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

TO THE SENATE COMMITTEE ON LABOR
ON

SENATE BILL NO. 2236

January 30, 2018
2:45 P.M.
Conference Room 229

RELATING TO RETIREMENT ALLOWANCE OPTIONS

Chair Tokuda, Vice Chair English and Members of the Committee,

S.B. 2236 would amend section 88-83(a), Hawaii Revised Statutes (HRS) by terminating the pension of an Employees' Retirement System (ERS) retirant under the elected retirement allowance of Option 3 upon the death of the retirant's beneficiary.

The Board of Trustees of the ERS opposes this legislation as the amendment deletes a benefit to which the retirant would have otherwise been entitled for his or her lifetime, regardless of the death of the beneficiary.

S.B. 2236 does not include an explanation of the intent of this amendment's correction; however, ERS's position is that this legislation violates Article XVI, Section 2 of the Constitution of the State of Hawaii, which states that membership in the ERS, "shall be a contractual relationship, the accrued benefits of which shall not be diminished or impaired." By terminating a retirant's earned retirement benefit upon the death of the retirant's beneficiary, this



Employees' Retirement System
of the State of Hawaii

amendment has the unintended consequence of impairing an ERS member's promised benefit. There are currently more than 1,900 ERS retirants receiving benefits under Option 3 who, if S.B. 2236 is passed, may potentially have their retirement pensions terminated should their beneficiary predecease them.

The Board of Trustees of the Employees' Retirement System respectfully requests that S.B. 2236 be deferred.