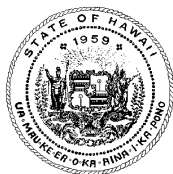


DAVID Y. IGE
GOVERNOR



JAMES K. NISHIMOTO
DIRECTOR

RYKER WADA
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT
235 S. BERETANIA STREET
HONOLULU, HAWAII 96813-2437

February 21, 2017

TESTIMONY TO THE
HOUSE COMMITTEE ON FINANCE
For Hearing on Wednesday, February 22, 2017
3:00 p.m., Conference Room 308

By

JAMES K. NISHIMOTO
DIRECTOR, DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT

House Bill No. 233
Relating to Separation Benefits

CHAIRPERSON LUKE, VICE CHAIR CULLEN AND MEMBERS OF THE HOUSE
COMMITTEE ON FINANCE:

H.B. 233 HD 1 amends Act 1, SSLH 2016, as codified, to offer employees the choice of receiving both a voluntary severance benefit and a special retirement benefit or exercising a reduction-in-force right.

The Department of Human Resources Development (DHRD) **has concerns** with H.B. 233 HD1 because an appropriation would be needed to support the implementation of the mandatory participation in the separation incentive.

In addition, as the Hawai'i Health Systems Corporation (HHSC) is the employer of the affected employees, the reporting requirements covered in Section 89E-7(1) and (3), Hawaii Revised Statutes (HRS), as it relates to DHRD is unnecessary as DHRD has no authority or administrative oversight over the HHSC. Therefore, we respectfully

recommend that this section be revised to remove any references to DHRD such that HHSC would not be required to transmit to DHRD reports relating to positions that are abolished and vacated, and lists that include employees and their benefits.

We respectfully request that Chapter 89E-7, HRS, lines 3 – 15 on page 4 and lines 3 – 6 on page 5 be amended to read as follows:

“SECTION 4. Section 89E-7, HRS, is amended to read as follows:

§89E-7 Reporting requirement; reduction in personnel counts. The head of the agency that provided benefits under this chapter shall:

(1) Transmit a report of every position identified for abolishment and vacated under this chapter to the director[~~s~~] of finance [~~and human resources development~~], who shall abolish these positions from the appropriate budget and personnel files. The governor shall report this information to the legislature no later than twenty days prior to the convening of each regular session beginning with the regular session of 2017;

(3) Transmit a list that includes each employee who received benefits under this chapter and the benefit received by the employee to the director[~~s~~] of finance [~~and human resources development~~].”

Thank you for the opportunity to testify on this measure.

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 FINANCE
ON

HOUSE BILL NO. 233, H.D. 1

FEBRUARY 22, 2017, 3:00 P.M.

RELATING TO SEPARATION BENEFITS

Chair Luke, Vice Chair Cullen and Members of the Committee,

H.B. 233, H.D. 1 proposes to amend Section 89E, Hawaii Revised Statutes, by amending the benefits provided by Act 1, SSLH 2016 to employees who may be affected by Act 103, SLH 2015, which allowed for the privatization of Hawaii Health Systems Corporation's (HHSC) Maui Regional facilities. The subsequent benefits provided under Act 1, SSLH, 2016 (Act 1) authorized HHSC employees facing position abolishment, reduction-in-force, or workforce restructuring to opt to receive either severance benefits or a special retirement benefit from the Employees' Retirement System (ERS) in lieu of exercising any reduction-in-force rights. H.B. 233, H.D. 1 would allow for both severance and special retirement benefits to eligible employees.

The ERS Board of Trustees notes its serious funding concerns with H.B. 233, H.D. 1.

Act 1, as it is currently codified, represents an impermissible "cash or deferred arrangement" under the Internal Revenue Code that could jeopardize the tax-qualified status of the ERS.



Employees' Retirement System
of the State of Hawaii

ERS Staff would like to remind this Committee that there is currently a temporary restraining order placed on the implementation of Act 1 until the ERS receives an Internal Revenue Service determination on the risk of ERS's tax-qualified status. H.B. 233, H.D. 1 would take away the "choice" offered by Act 1 and by inference remove the "cash or deferred" choice deemed problematic in the Act.

Regardless of the cost to the State of Act 1's severance benefits, the ERS will still be responsible for providing early retirement benefits to approximately 100 additional employees at an estimated additional cost of \$17.2 million. These costs will be added to the current unfunded actuarial accrued liability of the ERS which as of June 30, 2016 stands at \$12.4 billion, with a funded ratio of 54.7% and a funding period of 66 years. As stated during the last legislative session, estimating the actual cost of special retirement benefits under Act 1 is difficult as eligibility parameters are ambiguous and Act 1 has no explicit deadline as to when the affected employees have to qualify and file for the special retirement benefit. The ERS Board would prefer that any accommodation for employees impacted by the Maui Hospital separation be limited to severance benefits. If special retirement benefits are included, the board requests that funding be provided for the same.

Thank you for this opportunity to provide testimony on H.B. 233, H.D. 1.



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION

AFSCME Local 152, AFL-CIO

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

The Twenty-Ninth Legislature, State of Hawaii
House of Representatives
Committee on Finance

Testimony by
Hawaii Government Employees Association

February 22, 2017

H.B. 233, H.D. 1 - RELATING TO SEPARATION BENEFITS

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO strongly supports the purpose and intent of H.B. 233, H.D. 1 which makes amendments to Act 1, Special Session Laws of Hawaii, 2016, to offer employees the opportunity to receive both a voluntary severance benefit and a special retirement benefit due to the privatization of the Maui Region of the Hawaii Health Systems Corporation.

