

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, CULTURE AND THE ARTS**  
**ON**

**SENATE BILL NO. 2142**

**February 4, 2020**  
**2:45 P.M.**  
**Conference Room 224**

**RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM**

Chair Taniguchi, Vice Chair Ihara, and Members of the Committee,

S.B. 2142 amends section 88-103.7, Hawaii Revised Statutes, to allow departments more time to comply with provisions requiring them to furnish personnel and payroll information to the Employees' Retirement System of the State of Hawaii (ERS). The ERS provides the following comments:

1. Section 88-103.7(b) requires that State and county departments provide payroll and personnel information as required by the ERS by June 30, 2020 and that the ERS "shall require that information be furnished in electronic format and that information with respect to payroll and personnel transactions:
  - (1) Allocate payments, including bonuses, salary adjustments, payments for compensatory time, and workers' compensation, to monthly or other periods as requested by the system;
  - (2) Specify the purpose or nature of the payment; and
  - (3) Indicate any changes or errors in payments that require correcting or updating."
2. Further, section 88-103.7(c) notes that if a department or agency of the State or county fails to furnish the system with the information required pursuant to this



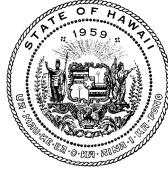
Employees' Retirement System  
of the State of Hawaii

section in the format required by the system “the State or county shall pay to the system, on the first day of the fiscal year following the fiscal year in which the failure to furnish the required information occurred, an amount equal to the employer contributions payable by the State or county, relative to the department or agency that is not in compliance with this section, during the fiscal year in which the failure to furnish the required information occurred.”

3. We understand the concern that more time is needed by both the employer and the ERS to cooperatively comply with reporting requirements. The purpose of section 88-103.7(c) was to encourage reporting compliance, not to impose advanced payments of employer contributions, nor additional interest for late payments. We would propose however, that rather than the full 5-year extension as suggested by S.B. 2142, that the advance payment and interest provision now existing be extended for a period of three additional years during which, the ERS evaluates each department’s progress toward full compliance. In 2023, after this 3-year review, the ERS may allow at its discretion two additional 1-year extensions after which the advance payment requirement would apply.

Thank you for this opportunity to testify.

DAVID Y. IGE  
GOVERNOR



CURT T. OTAGURO  
COMPTROLLER  
AUDREY HIDANO  
DEPUTY COMPTROLLER

**STATE OF HAWAII**  
**DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES**  
P.O. BOX 119, HONOLULU, HAWAII 96810-0119

WRITTEN TESTIMONY  
OF  
CURT T. OTAGURO, COMPTROLLER  
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES  
TO THE SENATE COMMITTEE ON  
LABOR, CULTURE AND THE ARTS

FEBRUARY 4, 2020, 2:45 P.M.  
CONFERENCE ROOM 414, STATE CAPITOL

S.B. 2142

RELATING TO EMPLOYEES' RETIREMENT SYSTEM.

Chair Taniguchi, Vice Chair Ihara, and members of the Committee, thank you for the opportunity to submit testimony for S.B. 2142 to extend the compliance period for employers for Act 87.

The Department of Accounting and General Services (DAGS), supported by the Office of Enterprise Technology Services (OETS) has recently completed its modernization of the payroll system at the beginning of calendar year 2019 after nearly 50 years of the legacy platform. DAGS processes payroll for about 70,000 to 74,000 employees each pay period for all branches of state government, Department of Education, University of Hawaii systems, Hawaii Health Systems Corporation and the Office of Hawaiian Affairs. For calendar year 2019, DAGS processed over 84,000 annual W-2 statements, represent terminated and newly retired employees.

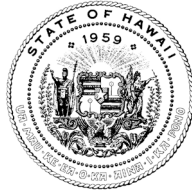
DAGS agrees with the intent of the bill to allow for more time to ensure that all employers may sufficiently comply with Act 87 and offers substantiation of the compliance extension pursuant to the following challenges.

