

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 LABOR
ON
SENATE BILL NO. 2764

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

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM

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

S.B. proposes to amend sections 88-74.7, 88-96, and 88-341, Hawaii Revised Statutes (HRS) to preserve until otherwise claimed the use and control by the Employees' Retirement System (ERS) of unclaimed member benefits and contributions that would otherwise be paid to the State's Unclaimed Property Program or escheated to other states. The level of such unclaimed member benefits varies greatly from year to year but generally ranges between \$500,000 and \$1,000,000 annually.

Under sections 88-74.7, 88-96, and 88-341, the ERS is required to return member contributions and to commence the payment of benefits to members, former members, beneficiaries, or other persons or entities at certain required distribution dates. Despite its best efforts, the ERS sometimes loses contact with its member, former member, beneficiary, person or entity to be paid by or at the required distribution dates. In addition, after the ERS has started paying benefits to a retired member or beneficiary, through no fault of its own the ERS is sometimes



Employees' Retirement System
of the State of Hawaii

prevented from making make payments, e.g., checks or electronic payments are returned without a forwarding address. Under the State's Uniform Unclaimed Property Act, the unclaimed member contributions and benefit payments are presumed abandoned after a period of time and are required to be paid to the State's Unclaimed Property Program.

This bill would preserve the ERS's use and control of unclaimed member contributions and benefit payments by suspending the requirement that they be paid to the State's Unclaimed Property Program or escheated to another state. The temporary retention by the ERS of these unclaimed member benefits would increase the fund's investment return and reduce its unfunded liability. Irrespective of our temporary retention of such unclaimed funds, the bill preserves the ability of the member, former member, beneficiary, or other person or entity to recover the unclaimed contributions or benefit payments by submitting a valid request for repayment. Similar legislation was approved by the Legislature as Act 144 for the Employer Union Health Benefits Trust fund (EUTF) in 2017, allowing the EUTF to retain forfeited member benefits until reimbursement is claimed.

The bill would also ease the ERS's administrative burdens of complying with the Uniform Unclaimed Property Act, which can be complicated when lifelong monthly benefit payments are involved.

The Board of Trustees of the Employees' Retirement System supports this legislation.

Thank you for this opportunity to provide testimony on S.B. 2764.