

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

SENATE BILL NO. 936, S.D. 2, H.D. 1

MARCH 31, 2017, 3:00 P.M.  
Room 308

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM

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

Parts I and II of S.B. 936, H.D. 1 would amend various sections in Chapter 88, HRS, related to the Employees' Retirement System of the State of Hawaii (ERS) to correct and make consistent finalized benefit adjustment periods, address employer concerns regarding payments for pension "spiking" and to improve the efficiency of processing disability and accidental death claims.

In addition, S.B. 936, H.D. 1 Part III would increase employer contributions by the State and counties to the ERS by phased-in increases over the next four years. Proposed is a phased-in contribution increase from 25 percent to 41 percent for police officers, firefighters, and corrections officers and a phased-in increase in the employer contribution rate from 17 percent to 24 percent for all other employees. Without these contribution modifications, the ERS's funded ratio is expected to decline below its current 54.7%, reflect a funding period exceeding 66 years and compromise the sustainability of the System.

The ERS Board of Trustees strongly supports this legislation.

Thank you for this opportunity to provide testimony on S.B. 936, S.D. 2, H.D. 1.



Employees' Retirement System  
of the State of Hawaii

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**  
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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  
HOUSE COMMITTEE ON FINANCE  
ON  
SENATE BILL NO. 936, SD2, HD1

**March 31, 2017**  
**3:00 p.m.**  
**Room 308**

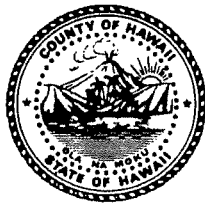
**RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM**

Senate Bill No. 936, SD2, HD1, proposes various housekeeping amendments to extend benefit finalization period for December 31 retirements; change interest rate for late benefit finalizations; extend deadline for employer payments under section 88-100; and allow delegation of certain disability retirement and service connected death benefit approval functions. The HD 1 also inserted language to allow a phase-in of incremental increases for employer contributions to address the unfunded liabilities of the ERS.

The Department of Budget and Finance supports this measure to provide the ERS certain administrative efficiencies to better serve our beneficiaries and the insertion of the phase-in of the incremental increases to assure that the State maintains a thirty-year schedule to amortize our unfunded liability. Without such adjustments, the Department is concerned about potential negative impact on our bond rating position, and we will fall further behind on our legal obligations to the fund.

Thank you for your consideration of our comments.

Harry Kim  
Mayor



Collins Tomei  
Director

Deanna S. Sako  
Deputy Director

## County of Hawai'i

### Finance Department

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March 30, 2017

The Honorable Sylvia Luke, Chair  
and Members of the House Committee on Finance  
Hawai'i State Capitol  
415 South Beretania Street, Room 308  
Honolulu, Hawai'i 96813

RE: SB936, SD2, HD1, RELATING TO THE EMPLOYEES' RETIREMENT  
SYSTEM (ERS)

Thank you for this opportunity to testify in Support of SB936 SD2 HD1.

This bill proposes to extend the payment deadline for employer payments under Hawaii Revised Statutes (HRS) Section 88-100 to within two fiscal years following the fiscal year in which the employee or former employee retired. This would allow the County of Hawaii sufficient time to budget and pay the additional contributions due to ERS. Currently the County of Hawaii receives the invoice for the amount owed after it is due, and after our budget is finalized.

The bill also proposes to amend the employer rates for the ERS contributions. While no one wants to pay higher rates, we acknowledge that this is the right thing to do. As the rates currently stand the plan is not adequately funded. This could put our bond rating, as well as the States' in jeopardy. It is important to fund the plan for fiscal reasons and to uphold our promises to our employees.

Therefore, I support the passage of this bill.

Deanna S. Sako  
Deputy Director of Finance, County of Hawai'i