DAGS – Business Operations

1. Act 87 requires that earnings periods be included as part of the payroll processing; however; Employees' Retirement System records only the start of a pay period. The State's new payroll system (and time and leave system in development) can provide the earned dates at any timeframe within a pay period, which provides more accuracy.
2. Data requested by ERS is a post-payroll calculated amounts, versus deduction amounts that are calculated within the payroll system based on employees' ERS eligible status. The difference in approach can often create balance and reconciliation challenges when ERS receives the data to post in their retirement system.
3. ERS eligibility definitions appear to vary employer to employer along with the full-time or part-time status that is a factor in determining eligibility. This has proven to be challenging on how to continue to report contributions for employees who work for multiple employers.
4. Act 87 compliance also requires workers' compensation earnings to be reported differently when there is a reclassification of workers' compensation earnings and salary earnings.
5. ERS is requesting that the earnings dates or periods are reported based on how their system is able to post the requisite information. Payroll departments will transact any prior period or year of earnings in the calendar year of when it is constructively paid to the employee, with a notation in the system of the actual earnings period. This is a standard procedure in most payroll systems.

Thank you for the opportunity to submit testimony on this matter.

DAVID Y. IGE  
GOVERNOR



DOUGLAS MURDOCK  
CHIEF INFORMATION  
OFFICER

## OFFICE OF ENTERPRISE TECHNOLOGY SERVICES

P.O. BOX 119, HONOLULU, HI 96810-0119  
Ph: (808) 586-6000 | Fax: (808) 586-1922  
ETS.HAWAII.GOV

Testimony of  
DOUGLAS MURDOCK  
Chief Information Officer  
Enterprise Technology Services

Before the

SENATE COMMITTEE ON LABOR, CULTURE AND ARTS  
TUESDAY, FEBRUARY 4, 2020

SENATE BILL NO. 2142  
RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM

Dear Chair Taniguchi, Vice Chair Ihara, and members of the committee:

The Office of Enterprise Technology Services (ETS) supports this bill, which extends the compliance period for employers for Act 87.

ETS supported the Department of Accounting and General Services with the recent completion of its payroll system modernization. While the new payroll system provides significant improvement in our data capture and reporting functionality for departments and third-party agents, compliance with Act 87 has proven challenging.

ETS, through the Hawaii Modernization (HiMod) Program Management Office, has been working on the data requirements with ERS since October 2016. ERS provided the requirements to all employers in a spreadsheet which listed the required fields. However, there have been numerous discussions about the required field's attributes. We have not been able to establish the specific logic that the payroll system can interpret to provide the retirement system with accurate contribution data in the manner requested by ERS.

ETS believes that the payroll system is properly calculating retirement contributions. However, we still have unresolved issues in the way data is requested by ERS.

Additional time to comply will be helpful to ensure the issues can be clearly defined and resolved.

Thank you for the opportunity to provide testimony on this measure.

DEPARTMENT OF BUDGET AND FISCAL SERVICES  
**CITY AND COUNTY OF HONOLULU**

530 SOUTH KING STREET, ROOM 208 • HONOLULU, HAWAII 96813  
PHONE: (808) 768-3900 • FAX: (808) 768-3179 • WEB: www.honolulu.gov

KIRK CALDWELL  
MAYOR



NELSON H. KOYANAGI, JR.  
DIRECTOR

MANUEL T. VALBUENA  
DEPUTY DIRECTOR

February 4, 2020

The Honorable Brian T. Taniguchi, Chair  
The Honorable Les Ihara, Jr., Vice Chair  
and Members of the Committee on Labor, Culture and the Arts  
The Senate  
State Capitol, Room 224  
415 South Beretania Street  
Honolulu, Hawaii 96813

Dear Chair Taniguchi, Vice Chair Ihara, and Members of the Committee:

SUBJECT: Senate Bill No. 2142  
Relating to the Employees' Retirement System

Senate Bill 2142 was submitted on behalf of the City and County of Honolulu's Mayor. This measure seeks to extend the deadline by which the State and counties are required to furnish payroll and personnel transaction information to the Employees' Retirement System (ERS) in an electronic format as specified by the ERS. The Departments of Budget and Fiscal Services, Human Resources, and Information Technology jointly submit testimony in **strong support** of this measure.

