

DAVID Y. IGE
GOVERNOR



WESLEY K. MACHIDA
DIRECTOR

LAUREL A. JOHNSTON
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)

WRITTEN COMMENTS

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON
JUDICIARY AND LABOR
ON HOUSE BILL NO. 234, HD1
March 16, 2017
9:00 a.m.
Conference Room 016

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM

The Department of Budget and Finance appreciates the intent of this measure to clarify when public employees covered under collective bargaining agreements are eligible for severance or special retirement benefits under a termination of their state employment. We will defer to the Employees' Retirement System about potential legal issues regarding the tax exempt status of the ERS should multiple options be offered to public employee beneficiaries.

If severance benefits negotiated through collective bargaining supplemental agreements are made available to separated employees affected by Act 103, Session Laws of Hawaii 2015, we estimate these payments will cost approximately \$30 million in general funds should all eligible employees receive such payments.

Thank you for your consideration of our comments.

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 SENATE COMMITTEE ON JUDICIARY AND LABOR
ON

HOUSE BILL NO. 234, H.D. 1

MARCH 16, 2017, 9:00 A.M.

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM

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

H.B. 234, H.D. 1 proposes to amend Section 89E, Hawaii Revised Statutes (HRS), by repealing the voluntary severance 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. 234, H.D. 1 would eliminate the severance benefit as a choice and allow only special retirement benefits to eligible employees.

Based on this proposal's violation of Section 88-99, HRS, regarding the moratorium on retirement benefit enhancements until the ERS is fully funded and its lack of funding for special retirement benefits, the ERS Board of Trustees notes its opposition to H.B. 234, H.D. 1.

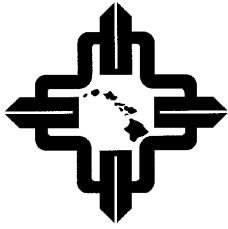


Employees' Retirement System
of the State of Hawaii

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. 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 to ERS’s tax-qualified status. The Internal Revenue Service has indicated it expects to issue shortly a private letter ruling affirming the ERS interpretation. H.B. 234, H.D. 2 would take away the “choice” offered by Act 1 and by inference remove the “cash or deferred” choice deemed problematic in the Act.

Although severance benefits may be eliminated, the ERS will still be responsible for providing early retirement benefits to approximately 100 additional employees at the cost of an estimated additional \$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 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. 234, H.D. 1.



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

"Quality Healthcare For All"

**Senate Committee on Judiciary and Labor
Senate Gilbert S. C. Keith-Agaran, Chair
Senate Karl Rhoads, Vice Chair**

March 16, 2017
Conference Room 016
9:00 a.m.
Hawaii State Capitol

**Testimony Providing Comments on House Bill 234, HD1 Relating to the
Employees' Retirement System
Repeals the voluntary severance benefits from Act 1, SSLH 2016, as codified.**

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 234, HD1 that repeals the voluntary severance benefits from Act 1, SSLH 2016, as codified.

HHSC respectfully requests that the committee consider that the additional costs of 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. 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. Further, the House Draft of the State Budget (H.B. 100 H.D.1) does not provide for any of the general fund appropriation increases that HHSC has asked for, and also does not provide any operating appropriations for the Maui Health System which would be required in order for the transition of Maui Region operations to Kaiser Permanente to occur. The payment of 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 (which is exacerbated by the results of the

H.B. 100 H.D.1), HHSC cannot afford to pay for these benefits without a general fund appropriation. Further, HHSC's priority is to make sure that the safety-net hospitals that it operates has 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.



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
The Senate
Committee on Judiciary and Labor

Testimony by
Hawaii Government Employees Association

March 16, 2017

H.B. 234, H.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 H.B. 234, H.D. 1 which makes amendments to Act 1, Special Session Laws of Hawaii, 2016, by repealing the voluntary severance benefits for employees 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. 234, H.D. 1 to continue this important dialogue.

