

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 SENATE COMMITTEE ON LABOR AND TECHNOLOGY
ON
SENATE BILL NO. 206
January 30, 2023
3:00 P.M.
Conference Room 224 and VIA Videoconference

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM

Chair Moriwaki, Vice Chair Lee, and Members of the Committee,

S.B. 206 proposes to repeal the minimum age requirement applicable to retirement for individuals who become a member of the Employees' Retirement System (ERS) after 6/30/2012, and who have at least 25 years of service. While the ERS Board of Trustees has not had the opportunity to review the bill, the ERS staff believes the board would oppose the measure.

The bill would add an exception to § 88-99 Moratorium on benefit enhancements, Hawaii Revised Statutes (HRS), which states: "There shall be no benefit enhancements under this chapter for any group of members, including any reduction of retirement age, until such time as the actuarial value of the system's assets is one hundred per cent of the system's actuarial accrued liability."

The purpose and intent of § 88-99 "is to place a moratorium on the enhancement of benefits until the Employees' Retirement System's funded ratio is one hundred percent in order to assist the System in improving and protecting its funded status". SSCR 960 (2011). The Legislature found that "stability in the level of benefits received by current and former public employees will help the Employees' Retirement System to eventually



Employees' Retirement System
of the State of Hawaii

eliminate its unfunded liability and ensure the long-term viability of the system.” SSCR1083 (2011).

While the proposed elimination of minimum age requirements for ERS retirement eligibility is believed to target Police and Fire members, the bill’s language would extend to include all members hired after June 30, 2012, irrespective of employment classification.

The actuarial funded ratio of the Police and Fire category of the ERS is currently 67.4% and the plan is projected to reach full funding in 23 years according to ERS’ actuary, Gabriel, Roeder, Smith and Co. (GRS). The Unfunded Actuarial Accrued Liability (UAAL) attributable to Police and Fire is \$2.2 billion. The overall ERS funded ratio is 61.2% and its UAAL is \$13.5 billion.

The exception to eliminate the age requirement could negatively affect the ERS’ UAAL and could lead to requests for other exceptions, which could have a similar negative impact.

S.B. 206 also proposes to amend § 88-73 Service retirement, HRS, which applies to the benefit requirements of all Contributory class members--not just Police Officers. If the age requirement were removed for Police and Fire members hired after June 30, 2012, it would provide for an unreduced retirement with 25 years of service. For only Police Officers and Firefighters (grouped together for actuarial purposes), \$7 million would be added to UAAL and the funding period would increase by a year to 24 years. In order to hold the funding period to 23 years, the actuary would recommend increasing the employer contribution rate by 0.8%. The impact to the UAAL and the employer contribution rate would be significantly greater if all Contributory class employees hired after June 30, 2012, were included.

Currently, about 10% of the Police and Firefighter class for members joining prior to July 1, 2012 is eligible to retire with 25 years of service without an age requirement, according to the GRS study. Allowing Police and Firefighters and other Contributory class employees to retire without the age requirement would lower the total expected employee and employer contributions toward retirement that are factors in staying on course for full-funding.

While the mortality probability for an active Police Officer or Firefighter is higher than the general population, the data provided in the bill is not reflective of current trends or Hawaii-specific mortality. Hawaii mortality is different than that on the mainland, according to GRS. In the Hawaii ERS actuarial experience study in 2021, the mortality difference between Police and Firefighters and the general population is less than a year and a half. For example, the average life expectancy for Police and Firefighters from age 50 is 33 years and 34.3 years for the general population.

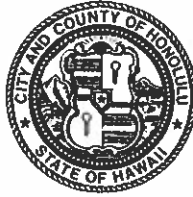
While the ERS respects the extraordinary sacrifices made by its Police and Firefighter members and appreciates the efforts to recruit and retain Police Officers, the removal of

the minimum age requirement may have the unintended consequence of encouraging earlier retirement, thereby further exacerbating the staffing shortfall currently existing.

Thank you for the opportunity to provide testimony on S.B. 206.