In 2015, when these deadlines were put in place, the City was already providing its payroll and personnel transaction information to the ERS in electronic format, but nonetheless expressed strong concerns about the measure that would eventually become Act 87. Following the passage of Act 87, SLH 2015, City staff and our contractors have worked diligently with ERS staff towards compliance. Unfortunately, despite all parties putting in cooperative efforts, this project has turned out to be even more challenging than anticipated. Given the significant challenges, the City will not be able to meet the original deadline. Other counties have likewise informed us that they face similar challenges.

The City is still fully committed to eventually transmitting payroll and personnel transaction information to the ERS in an electronic format that will work with both parties' systems. However, ongoing difficulties remain in resolving the major complexities involved in getting systems to "talk" to each other, and such difficulties are exacerbated by the vast number of data elements that must be tracked for the various plans. We suspect that this project is even more formidable for the ERS staff, who must

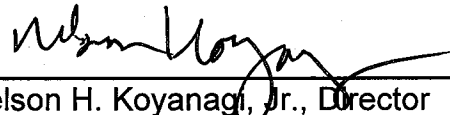
The Honorable Brian T. Taniguchi, Chair  
The Honorable Les Ihara, Jr., Vice Chair  
and Members of the Committee  
on Labor, Culture and the Arts  
February 4, 2020  
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exacerbated by the vast number of data elements that must be tracked for the various plans. We suspect that this project is even more formidable for the ERS staff, who must deal not just with the City system, but with the various systems of all the employers.

The need for an extension is urgent because the penalty for not complying with the deadline—that the employer must pay for its entire year's Retirement System contributions at the beginning of the fiscal year—would cause the City severe financial hardship. The provisions for these stiff penalties are currently scheduled to become law on July 1, 2020. The City simply cannot afford to let that happen.

Based on the foregoing, we ask for your support in advancing this measure. Thank you for the opportunity to testify in strong support of SB 2142.

Sincerely,



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Nelson H. Koyanagi, Jr., Director  
Department of Budget and Fiscal Services



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Carolee C. Kubo, Director  
Department of Human Resources



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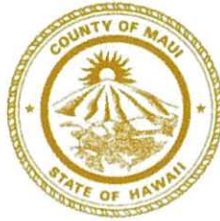
Mark D. Wong, Director and CIO  
Department of Information Technology



**MICHAEL P. VICTORINO**  
Mayor

**DAVID J. UNDERWOOD**  
Director

**Cynthia Razo-Porter**  
Deputy Director



**DEPARTMENT OF PERSONNEL SERVICES**

COUNTY OF MAUI  
200 SOUTH HIGH STREET  
WAILUKU, MAUI, HAWAII 96793  
PHONE (808) 270-7850 \* FAX (808) 270-7969

Website: [www.mauicounty.gov/departments/Personnel](http://www.mauicounty.gov/departments/Personnel) • Email: [personnel.services@mauicounty.gov](mailto:personnel.services@mauicounty.gov)

February 3, 2020

**TESTIMONY TO THE  
SENATE COMMITTEE ON LABOR, CULTURE, AND THE ARTS**

For hearing on Tuesday, February 4, 2020  
2:45 p.m., Conference Room 224

BY  
**DAVID J. UNDERWOOD**  
DIRECTOR OF PERSONNEL SERVICES  
COUNTY OF MAUI

**Senate Bill No. 2142  
Relating to the Employees Retirement System**

TO CHAIR TANIGUCHI, VICE CHAIR IHARA, AND MEMBERS OF THE COMMITTEE:

Senate Bill 2142 seeks to extend the deadline by which the State and counties are required to furnish payroll and personnel transaction information to the Employees' Retirement System (ERS) in an electronic format as specified by the ERS. The County of Maui **supports** this measure.

While the County fully supports and remains committed to the goal of reporting data electronically to the ERS, we believe an extension of the statutory deadline is in the interest of all parties. We believe that the various jurisdictions and the ERS have been working diligently and cooperatively toward this end, and have made substantial progress. For the County of Maui, for example, the implementation of a new HR/Payroll system in 2019 has led to improvements in our reporting, and we continue to meet and correspond regularly with ERS staff to continue this improvement. Even with this progress, however, HR, payroll, and pension management systems all process, use, and store information very differently. Translating and communicating information between these systems in a way that meets everyone's requirements and capabilities is extremely complex, and significant difficulties still remain in some areas.

