



STATE OF HAWAII
KA MOKU'ĀINA O HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
KA 'OIHANA PONO LIMAHANA

February 9, 2023

To: The Honorable Scot Z. Matayoshi, Chair,
The Honorable Andrew Takuya Garrett, Vice Chair, and
Members of the House Committee on Labor & Government Operations

Date: Thursday, February 9, 2023

Time: 9:30 a.m.

Place: Via Videoconference and Conference Room 309

From: Jade T. Butay, Director
Department of Labor and Industrial Relations (DLIR)

**Re: H.B. 1014 RELATING TO EMPLOYEES' RETIREMENT SYSTEM DISABILITY
RETIREMENT**

I. OVERVIEW OF PROPOSED LEGISLATION

The **DLIR supports** this measure. HB1014 proposes to amend sections 88-21, 88-79, 88-82, 88-85.5, 88-261, 88-336 and 88-339, Hawaii Revised Statutes (HRS), to clarify the requirements of service-connected disability retirement and accidental death benefits as intended by the legislature.

II. CURRENT LAW

The Workers' Compensation Statute, section 386-3, HRS, defines injury and provides that the employee's employer shall pay compensation to the employee or the employee's dependents as provided in chapter 386 if an employee suffers personal injury either by accident arising out of and in the course of employment, or by disease proximately caused by or resulting from the nature of the employment.

Section 386-21, HRS, establishes the employer to provide to the employee so long as reasonably needed, all medical care, services and supplies as the nature of the injury requires.

Section 386-31, HRS, defines permanent and temporary total disability benefits to be paid to the injured employee at sixty-six and two-thirds per cent of the employee's average weekly wages.

Section 386-41 (a-c), HRS, establishes death benefits including funeral and burial allowances, benefits to dependents, and determines the maximum weekly benefits payable to dependents of the deceased employee not to exceed sixty-six and two-thirds per cent of the employee's average weekly wages.

Section 386-73.5, HRS, establishes that the DLIR Director has original jurisdiction over all controversies and disputes arising out of workers' compensation.

Section 386-85, HRS, provides a presumption of employment and compensation for a work-covered work injury, in the absence of substantial evidence to the contrary.

III. COMMENTS ON THE HOUSE BILL

DLIR supports the Employees' Retirement Systems attempt to clarify their own presumption law as it is different from that of Chapter 386.

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 & GOVERNMENT OPERATIONS

ON

HOUSE BILL NO. 1014

February 9, 2023

9:30 A.M.

Conference Room 309 & Videoconference

**RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM DISABILITY
RETIREMENT.**

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

The purpose of Employees' Retirement System ("ERS") service-connected disability benefits is to compensate members who have been permanently incapacitated for duty as the natural and proximate result of an accident occurring while in the actual performance of duty at some definite time and place, or as the cumulative result of some occupational hazard, as provided in Chapter 88 of the Hawaii Revised Statutes (HRS).

In several recent cases, the Hawaii Supreme Court rendered rulings awarding ERS service-connected disability retirement and/or accidental death benefits beyond a plain reading of the legislature's original intent. These rulings have required the ERS to provide service-connected disability retirement and/or accidental death benefits which were never contemplated in determining employer and employee contribution rates and employee benefits. Service-connected disability retirement benefits are provided for an increased number of applicants, for an extended duration and are being awarded at a higher rate. Additionally, the benefit includes a refund of employee contributions and, consequently, increases the plan's unfunded liability as a whole.



Employees' Retirement System
of the State of Hawaii

H.B. 1014 clarifies the requirements of ERS service-connected disability retirement and accidental death benefits by amending HRS sections 88-21, 88-79, 88-82, 88-85.5, 88-261(a), and 88-336, Hawaii Revised Statutes. This bill is based upon a plain reading of the legislative intent as stated in governing statutes. The ERS Board of Trustees strongly supports this bill and views its passage as vital to avoid unintended growth in the ERS unfunded liability.

Unlike other types of benefits, the ERS service-connected disability retirement and accidental death provisions do not contain a presumption favoring coverage and should not be construed liberally in favor of awarding compensation for all injuries and death occurring in the workplace. Clarification is needed regarding the issues of accident, membership position, causation, the difference between an accident and injury/incapacity, and the burden of proof.

Importantly, service-connected disability is not the only benefit provision available for applicants. ERS members remain eligible for ERS ordinary disability retirement, ERS service retirement, ERS ordinary death, workers' compensation, or social security disability benefits.

By amending sections 88-21, 88-79, 88-82, 88-85.5, 88-261, 88-336, and 88-339, HRS, this bill clarifies the definitions and requirements of ERS service-connected disability and death benefits in order to preserve them as originally intended and to avoid unintended growth in the ERS unfunded liability. For example:

- The proposed definition of "accident" is intended to address *Pasco v. Bd. of Trustees of the Employees' Ref. Sys.*, 142 Hawai'i 373,420 P.3d 304 (2018) ("*Pasco*"); and *Panado v. Board of Trustees, Employees' Retirement System*, 134 Hawai'i 1, 332 P.3d 144 (2014) ("*Panado*").
- The proposed definition of "occupational hazard" is intended to address *Quel v. Bd. of Trustees, Employees' Ret. Sys.*, 146 Hawai'i 197,457 P.3d 836 (2020).
- Proposed revisions regarding position at the time of the accident are intended to address *Stout v. Bd. of Trustees of the Employees' Ret. Sys.*, 140 Haw. 177,398 P.3d 766 (2017).
- Other proposed provisions address other issues raised by *Pasco*, *Panado*, and other cases, as well as causation and burden of proof.

H.B. 1014 is essentially identical to H.B. No 2105, H.D. 1 (2022), which was approved by the House Committee on Labor & Tourism (see H.S.C.R. No. 224-22) and also by the House Finance Committee (see H.S.C.R. No. 759-22), then passed by the House.

The ERS Board of Trustees strongly supports H.B. 1014 and respectfully requests its passage.

Thank you for this opportunity to testify.