Respectfully submitted,

Randy Perreira
Executive Director

From: mailinglist@capitol.hawaii.gov
To: [JDLTestimony](#)
Cc:
Subject: *Submitted testimony for HB234 on Mar 16, 2017 09:00AM*
Date: Tuesday, March 14, 2017 4:42:44 PM

HB234

Submitted on: 3/14/2017

Testimony for JDL on Mar 16, 2017 09:00AM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
Arnold Abe	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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-----Original Message-----

From: William Vanderlind

Sent: Wednesday, March 15, 2017 9:16 AM

To: JUDtestimony <judtestimony@capitol.hawaii.gov>

Subject: HB233 and HB234 Testimony is Support of hearing on 3/16/2017

Dear Committee Members,

As an affected and displaced ICU RN I am writing to you in support of HB233 HD1 and HB234 HD1. The transition to the Kaiser Health System terminates my employment with the state with NO OTHER RIF option on the island of Maui. This leaves me with no choice of employment as an ICU RN on my home island which severely impacts my family. I and my family depend on a severance option payout to keep financially viable. I am in full support of a severance payout option upon termination of my state employment and respectfully request your support and consideration.

Bill Vanderlind
MMMC ICU RN

From: mailinglist@capitol.hawaii.gov
To: [JDLTestimony](#)
Cc:
Subject: *Submitted testimony for HB234 on Mar 16, 2017 09:00AM*
Date: Tuesday, March 14, 2017 11:51:15 PM

HB234

Submitted on: 3/14/2017

Testimony for JDL on Mar 16, 2017 09:00AM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
Carrol Pressman	Individual	Support	No

Comments:

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From:
To: [JDLTestimony](#)
Subject: Testimony
Date: Wednesday, March 15, 2017 10:44:55 AM

Dear Committee Members,

As an affected and displaced ICU RN I am writing to you in support of HB233 HD1 and HB234 HD1. The transition to the Kaiser Health System terminates my employment with the state with NO OTHER RIF option on the island of Maui. This leaves me with no choice of continued state employment as an ICU RN on my home island which severely impacts my family. I and my family depend on a severance option payout to keep financially viable. I am in full support of a severance payout option upon termination of my state employment and respectfully request your support and consideration.

CELESTINO JR C. CORPUZ
MMMC ICU RN

From: mailinglist@capitol.hawaii.gov
To: [JDLTestimony](#)
Cc:
Subject: Submitted testimony for HB234 on Mar 16, 2017 09:00AM
Date: Monday, March 13, 2017 7:15:34 PM

HB234

Submitted on: 3/13/2017

Testimony for JDL on Mar 16, 2017 09:00AM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
David May	Individual	Support	No

Comments: To all our lawmakers, All the employees that have dedicated our careers and lives to MMMC, we respectfully ask you full support to pass every measure that can assist employees that will have their once secure, State positions abolished by July 1, 2017. Time can never be replaced as we all in good faith felt the State would be our retirement. Severance and Early retirement is needed to bring closure to the early exit of our tenures. Please pass this measure and know how important separation benefits are to each of us and our families. Thank you for your support as we have supported our legislators in many elections in the past and will continue to do so in the future with this important measure being moved forward. Sincerely,
David May RN MMMC, ER

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From: mailinglist@capitol.hawaii.gov
To: [JDLTestimony](#)
Cc:
Subject: Submitted testimony for HB234 on Mar 16, 2017 09:00AM
Date: Monday, March 13, 2017 5:42:07 PM

HB234

Submitted on: 3/13/2017

Testimony for JDL on Mar 16, 2017 09:00AM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
Eva Methot	Individual	Oppose	No

Comments: I have worked a MMMC since 1990 and I am a dedicated employee who has given 27 years of excellent service to this organization. I will be 60 in August and I support the ability to have a severance pay and or early retirement without penalty. Please vote and give honor to those employees who has given their years of service and dedication by granting the severance pay and or early retirement without penalty. Mahalo Eva Methot RN CM MMMC

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From: mailinglist@capitol.hawaii.gov
To: [JDLTestimony](#)
Cc:
Subject: Submitted testimony for HB234 on Mar 16, 2017 09:00AM
Date: Tuesday, March 14, 2017 4:12:11 PM

HB234

Submitted on: 3/14/2017

Testimony for JDL on Mar 16, 2017 09:00AM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
Jennifer K.	Individual	Support	No

Comments: On 07/01/17 I will be 11 months short of 20 years of service.