In light of this, we do not believe the current deadline of July 1, 2020 is attainable for the County. From our discussions with other jurisdictions, we are clearly not alone in this situation.

We also note that in its 2019 report to the legislature on the subject, the ERS itself stated that “Although the requirements may be clear, meeting those requirements have proved to be arduous to impossible for both the employers and ERS.” In light of these challenges, and given that the July 1, 2020 statutory changes would impose severe financial penalties on the employing jurisdictions, we believe that extending that deadline is reasonable. This would allow all jurisdictions, and the ERS, to continue to work collaboratively to best serve their members.

We also note that the proposed measure would continue to require that an annual report as to the status of the employers’ reporting be filed with the legislature. We believe this would allow the legislature to continue to monitor this important issue, and we fully support this provision.

Given the foregoing, we humbly request your support in advancing this measure, and thank you for the opportunity to provide testimony.

Sincerely,



DAVID J. UNDERWOOD  
Director of Personnel Services



DEPARTMENT OF HUMAN RESOURCES  
THE COUNTY OF KAUA'I

DEREK S. K. KAWAKAMI, MAYOR  
MICHAEL A. DAHILIG, MANAGING DIRECTOR

JANINE M.Z. RAPOZO  
ACTING DIRECTOR

February 3, 2020

Testimony of Janine M.Z. Rapozo  
Acting Director of Human Resources, County of Kaua'i

Before the  
Senate Committee on Labor, Culture and the Arts  
February 4, 2020; 2:45 pm  
Conference Room 224

In consideration of  
Senate Bill 2142  
Relating to the Employees' Retirement System

Honorable Chair Taniguchi, Vice Chair Ishihara, and Members of the Committee:

The County of Kaua'i, Department of Human Resources **supports** S.B. No. 2142 as this measure would extend the deadline by which the State and counties are required to furnish payroll and personnel transaction information to the Employees' Retirement System (ERS) in an electronic format as specified by the ERS.

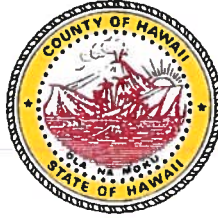
The County of Kaua'i has always been committed to providing its payroll and personnel transactions to the ERS in the necessary format to successfully interface with the ERS platform. Since 2015 when the deadline was first put into place, the County has worked cooperatively with the ERS staff towards compliance including working jointly with our software vendor to discuss programming issues that has led to non-compliance.

As discussed in the 2019 report to the legislature, the ERS recognized the challenges in meeting the necessary requirements for both the employers and ERS. While the County of Kaua'i, along with all other Employer jurisdictions have all been working diligently towards compliance and even making substantial progress, significant challenges still remain.

Given the penalties associated with Act 87, SLH 2015 for non-compliance, we believe that extending the deadline for compliance is reasonable. This will allow for all jurisdictions and the ERS to continue to work collaboratively in the best interest of our employees.

Thank you for the opportunity to provide testimony and mahalo for your consideration.





County of Hawai'i  
Department of Human Resources

Aupuni Center • 101 Pauahi Street, Suite 2 • Hilo, Hawai'i 96720 • (808) 961-8361 • Fax (808) 961-8617  
website: <http://hawaiiicounty.gov/human-resources> e-mail: [jobs@hawaiiicounty.gov](mailto:jobs@hawaiiicounty.gov)

February 3, 2020

The Honorable Brian T. Taniguchi, Chair  
The Honorable Les Hara, Jr., Vice Chair  
and Members of the Committee on Labor, Culture and the Arts  
The Senate  
State Capitol, Room 224  
415 South Beretania Street  
Honolulu, Hawai'i 96813

SUBJECT: **Senate Bill ("SB") No. 2142**  
**Relating to the Employees' Retirement System**

Dear Chair Taniguchi, Vice Chair Ihara, and Members of the Committee:

The County of Hawai'i, Department of Human Resources joins with the City and County of Honolulu, County of Kaua'i and County of Maui in support of SB No. 2142, extending the deadline by which the State and counties are required to furnish payroll and personnel transactions information to the Employees' Retirement System ("ERS") in an electronic format as specified by the ERS.