POLICE DEPARTMENT
CITY AND COUNTY OF HONOLULU

801 SOUTH BERETANIA STREET · HONOLULU, HAWAII 96813
TELEPHONE: (808) 529-3111 · INTERNET: www.honolulupd.org



RICK BLANGIARDI
MAYOR

ARTHUR J. LOGAN
CHIEF

KEITH K. HORIKAWA
RADE K. VANIC
DEPUTY CHIEFS

OUR REFERENCE ATY-LC

January 30, 2023

The Honorable Sharon Y. Moriwaki, Chair
and Members
Committee on Labor and Technology
State Senate
Hawaii State Capitol
415 South Beretania Street, Room 224
Honolulu, Hawaii 96813

Dear Chair Moriwaki and Members:

SUBJECT: Senate Bill No. 206, Relating to the Employees' Retirement System

I am Aaron Takasaki-Young, Assistant Chief of the Administrative Bureau of the Honolulu Police Department (HPD), City and County of Honolulu.

The HPD supports the passage of Senate Bill No. 206, Relating to the Employees' Retirement System.

The HPD believes that repealing the minimum age requirement (55 years old) for those who were hired after June 30, 2012, and who have 25 years of credited service to become eligible for a retirement allowance would be beneficial for the HPD to fill our sworn personnel vacancies.

As of January 1, 2023, the HPD has about 1,800 sworn officers and 390 vacancies. Nearly 750 officers (41 percent) were hired after June 30, 2012, and those employed after that date would eventually represent the majority of the department as the years progress.

Despite our recruiting efforts, the ability to attract qualified candidates and to retain those we hired has been difficult; a deterrent may be the mandated age for retirement eligibility. As such, the HPD believes that the elimination of the age requirement would be an incentive for individuals to consider and continue their career with the department given the rigors and demands of the profession.

The Honorable Sharon Y. Moriwaki, Chair
and Members
January 30, 2023
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The HPD urges you to support Senate Bill No. 206, Relating to the Employees' Retirement System.

Thank you for the opportunity to testify.

Sincerely,


Aaron Takasaki-Young, Assistant Chief
Administrative Bureau

APPROVED:


Arthur J. Logan
Chief of Police

Council Chair
Tasha Kama




Director of Council Services
Traci N. T. Fujita, Esq.

Councilmembers
Tom Cook
Gabe Johnson
Alice L. Lee
Tamara Paltin
Keani N.W. Rawlins-Fernandez
Shane M. Sinenci
Yuki Lei K. Sugimura
Nohelani U'u-Hodgins

Deputy Director of Council Services
David M. Raatz, Jr., Esq.

COUNTY COUNCIL
COUNTY OF MAUI
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793
www.MauiCounty.us

January 27, 2023

TO: The Honorable Senator Sharon Y. Moriwaki, Chair, and Members of the Senate Committee on Labor and Technology
FROM: Tasha Kama
Maui County Council Chair 
SUBJECT: **HEARING OF JANUARY 30, 2023; TESTIMONY IN SUPPORT OF SB 206, RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM**

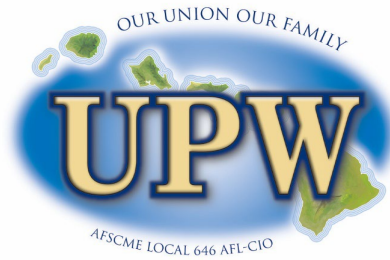
Thank you for the opportunity to testify in **support** of this important measure. This measure would repeal the requirement for police officers reaching at least 55 years of age to retire.

This measure is part of the 2023 Hawaii Association of Counties Legislative Package. Therefore, I offer this testimony on behalf of the Maui County Council.

The Maui County Council supports this measure for the following reasons:

1. This measure would assist police departments with recruitment and retention, which is needed in all counties.
2. Removing the retirement age requirement could encourage younger potential recruits to join police departments.
3. Removing the retirement age requirement would eliminate a possible disincentive for potential lateral transfers of officers from other jurisdictions.
4. A study shows police officers' life expectancy may improve by allowing them to retire earlier.

For the foregoing reasons, the Maui County Council **supports** this measure.



**THE SENATE
KA 'AHA KENEKOA
THE THIRTY-SECOND LEGISLATURE
REGULAR SESSION OF 2022**

Committee on Labor and Technology
Senator Sharon Y. Moriwaki, Chair
Senator Chris Lee, Vice Chair

Monday, January 30, 2023, 3:00 PM
Conference Room 224 & Videoconference

Re: Testimony in OPPOSITION to SB206 – RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM

Chair Moriwaki, Vice Chair Lee, and Members of the Committee:

The United Public Workers, AFSCME Local 646, AFL-CIO ("UPW") is the exclusive bargaining representative for approximately 14,000 public employees, which includes blue collar, non-supervisory employees in Bargaining Unit 1 and institutional, health, and correctional employees in Bargaining Unit 10, in the State of Hawaii and various counties. The UPW also represents 1,500 members in the private sector.

