

JOSH GREEN, M.D.
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 LABOR AND GOVERNMENT OPERATIONS
ON
HOUSE BILL NO. 2385
February 6, 2024
9:15 A.M.
Conference Room 309 and VIA Videoconference

RELATING TO EMPLOYEES' RETIREMENT SYSTEM PERSONNEL.

Chair Matayoshi, Vice Chair Garrett, and Members of the Committee,

H.B. 2385 amends Section 76-16(b), Hawaii Revised Statutes (HRS), to exempt from civil service the Deputy Executive Director (DED), Chief Compliance Officer (CCO), and key branch manager positions of the Employees' Retirement System (ERS). The bill was introduced as part of the executive branch's legislative package on behalf of the ERS.

The continued administration of a strong and regulatory compliant pension system is reliant on experienced management to be responsive to the ERS's Board of Trustees, its Executive Director, and ERS membership. The responsibilities of these managerial positions have significantly increased with advancement in technology and regulatory requirements as well as the growth of the membership of the ERS and expansion of staff. Specialized pension managerial skills, experience, and commensurate compensation are required to maintain the level of expertise and professionalism that the ERS requires.

The DED position reports to the Executive Director and fills in as acting Executive Director, when the Executive Director is out of office or unavailable, and manages the day-to-day operations of the ERS.



Employees' Retirement System
of the State of Hawaii

The CCO reports to the Executive Director and manages the ethics, risk, policy and regulatory compliance program and is integral to not only the protection of the assets of the ERS but also to the overall success, stability, and sustainability of the ERS.

The Retirement, Information Systems and Accounting managers, in combination with executive leadership, develop policies and procedures, report to the DED and manage staff who execute the retirement benefits programs (Retirement Benefits Branch), accounting services for both pensions and investments (Accounting Branch), and the maintenance and security of the ERS's information technology (Information Systems Branch). These managerial positions also periodically report to the ERS Board of Trustees, which has the responsibility for the oversight and proper operation of the ERS. The stakeholders of the ERS, which includes employers and employees of the State and counties, are reliant on a strong ERS to secure current and future benefits.

Currently, the ERS's Executive Director, Chief Investment Officer and Investment Officers are exempt under Sections 88-29 and 88-29.5, HRS.

The change from civil service positions to exempt position status would immediately apply upon approval to the CCO position but would be deferred in its application to the DED and branch manager positions until the positions are vacated by the incumbents in the positions at the time of approval. The incumbent CCO has expressed support for the position's immediate conversion to exempt status following legislative approval.

Thank you for the opportunity to provide testimony on H.B. 2385.



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

RANDY PERREIRA, Executive Director • Tel: 808.543.0011 • Fax: 808.528.0922

The Thirty-Second Legislature, State of Hawaii
The House of Representatives
Committee on Labor and Government Operations

Testimony by
Hawaii Government Employees Association

February 6, 2024

H.B. 2385 — RELATING TO EMPLOYEES' RETIREMENT SYSTEM PERSONNEL

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO strongly opposes the purpose and intent of H.B. 2385 which amends section 76-16(b), Hawai'i Revised Statutes, to exempt the Chief Compliance Officer, and branch managers of the Employees' Retirement System of the State of Hawai'i from civil service.

The use of exempt employees, which are considered "at will" by the state, is categorically contrary to the principles of civil service and the merit principles articulated in 76-1. These laws were enacted by the Legislature to prevent inequitable hiring and wage practices, and to continue our efforts to make Hawaii State an employer of choice. It remains today as a fundamental building block of civil service rights and mission centric hiring practices.

Exempt employees do not have the same rights and benefits as civil service employees, and that is inherently unfair. Additionally, these employees rely on their civil service protections since they are excluded from collective bargaining and the protections that come with it. We have consistently opposed the creation of more exempt positions in state government and continue to advocate for sensible civil service reform.

Instead of creating more exempt positions, the civil service system must become more flexible and competitive. Converting these positions to an exempt status is a 'band-aid' fix to address the underlying recruitment and retention issues of these positions. Instead, the state should investigate reducing the hiring time and raising the pricing of Chief Compliance Officer and the Branch Managers. By simply raising the pricing, it will allow the state to offer a competitive salary along with the robust rights and benefits of a civil service position.

HGEA feels strongly that this continued move by agencies to exempt employees from civil service for the purposes of hiring and compensation ease is a shortcut that runs in opposition to the mission of the State and Legislature which is to correctly price positions, hire employees of merit and skill and become an employer of choice.

While it is possible that the Deputy Executive Director is actively acting as the designee for the Director, **we question the need for the Employee’s Retirement System to exempt the Chief Compliance Officer and the branch managers and we respectfully request that they be carved out of this bill.**

Thank you for the opportunity to provide testimony in strong opposition of H.B. 2385.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Randy Perreira". The signature is written in a cursive, flowing style.

Randy Perreira
Executive Director