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From: [Leslie Lexier](#)
To: [JDL Testimony](#)
Subject: JDL Testimony
Date: Wednesday, March 15, 2017 10:46:05 AM

To Chair of Committee- Senator Keith Agaran, Committee on JDL
Hearing on Thursday, March 16, 2017 at 9:00 am in Room #16
I am in favor and support of bills HB233 and HB234.

Leslie Lexier

Leslie Lexier, RN
Quality Specialist
Maui Memorial Medical Center

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From:
To: [JDLTestimony](#)
Subject: *****SPAM***** Dear Legislator 5 2017.docx
Date: Wednesday, March 15, 2017 11:07:27 AM

March 15, 2017

Dear Legislators,

Thank you for the opportunity to submit testimony on the impact of privatization on Maui Memorial employees and their families. Thank you for any consideration that you make regarding the impact on staff and patient care during this transition, and thank you for working to improve health care on Maui.

I am vociferously supporting HB 233 and HB 234.

As we move closer to the transition date to Kaiser, the stress of this transition becomes more real and more apparent. I have seen a number of my co-workers move from Maui Memorial to other state and county jobs. Our Ohana is shrinking and stressed. I am writing to inform you of the impact of the Public-Private partnership on a personal level. While I am happy to hear that services will be expanded and that healthcare on Maui will get an infusion of cash, expertise and energy, I am concerned about the impact on individual workers. Here are my personal challenges:

I am an RN with a Master's Degree in Nursing Science (paid for on my own dime), and I have dedicated the bulk of my career as a nurse to Maui Memorial. I have also been **paid less** than the private sector with compensation of more leave accrual, and—most importantly—the hope of retirement. As I follow my journey towards Privatization, I find that Kaiser is offering the same pay as I currently earn-- but less benefits. It also seems self-evident that the benefits of long-term state employment are loaded on the back end with retirement making up for the lower pay along the way. Given that Kaiser will be subsidized considerably at the onset of their takeover (in addition to monies set aside for capital improvements), it seems ironic that soon-to-be retirees will be cut short.

Additionally, there are simply very few nursing jobs in my geographic area after the Maui Region Transition. I am 59, and there are virtually no nursing jobs within the State or County on Maui so that I may continue the last 2-3 years of my tenure to retire without a 22% penalty. Due to emergency hire and other unusual HR policies/practices, my calculated years of service fall short of the 30 years needed to retire without penalty-- by 3 years and 2 months per their calculation. I worked part time in the Critical Care Unit while job sharing another position in Quality and Utilization Management. Unfortunately, HR will only count this as part-time for that time period. Having both of those jobs simultaneously was enriching for me professionally, and it allowed for my clinical expertise to be used in the Quality realm. But now I pay the price of less years of service for my retirement calculation. I have actually been employed at MMMC since 1988 and the majority of time I worked 40 or more hours per week—in Critical Care, Quality, Education, Case Management, and as an instructor at Maui Community College.

I could use my RIF benefits to try to finish my last few years, but this would create a hardship due to travel, and I would not like the karma associated with “bumping” another employee. This is simply a trickle down solution in which I will not participate. I pay taxes and work hard to thrive on Maui, so this option does not seem to be viable. I also have a small egg farm, and my partner would be completely burdened by caring for the animals by himself.

Lastly but definitely not least, I have an 84 year old mother who lives alone on the mainland. I would

like to be able to assist her if needed using FMLA benefits. My vacation/sick leave balances will be zero'd as a result of this transition, so I would be in a situation to have to take leave without pay. I have worked at MMMC since 1988, and I have banked a considerable amount of time since I have stayed fairly healthy and not abused my benefits. If I take leave without pay for a time period exceeding a week or two, I will also need to pay the employer portion of my health insurance premium.

I am unable to defer any payout of my vacation (3 months) since I already contribute the maximum amount into my 403b (deferred comp). So this will affect my tax situation.

I am sure that the intent of the legislation for privatization not only wanted to provide for the people who live and love Maui County but also for the workers who have endured the difficulties of employment in the State system. Thank you for your consideration during this transition.

