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TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 2598, S.D. 1

February 21, 2018
10:00 A.M.
Conference Room 211

RELATING TO SALARY OVERPAYMENTS

Chair Dela Cruz, Vice Chair Keith-Agaran and Members of the Committee,

The ERS has serious concerns about the likely impact of SB2598, S.D. 1 on its processes and operations. S.B. 2598, S.D. 1 proposes to garnish the retirement pension of a former employee who was overpaid by a State department or agency. This proposal would require the Employees' Retirement System (ERS), based on a request from a State department's or agency's disbursing officer, to deduct an amount from the former employee's monthly pension and distribute these garnished deductions to the respective State department or agency until the former employee's indebtedness is satisfied. The ERS views the likely administrative burden of such a requirement as unsustainable with current resources.

As noted in S.B. 2598, S.D. 1, there are "many departments and agencies" of the State for whom overpaid salaries is an ongoing issue. While the total number of individuals affected each month is not represented, it could easily reach into the hundreds. The proposal states that these



Employees' Retirement System
of the State of Hawaii

overpayments exceeded \$415,000 each month for the period from November 2016 through October 2017 (\$4.9M annually).

Although the ERS Staff and Board of Trustees supports the intent of this proposal to impose greater accountability on State departments and agencies to recover overpaid salaries, we have serious concerns about proposing the garnishment of retirement pensions as a method of correction as it shifts the responsibility for the overpayment and its recovery from the relevant department or agency and concentrates it, intentionally or otherwise, within the ERS.

As of January 31, 2018, the ERS administers a total of only 60 deductions under section 88-92, HRS, which allows for specific cases of garnishment from ERS pensions subject to court order. Of the 60 cases, 59 are child-support payments and Internal Revenue Service (IRS) levies from pension payments, which are federally mandated. These deductions are consolidated and paid directly to either the State Family Court or to the IRS.

While the recovery of overpaid salaries is an important issue for State government, inserting the ERS into what are often disputed overpayments and salary reporting errors (especially long after the errors may be identified) only adds to the ERS's resulting administrative responsibilities and overpaid pension payments caused by these errors. In addition, S.B. 2598, S.D. 1 is unclear about the process by which an overpayment would be legitimately vetted, and the ERS officially required, to garnish a former employee's pension. Will garnishment occur solely as a result of a court order or merely upon departmental request? The ERS will require additional computer system programming, overpayment request tracking and accounting system modifications, enhanced employer disbursement capabilities and possibly other resources in order to comply with this legislation. The planned implementation of a new leave administration system by State departments is expected to reduce prospectively by half or more the number of such overpayments; pending this implementation and its anticipated results, however, the ERS would still be subject to accommodate the multiple requirements of this proposal on an on-going basis. Therefore, while it understands the bill's intent, the ERS Board has significant concerns regarding S.B. 2598, S. D. 1 and asks that the ERS be excluded from the options for salary overpayment recovery being considered.

Thank you for this opportunity to testify.