UPW **opposes** SB206, which repeals the minimum age requirement for individuals who become an Employees' Retirement System member after 6/30/2012, and who have at least 25 years of credited service. This bill also seeks to amend Section 88-99, Hawaii Revised Statutes, by excluding class A and B members from the moratorium on retirement benefit enhancements that was established by Act 29, Session Laws of Hawaii 2011.

While UPW appreciates the counties' efforts in seeking non-negotiated alternatives to address critical personnel needs, we believe retirement benefit enhancements should be administered equitably for all member groups. Should the committee decide to pass this measure, UPW humbly requests that **SECTION 3 of the bill be revised to repeal Section 88-99, Hawaii Revised Statutes.**

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

Sincerely,

A handwritten signature in blue ink, appearing to read "Kalani Werner", is written over a light blue horizontal line.

Kalani Werner
State Director



STATE OF HAWAII ORGANIZATION OF POLICE OFFICERS
" A Police Organization for Police Officers Only "
Founded 1971

January 27, 2023

ONLINE / FAX: 808-586-6829; 808-587-7240

The Honorable Sharon Y. Moriwaki
Chair
The Honorable Chris Lee
Vice-Chair
Senate Committee on Labor and Technology
Hawaii State Capitol, Rooms 223, 219
415 South Beretania Street
Honolulu, HI 96813

Re: **SB 206 – Relating to the Employees’ Retirement System**

Dear Chair Moriwaki, Vice-Chair Lee, and Honorable Committee members:

I serve as the President of the State of Hawaii Organization of Police Officers (“SHOPO”) and write to you on behalf of our Union in **strong support** of SB 206. This bill amends HRS §§ 88-73 and 88-99 to eliminate the minimum retirement age requirement, but retain the twenty-five years of service requirement for police officers to be eligible for retirement.

As noted in the measure, as compared to the general public, police officers generally have a shorter life expectancy due to stress, shift work, obesity, and exposure to hazardous work environments. Currently, police officers hired after June 30, 2012 are not eligible to retire until they have at least twenty-five years of credited service **and** have attained age fifty-five. HRS § 88-73. In the 2011 legislative session, the minimum age requirement was added to the already existing credited service requirement, reducing retirement benefits for police officers hired after June 30, 2012. Act 163, Session Laws 2011, Section 4.

This Act will provide a much needed incentive to recruit and retain more police officers and at the same time help to reduce the mortality rate risk factor for police officers. As you may know, the county police departments are suffering critical officer shortages and are struggling to fill vacancies which is compromising public safety.

Main Office & Honolulu Chapter Office
1717 Hoe Street
Honolulu, Hawaii 96819-3125
Tel: (808) 847-4676 "84 SHOPO"
www.shopohawaii.org Fax: (808) 841-4818

Hawaii Chapter Office
688 Kinoole Street, Room 220B
Hilo, Hawaii 96720-3877
Tel: (808) 934-8405
Fax: (808) 934-8210

Kauai Chapter Office
3176 Oihana Street, Suite 104, Lihue
Mailing Add: P. O. Box 1708
Lihue, Hawaii 96766-5708
Tel: (808) 246-8911

Maui Chapter Office
1887 Wili Pa Loop, Suite 2
Wailuku, Hawaii 96793-1253
Tel: (808) 242-6129
Fax: (808) 242-9519

The Honorable Sharon Y. Moriwaki, Chair
The Honorable Chris Lee, Vice-Chair
Senate Committee on Labor and Technology
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The Union fully supports this measure because it will help to address the severe staffing crisis that we are in and potentially help the mortality rate risk for our officers. As it currently stands, the reduced retirement benefits do not attract a sufficient number of qualified police officer recruits, turnover is constant, new recruits enlist and then cannot make it through our training or they graduate and soon leave for other jurisdictions that offer higher compensation and take our training with them and our most experienced officers, i.e., those who are eligible to retire, are exiting at the first opportunity. The officers who continue to work are fatigued and burned out working excessive hours. This recruitment and retention crisis has led to a catastrophic officer shortage in our communities and accompanying morale issues in our departments which, in a vicious cycle, directly erodes recruitment and retention efforts and poses a threat to public safety.