Respectfully,

Penny Souder RN MS CPC
Maui Memorial Medical Center

Here is my service history for the State of Hawaii

- August 1988 Began working as "Emergency Hire" RN at Maui Memorial Medical Center in the Intensive Care Unit (ICU). Emergency Hire status is without benefits, without service towards retirement, and without extra pay. I find this ironic since Hawaii was touted as the "Health State"
- June 1989 Hired as permanent to continue my employment as an ICU staff RN
- Worked full time with ICU RN staff as half of my job and job shared a Quality Management/UR position with an RN from the Surgical Floor – unfortunately it only counted as part-time even though I was scheduled full time
- Obtained my Master's Degree in the Nursing Program at UH through an outreach program. I did this on my own time over 5 years and my own dime including travel to Oahu for the clinical portion of my education
- I worked part-time as an Instructor at MCC Nursing Program but this does not count toward my retirement since I was a clinical instructor for 2.5 days per week
- Worked 10 years as a Case Manager
- Worked as Clinical Educator and coordinated American Heart Association Education Programs as well
- Worked another 15 months as a Staff RN in ICU
- Worked as Clinical Appeals Coordinator
- Currently working as Clinical Documentation Improvement RN

From: [Mary White](#)
To: [WAM Testimony](#); [JDL Testimony](#)
Subject: HB233 HD1 and HB234 HD1 Testimony
Date: Wednesday, March 15, 2017 3:53:14 PM

Dear Committee Members,

As an affected and displaced ICU RN I am writing to you in support of HB233 HD1 and HB234 HD1. The transition to the Kaiser Health System forces the termination of my employment with the state with NO OTHER RIF option on the island of Maui. Not only am I being forced to terminate employment with the state, and the potential I would have had to become vested, but I am left without any other option than to work for Kaiser as an ICU RN.

I have no other choice but to continue with Kaiser as an RN on my home island which severely impacts my family. By terminating my employment with the state, losing sick leave time and other benefits we currently have, and being forced to forfeit vacation time, it is only fair and necessary for the financial well being of my family that we be granted severance pay. I am in full support of a severance payout option upon termination of my state employment and respectfully request your support and consideration.

Mary Osborne
MMMC ICU RN

From: [Taryn Pacheco](#)
To: [JDL Testimony](#); [WAM Testimony](#)
Subject: Bill HB233 and HB234
Date: Wednesday, March 15, 2017 2:28:10 PM

Aloha committee members,

I am an affected and displaced ICU RN from the Island of Maui. I currently work as an ICU RN at Maui Memorial Medical Center. I am writing to you in support of HB233 HD1 and HB234 HD1. The transition to the Kaiser Health System will terminate my employment with the state and will offer NO OTHER RIF option on this island. I cannot afford to commute from Maui to another HHSC entity on another island. That will severely impact me as well as my family and will just not work for my family financially. My family and I depend on a severance option payout to keep financially viable. I am in full support of a severance payout option upon termination of my state employment and respectfully ask for your consideration to this matter.

Mahalo,

Taryn Agmata
MMMC ICU RN

From: [Jeanne Mandrup](#)
To: [JDL Testimony](#); [WAM Testimony](#)
Subject: severance pay - yes please
Date: Wednesday, March 15, 2017 1:46:27 PM

Dear Committee Members !

I am writing to you to express how important it would be to me for you to vote in favor of the HB233 and HB234 with severance pay on the bill. I am an ICU nurse at MMMC and love my job. I have worked at the hospital since 2003 and are very much invested in the well being of our hospital and for my coworkers. Working there is giving me a sense of a second family. With Kaiser Health System taking over, I have no choice but getting terminated from my state job and go on board with this new company. Me and my family have always seen our selves as staying on Maui and grow old here. In the passed, severance pay have been offered and given to other employees who had their job determined by the state. I am hoping for the severance pay in our situation at the hospital too. There is no option for me to stay an ICU RN on my home island Maui. Last year I did RIF but didn't get a job offer. It leaves me with no options but one, be terminated from my position by the state. I strongly support the bill with severance pay and my family rely on the pay as a appropriate compensation for our change in retirement plans down the road.

Sincerely yours

Jeanne Mintz
MMMC ICU RN