunded liability substantially. This increase in the unfunded liability may result in higher contribution requirements or the maintenance of existing contributions for a longer period of time.

The additional service credit provided by S.B. 3000, S.D. 1 potentially increases an employee's retirement benefit by an additional 3.75 to 6 percent and violates Section 88-99, HRS, regarding



Employees' Retirement System
of the State of Hawaii

the moratorium on benefit enhancements until the ERS is fully funded, while providing no funding for this “special retirement benefit.”

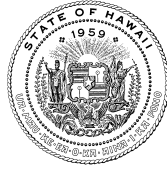
The ERS actuary estimates that this enhanced retirement benefit will add \$4.9 million to the unfunded actuarial accrued liability of the ERS. This pales in comparison however, to the expected impact on ERS funding due to the loss of payroll for the employees and the employer due to Act 103, SLH 2015. With the loss of approximately \$100 million in covered payroll, the ERS will receive \$11 to \$15 million less in contributions in fiscal year 2017 towards the payment of its unfunded actuarial accrued liability. The present value of these lost future contributions over the next 26 years is approximately \$213 million. In order to make the ERS whole, the contribution rates for the remaining employers would need to increase by an additional .39 percent.

Other provisions of this bill are also problematic. (1) This bill should be revised to make it clear that any retirement provisions would only be applicable to employees affected by Act 103, Session Laws of Hawaii 2015. (2) 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? (3) It is also 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. (4) 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.

In opposing S.B. 3000, S.D. 1, the ERS Board reinforces its stance that any benefit provided, however well intended, must include the funding necessary to cover its cost and/or amortize the cost of the benefit over time thereby avoiding any increase in the plan's unfunded liability.

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

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
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

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
SENATE BILL NO. 3000, S.D. 1

March 18, 2016
10:00 a.m.

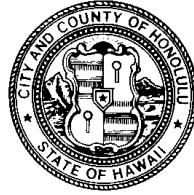
RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM

Senate Bill No. 3000, S.D. 1, 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. This measure will sunset on July 1, 2018.

The Department of Budget and Finance strongly 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.

KIRK CALDWELL
MAYOR



NELSON H. KOYANAGI, JR.
DIRECTOR

GARY T. KUOKAWA
DEPUTY DIRECTOR

**Testimony of
NELSON H. KOYANAGI, JR.
Director of Budget and Fiscal Services
City and County of Honolulu**

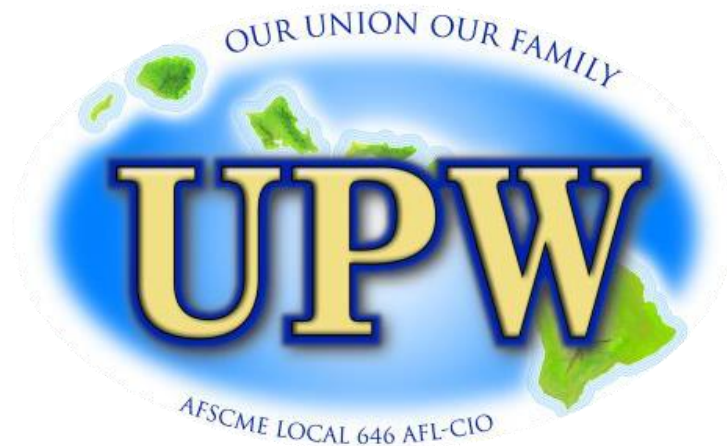
**Before the House Committees on
LABOR AND PUBLIC EMPLOYMENT
And
HUMAN SERVICES
Friday, March 18, 2016
10:00 a.m.
State Capitol, Conference Room 309**

**In consideration of
SENATE BILL 3000, SD1
RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM**

The City and County of Honolulu (City) has concerns regarding Senate Bill 3000, SD1, which 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 bill provides eligible employees with a retirement incentive of 1/12 of a year for each year of service, up to three years of service credit.

The City is concerned about the increase in unfunded liability to the Employee Retirement System (ERS) resulting from the bill. The bill does not provide funding for the retirement benefit incentive, either from employers or employees. We agree with the position of the ERS Board that any benefit provided must include the funding necessary to cover its cost and/or to amortize the cost of the benefit over time thereby avoiding any increase in the plan's unfunded liability. The employer whose employees are provided the retirement incentive should pay for the necessary additional funding.

Thank you for the opportunity to testify on Senate Bill 3000, SD1.



