

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

TO THE SENATE COMMITTEE ON JUDICIARY AND LABOR  
ON

SENATE BILL NO. 3000

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

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM

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

S.B. 3000 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 S.B. 3000 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 S.B. 3000:

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’s 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

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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. 3000 – 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, 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 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 with the suggested amendment.

Respectfully submitted,

Randy Perreira  
Executive Director

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**Subject:** \*Submitted testimony for SB3000 on Feb 9, 2016 09:15AM\*  
**Date:** Sunday, February 07, 2016 7:22:29 PM

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**SB3000**

Submitted on: 2/7/2016

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

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Carol Nakahara	Individual	Support	No

Comments:

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**Date:** Monday, February 08, 2016 8:52:51 AM

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**SB3000**

Submitted on: 2/8/2016

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

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Desiree K Dochin	Individual	Support	No

Comments:

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