Historically, the County of Hawai'i has been fully committed to providing its payroll and personnel transitional information to the ERS, as requested, and we have every intention of continuing this mutually cooperative relationship going forward.

Unfortunately, due to the significant financial expense associated with the implementation of the prescribed electronic filing format as well as the imposition of steep penalties associated with failure to comply, the County of Hawai'i is fiscally unable to meet the current July 1, 2020 deadline.

The Honorable Brian T. Taniguchi, Chair  
The Honorable Les Ihara, Jr., Vice Chair  
and Members of the Committee on Labor, Culture and the Arts  
February 3, 2020  
Page 2 of 2

The County of Hawai'i remains fully committed to finding a fiscally reasonable and rational approach to providing the ERS with electronic information that will work for all parties involved. Although we have made significant progress towards compliance, we just need more time.

Accordingly, the County of Hawai'i **strongly supports** SB No. 2142 extending the ERS compliance deadline to July 1, 2025.

Sincerely

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

William V. Brilhante, Jr., Director  
Department of Human Resources



DEPARTMENT OF HUMAN RESOURCES  
THE COUNTY OF KAUA'I

DEREK S. K. KAWAKAMI, MAYOR  
MICHAEL A. DAHLIG, MANAGING DIRECTOR

JANINE M.Z. RAPOZO  
ACTING DIRECTOR

February 3, 2020

Testimony of Janine M.Z. Rapozo  
Acting Director of Human Resources, County of Kaua'i

Before the  
Senate Committee on Labor, Culture and the Arts  
February 4, 2020; 2:45 pm  
Conference Room 224

In consideration of  
Senate Bill 2142  
Relating to the Employees' Retirement System

Honorable Chair Taniguchi, Vice Chair Ishihara, and Members of the Committee:

The County of Kaua'i, Department of Human Resources **supports** S.B. No. 2142 as this measure would extend the deadline by which the State and counties are required to furnish payroll and personnel transaction information to the Employees' Retirement System (ERS) in an electronic format as specified by the ERS.

The County of Kaua'i has always been committed to providing its payroll and personnel transactions to the ERS in the necessary format to successfully interface with the ERS platform. Since 2015 when the deadline was first put into place, the County has worked cooperatively with the ERS staff towards compliance including working jointly with our software vendor to discuss programming issues that has led to non-compliance.

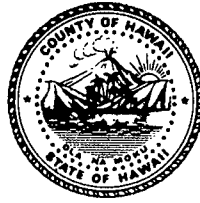
As discussed in the 2019 report to the legislature, the ERS recognized the challenges in meeting the necessary requirements for both the employers and ERS. While the County of Kaua'i, along with all other Employer jurisdictions have all been working diligently towards compliance and even making substantial progress, significant challenges still remain.

Given the penalties associated with Act 87, SLH 2015 for non-compliance, we believe that extending the deadline for compliance is reasonable. This will allow for all jurisdictions and the ERS to continue to work collaboratively in the best interest of our employees.

Thank you for the opportunity to provide testimony and mahalo for your consideration.



Harry Kim  
Mayor



Deanna S. Sako  
Director

Steven A. Hunt  
Deputy Director

## County of Hawai'i

### Finance Department

25 Aupuni Street, Suite 2103 • Hilo, Hawai'i 96720  
(808) 961-8234 • Fax (808) 961-8569

February 4, 2020

The Honorable Brian T. Taniguchi, Chair  
and Members of the Senate Committee on Labor, Culture and the Arts  
Hawai'i State Capitol  
415 South Beretania Street, Room 224  
Honolulu, Hawai'i 96813


RE: SB2142, RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM (ERS)

Thank you for this opportunity to testify in Support of SB2142.

This bill proposes to allow departments more time to comply with the new ERS reporting standards. While the County of Hawaii is committed to implementing the new standards, there are some requirements that none of the jurisdictions have been able to comply with per ERS. We all want this project to succeed, however, more time is needed for implementation. Our software vendor continues to work towards meeting these requirements.

The penalties for not complying with the new reporting requirements are significant and we believe that the best solution is to extend the deadline to give all jurisdictions and ERS more time to work together to meet the requirements.

Therefore, I support the passage of this bill.

  
Deanna S. Sako  
Director of Finance