These factors, compounded by Hawai`i’s high cost of living and other factors, have combined to rank Hawai`i 50th out of 50 states (plus the District of Columbia) in the rankings of the “Best and Worst Places To Be A Cop.”

Non-competitive wages and benefits are at the root of our police recruitment woes. Our county police departments have experienced a precipitous decline in the number of applicants. From 2017 to 2021, the number of applicants for jobs as police officers dropped 33 percent in Honolulu, 50 percent in the County of Maui and 40 percent in the County of Kaua`i.

Hawai`i is also a ripe target for mainland police departments to recruit experienced police officers away to their jurisdictions with offers of higher pay, benefits, and hiring bonuses. Unless we do something about our retirement benefits and make it competitive, we will continue to lose the hiring battle and lose officers to other jurisdictions.

Recruitment woes are only part of the staffing shortage problem. All four county police departments are suffering from the loss of experienced officers mid-career as well as officers leaving the force the day they become eligible to retire, developments that have not been seen in the past where senior officers would willingly give our departments 30-32 years of service, providing much needed supervision and continuous training to our younger and less experienced officers.

The rapid increase in retirements and resignations and significantly fewer police officer applicants has brought upon results that have ranged up to the catastrophic, with the worst-case example being Maui County, which has 201 vacancies out of 500 authorized positions. In Honolulu, average staffing levels on any given day and on any given watch can average 30% to 40% below full staffing levels and can drop below 50%. There is no way anyone can honestly say that the public’s safety is not compromised when there are multiple patrol sectors running at deficits.

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Senate Committee on Labor and Technology
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Insufficient staffing means beats and neighborhoods across the state have inadequate police coverage, response times to 911 calls are inordinately delayed, and in some counties, the situation has become so dire that officers are required to work 12-hour shifts, six days a week. In some counties, given the desperate situation and because our officers do not want to leave their brother and sister officers in patrol short-handed, our officers work compulsory overtime and back-to-back shifts to fill the open beats.

Understaffing in a patrol sector is an officer safety issue. However, working overtime to back fill the empty beats also has negative consequences because it takes our officers away from their families, causes increased anxiety and stress, and contributes to an officer’s overall physical and mental health deterioration. Apart from the financial strain, this also means the department runs the risk of exhausting its officers, and it is more likely that a tired officer is going to make a mistake in high stress situations than a well-rested officer. When officers are stressed out and overworked with poor morale, no wants a job with us.

For example, in Hawai`i County where the County’s population had increased by 59% since 1980 but minimum patrol staffing has remained at the same level for 42 years, it has become a dangerous situation for officers and members of the public. Responding to calls given the staffing shortage can often exceed one hour. This presents a very dangerous situation for our officers who often have no choice but to respond to a call alone, although they should be responding with one or more back up or cover officers.

The recruitment and retention crisis has started a series and cascade of falling dominos in terms of very real costs that are detrimental to the community’s public safety. Police officers cannot respond to emergencies as quickly as they should, and often times emergencies are of a nature where the difference of even 30 seconds in a response time can mean a different outcome for the victims of crimes.

Low police staffing is also tied to increased crime. It is not a coincidence that the rate of certain types of criminal activity, including violent crimes, have jumped over the last several years. The homicide rate is more than double the rate from 2021 and going back to 2017. Robberies and auto thefts have also leaped to their highest levels in over five years. The recent shooting in Senator Moriwaki’s district of Waikiki where approximately 20 rounds were fired off in the heart of Waikiki is just one example of how things have spiraled out of control. Simply stated, having less police officers means there is less protection for our communities.

Low staffing also breeds dysfunction in their organizations. Maui County has now been forced to use lieutenants, who should be performing command functions, to handle patrol calls. Investigators are too-frequently called upon to backfill patrol positions, directly affecting the ability to adequately investigate drug cases and felony crimes. This also affects prosecution of these crimes due to delays in completion of investigations and required reports. Delayed

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investigations and charge cases can get dismissed based on timeliness issues. Inadequate investigator staffing in turn translates into low “clearance” rates. In 2020, Honolulu “cleared” (by arrest or otherwise being resolved) only 25.7% of the violent crime cases it handled, far below the national average and the lowest rate for HPD in 40 years.