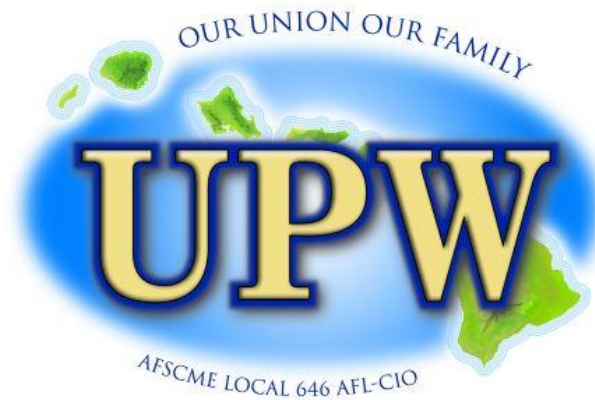
On July 20, 2016, the Legislature overrode the Governor's veto of S.B. 2077, which provided employees in the Maui Region of the HHSC the choice of a cash severance payment or special retirement benefits. Two weeks later, the Employees' Retirement System filed a lawsuit over the legislation's affect on the system's tax exempt status and the court granted a temporary stay on the implementation of Act 1, pending an opinion from the Internal Revenue Service.

The affected employees have been in limbo regarding their employment and retirement benefits for too long. The hospitals' transfer to Kaiser is slated to take effect on July 1, 2017 and employees deserve to know their full benefit package so that they can make the best decisions for themselves and their families. With over 2/3 support in both the House of Representatives and the Senate, the legislative intent to assist displaced employees is clear. This measure, along with other bills on this hearing agenda, serves as a conceptual vehicle to fully vet resolutions to the ERS' pending lawsuit.

Thank you for the opportunity to testify in strong support of passing H.B. 233, H.D. 1 to continue this important dialogue.

Respectfully submitted,

Randy Perreira
Executive Director



THE HAWAII STATE SENATE
The Twenty-Ninth Legislature
Regular Session of 2017

HOUSE COMMITTEE ON FINANCE

The Honorable Representative Sylvia Luke, Chair
The Honorable Representative Ty J.K. Cullen, Vice Chair

DATE OF HEARING: Wednesday, February 22, 2017
TIME OF HEARING: 3:00pm
PLACE OF HEARING: Conference Room 308
State Capitol
415 South Beretania Street

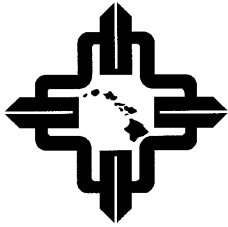
TESTIMONY ON HOUSE BILL 233 HD1: RELATING TO SEPARATION BENEFITS.

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

My name is Dayton M. Nakanelua, State Director of the United Public Workers, AFSCME, Local 646, AFL-CIO (UPW). The UPW is the exclusive bargaining representative for approximately 14,000 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.

HB 233 HD1 Amends Act 1, SSLH 2016, as codified, to offer employees the choice of receiving both a voluntary severance benefit and a special retirement benefit or exercising a reduction-in-force right.

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



HAWAII HEALTH SYSTEMS
C O R P O R A T I O N

"Quality Healthcare For All"

**House Committee on Finance
Representative Sylvia Luke, Chair
Representative Ty J. K. Cullen, Vice Chair**

February 22, 2017
Conference Room 308
3:00 p.m.
Hawaii State Capitol

**Testimony Providing Comments on House Bill 233 Relating to Separation
Benefits**

Amends Act 1, SSLH 2016, as codified, to offer employees the choice of receiving both a voluntary severance benefit and a special retirement benefit or exercising a reduction-in-force right.

Linda Rosen, M.D., M.P.H.
Chief Executive Officer
Hawaii Health Systems Corporation

On behalf of the Hawaii Health Systems Corporation (HHSC) Corporate Board of Directors, thank you for the opportunity to present testimony **providing comments** on HB 233 that amends Act 1, SSLH 2016, as codified, to offer employees the choice of receiving both a voluntary severance benefit and a special retirement benefit or exercising a reduction-in-force right.

HHSC respectfully requests that the committee consider that the additional costs of the voluntary severance benefit and the special retirement benefit contemplated in Act 1, SSLH 2016 and in this bill be paid through a general fund appropriation, and that in no way would that appropriation diminish the amount of additional general fund appropriations requested by HHSC to fund the four remaining HHSC regions.

HHSC is currently facing a cash flow deficit in fiscal year 2017 which will leave HHSC's facilities with extremely low levels of cash on hand as compared to industry norms. Further, HHSC is already asking for an increase in its general fund appropriation base of approximately \$36.5 million and \$34.7 million for fiscal years 2018 and 2019, respectively, just to achieve a break-even cash flow for those fiscal years. The payment of the voluntary severance benefit and the special retirement benefit as contemplated in Act 1, SSLH 2016, and this bill would represent additional costs to HHSC as the employer. Given the fragile financial condition that HHSC is in, HHSC cannot afford to pay for these benefits without a general fund appropriation. Further, HHSC's priority is

Page 2
February 22, 2017
Hawaii Health Systems Corporation
HB 233

to make sure that the safety-net hospitals that it operates have sufficient funding to operate efficiently and effectively for this fiscal year and the next biennium of fiscal years 2018 and 2019.

Thank you for the opportunity to testify before this committee. We would respectfully request that this committee take into account our comments on this measure in considering the action to take on this bill.