The Hawaii State House of Representatives
The Twenty-Eighth Legislature
Regular Session of 2016

COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT

The Honorable Mark M Nakashima, Chair
The Honorable Jarrett Keohokalole, Vice Chair

COMMITTEE ON HUMAN SERVICES

The Honorable Dee Morikawa, Chair
The Honorable Bert Kobayashi, Vice Chair

DATE OF HEARING: Friday, March 18, 2016
TIME OF HEARING: 10:00 a.m.
PLACE OF HEARING: Conference Room 309

TESTIMONY ON SB3000, SD1 RELATING TO EMPLOYEES' RETIREMENT SYSTEM

By Dayton M. Nakanelua,
State Director of the United Public Workers,
AFSCME, Local 646, AFL-CIO

My name is Dayton M. Nakanelua, state director of the United Public Workers, AFSCME, Local 646, and AFL-CIO (UPW). The UPW is the exclusive representative for approximately 11,000 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.

SB3000, SD1 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 **strongly supports** this important bill.

Thank you for the opportunity to submit this testimony.

LABtestimony

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, March 16, 2016 10:41 AM
To: LABtestimony
Cc: goodhone@gmail.com
Subject: Submitted testimony for SB3000 on Mar 18, 2016 10:00AM

SB3000

Submitted on: 3/16/2016

Testimony for LAB on Mar 18, 2016 10:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Virgil Medeiros	Individual	Support	No

Comments: Please consider passage of this measure to assist government workers impacted by the privatization of their jobs through no fault of their own. It is the responsibility of this State to lessen the impact of this action to the best of it's ability.

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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March 15, 2016

RE: SB 2077 SD1, HB 2446 HD2, – Support
HB 2445 HD1, – Support
SB 3000 SD1, HB 2606 HD2, – Support

I strongly support all the legislation that allows the Maui nurses & other healthcare workers to an early retirement with dignity. There are quite a few of us that are within a few years of retiring, after dedicating our lives & careers to the health & welfare of Maui residents & visitors. Many were born at MMMC & promptly started working there after graduating high school & Maui Community College of Nursing. Anyone with 15 years of service or more should be given special consideration, and not treated as collateral damage as our state hospital system is abolished on Maui.

I do have an offer to RIF to another island that would help me receive my final year of service, but I find that alternative to have several challenges. I would have to find a suitable renter for our home that I can entrust the care of our 2 cats, then find a rental off island that will accomodate our 3 large German Shepherds. The stress & expense of moving is overwhelming. The domino effect of other workers being displaced is very troubling too. Your assistance with generous separation incentives & early retirement with no penalty will go a long way to avoid the fallout from the privatization of healthcare in the Maui Region.

Enabling Maui Region of HHSC early retirement &/or separation benefits will help HC&S workers with their search for suitable work as their jobs are being abolished as well. To avoid leaving the island for their remaining state service, several employees from MMMC may take lesser paying jobs in the County of Maui. Early Retirement without penalties will stop that limited job source from depleting as well. Federal tuition aide for HC&S workers to be educated, opens doors for the next generation to fill our healthcare jobs on Maui.

Feel free to contact me so we could discuss how vital it is to pass these bills which are a result of Act 103. I stand by the testimony I submitted for the 2/9/16 & 3/1/16 hearings as well.

Mahalo nui loa,
RN

Chuck Kroner,

LABtestimony

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, March 17, 2016 12:12 PM
To: LABtestimony
Cc: Rose3Chas9@aol.com
Subject: Submitted testimony for SB3000 on Mar 18, 2016 10:00AM

SB3000

Submitted on: 3/17/2016

Testimony for LAB on Mar 18, 2016 10:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Rose Kroner	Individual	Support	Yes

Comments: Legislation to support employees negatively impacted by the privatization of Maui State Hospital System is pono! We have dedicated our careers to the state, and should not be forced out without special consideration. A RIF only increases the negative fallout to state workers from Act 103 to the neighbor islands.

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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 & Public Employment

LATE

Testimony by
Hawaii Government Employees Association

March 18, 2016

**S.B. 3000, S.D. 1 – RELATING TO THE
EMPLOYEES' RETIREMENT SYSTEM**

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO strongly supports the purpose and intent of S.B. 3000, S.D. 1, 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, S.B. 3000, S.D. 1 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 S.B. 3000, S.D. 1 with the suggested amendment.

Respectfully submitted,

Randy Perreira
Executive Director