Compared to national benchmarks, Honolulu residents have a “much lower” overall feeling of safety, both in general and in downtown Honolulu, and a “much lower” feeling of safety from both property crime and violent crime. It is no surprise that Honolulu Mayor Rick Blangiardi once characterized the public’s concern with skyrocketing violent crime as “the equivalent, really, quite honestly, of a primal scream.” And the public understands that low police staffing poses a risk to public safety. On May 5, 2022, the Kuli`ou`ou/Kalani Iki Neighborhood Board on O`ahu unanimously adopted a resolution that the City “take immediate and impactful action to bring HPD staffing to 100% . . . [and] to improve retention of HPD officers such as revising/revisiting the retirement plan and increasing salaries of Honolulu police officers.”

If passed, this measure will serve as a significant step in turning the tide, improving efforts at recruitment and retention of officers and helping our community fill the empty beats that are compromising our community’s safety. The simple fact is that our community is in danger when there are not enough officers available to respond to a citizen’s call for help. But that is the current reality, and this bill is one step toward doing something about it.

We thank you for allowing us to be heard on this very important issue and hope your committee will unanimously support this bill and allow this bill to take effect upon its approval.

Respectfully submitted,

ROBERT “BOBBY” CAVACO
SHOPO President

LATE



KAPALAMA

NEIGHBORHOOD
SECURITY
WATCH

☎ +808-724-0047
✉ Kapalamansw@gmail.com
📍 Kalihi-Palama

SB 206 | 1/30/23

Aloha Chair, Vice Chair & the LBT Committee,

Kapalama NSW testifies in strong support of SB 206 to support our police officers.

The purview of HPD's responsibilities extends far beyond law enforcement. The training HPD officers go through is intensive to acquire the skills to implement effective law enforcement strategies, to deter people from violating the law and to de-escalate situations of violence. Many HPD officers clean up after homeless people, provide water & snacks to homeless encampments, walk with communities around neighborhoods for citizen-led security watch group and organize social events with various communities & schools. HPD officers has to work in hazardous work environments and are required to perform a variety of duties in stressful situations to address public safety concerns vigilantly.

It is vital to the safety of our communities to support HPD in any way we can, including creating fair & equitable labor polices.

Blessings,

Angela Melody Young (Zhizi Xiong)

Safety coordinator & Co-captain of Kapalama NSW



Council Chair
Alice L. Lee

COUNTY COUNCIL

COUNTY OF MAUI
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793

www.MauiCounty.us

January 30, 2023

Director of Council Services
Traci N. T. Fujita, Esq.

Deputy Director of Council Services
David M. Raatz, Jr., Esq.

Councilmembers

Tom Cook
Gabe Johnson
Tasha Kama
Tamara Paltin
Keani N.W. Rawlins-Fernandez
Shane M. Sinenci
Yuki Lei K. Sugimura
Nohelani U'u-Hodgins

TO: The Honorable Senator Sharon Y. Moriwaki, Chair, and Members of the Senate Committee on Labor and Technology

FROM: Tamara Paltin
Maui County Councilmember

SUBJECT: HEARING OF JANUARY 30, 2023; TESTIMONY IN SUPPORT OF SB 206, RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM

Mahalo for the opportunity to testify in support of this important measure, which would eliminate the age requirement for retirement for police officers.

In September 2022, I introduced this tool in the Council's Government Relations, Ethics and Transparency Committee, as an effort to recruit and retain police officers. The proposal was approved to be included in the 2023 Hawaii Association of Counties Legislative Package by seven of the council members present at the meeting.

In 2012, the Legislature changed the retirement benefits for public employees, as a result of unfunded liabilities. At present, the system is only around 50 percent funded and has a \$14 billion deficiency.

Since then, we have seen the effects of a decreased workforce and maintaining it at 75 percent capacity is irrational. The State of Hawaii Organization of Police Officers' chair for the Maui Chapter said the union supports the idea.

Many officers leave the department before retirement, in quest of positions offering more logical retirement packages. Others move out of state. Furthermore, the longevity of an officer is another issue. According to research by the National Center for Biotechnology Information, stress, shift work, obesity, and exposure to dangerous work settings all contribute to an usually reduced life expectancy.

There were 184 submissions of testimony for the bill, all in support except for three in opposition. Those opposing "wanted it to be even more beneficial" to allow police officers to retire after less than 25 years.

I humbly ask for your consideration in support of this measure, based on the aforementioned reasons.