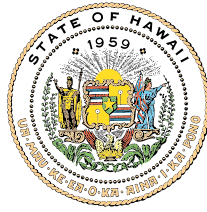


JOSH GREEN, M.D.  
GOVERNOR

SYLVIA LUKE  
LIEUTENANT GOVERNOR



THOMAS WILLIAMS  
EXECUTIVE DIRECTOR

GAIL STROHL  
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  
PROVIDING COMMENTS ON  
HOUSE BILL NO. 1183**

**January 30, 2025**

**9:00 A.M.**

**Conference Room 309 and VIA Videoconference**

RELATING TO ALLOWANCE ON SERVICE RETIREMENTS.

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

The Employees' Retirement System (ERS) Board of Trustees has not had a chance to review the bill, however the ERS respectfully provides the following comments.

H.B. 1183, proposes to amend the existing definition of "Law enforcement investigations staff investigators" to include investigators of the attorney general who were transferred to the DLE, as well as add four new definitions to Section 88-21, Hawaii Revised Statutes (HRS), for positions in the state Department of Law Enforcement (DLE). It further proposes to mandate enrollment as a class A member when employed in the added and amended positions. Excluding "Sheriff division investigators", this mandatory Class A enrollment is contingent on having already been employed as a class A member prior to employment in one of the four defined positions with the DLE. H.B. 1183 also proposes to allow increased benefits for members employed in the five defined DLE positions for tier 2 members, and if employed after July 1, 2025, for tier 1 members.



**Employees' Retirement System  
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The proposed definition of “Department of law enforcement investigator” appears to include the proposed definition of “Sheriff division investigator.” To the extent that one definition includes another, we recommend that any duplicative definition be omitted to prevent confusion.

Section 88-47(a)(1)(B), HRS, currently includes investigators of other jurisdictions in Class A, including positions that were moved to DLE from other departments. Certain Class A members, primarily investigators, receive enhanced benefits that differ from other general Class A members. These include a higher benefit multiplier (2.5% or 2.25%) in the calculation of benefits and enhanced retirement eligibility qualifiers for those who complete at least 25 years of service in Class A, both of which includes a requirement that they serve their last five years in these categories. The bill also does not include Class B members, police and firefighters, who also are eligible for these enhanced benefits and may wish to be employed by DLE but may not be enrolled as Class A members.

As previously noted, the bill proposes to make a distinction between members who were and were not employed as Class A “prior to appointment” in the newly included positions. For example, existing or new members who have not “already been employed as a class A member “prior to appointment” who are appointed as the director, deputy director or Sheriff would be statutorily enrolled as Class H or Class C.

Whereas, if any of these same appointees had Class A service at any time prior, even if not currently enrolled in Class A or had forfeited their Class A service, they would be enrolled as Class A under the proposed bill language. The distinction between members who were and were not employed as Class A “prior to” accepting the newly included positions is inconsistent with ERS membership and enrollment statutes, which look at current membership and vesting status, as well as the existence and durations of breaks-in-service. Being employed as a “class A member prior” can be interpreted as ever being enrolled as a class A member, which would create a conflict with our existing statutes if the employee had forfeited class A service.

For clarification, ERS rules mandate that any member who changes positions without a business day break-in-service would remain a member of their current class unless mandated to be another class by statute. Therefore, members who are currently another class but were employed as Class A “prior to” accepting the newly included positions with a break in service would be enrolled in a class determined by statute, and not necessarily Class A.

The bill also creates mandatory Class A membership for the Sheriff, who serves as the administrator of the sheriff division, but only if they were previously in Class A. Currently all state sheriffs, who were under the former Department of Public Safety, are classified as general employees and as such, are not eligible for enhanced benefits and are not required to pay higher contributions. The bill creates a discrepancy in ERS membership between the Sheriff and deputy sheriffs who are ostensibly the same class of employee. This discrepancy between benefits for the same class of employee could

lead to concerns of inequitable or discriminatory administration of benefits and could put ERS' tax qualified status in jeopardy.

If the Committees intend to pass this bill, the ERS recommends that the bill be amended to require the DLE Director, DLE Deputy Director, DLE Investigators, Sheriff, and Sheriff Division Investigator positions to pay higher contribution rates (7.8% or 9.8%), consistent with other Class A members with enhanced benefits in Section 88-45, HRS. ERS also recommends that these positions be included in Section 88-122(a)(1) for the purposes of assessing increased employer contribution rates on ERS eligible compensation for these positions to adequately fund the enhanced benefits received.

ERS also recommends that the Class A prerequisite be removed from the amendments to 88-47(a)(1)(G) (Section 2, pages 5-6) contained in the bill. This would conform to other positions listed without such prerequisites and would eliminate conflict and confusion with existing enrollment statutes as well as expand the members able to be enrolled for these benefits.

ERS further recommends that an effective date of July 1, 2025, be added to section 88-47(f)(6) (Section 3, page 15, line 5) of the bill to prevent retroactivity of the qualification for the enhanced benefit for tier 2 members (those with membership dates after June 30, 2012). Implementing retroactive qualifications would be administratively burdensome and would create a liability between the retroactively accrued benefit and the higher employee and employer contributions necessary to fund such enhanced benefit.

Thank you for the opportunity to provide testimony on H.B. 1183.

JOSH GREEN, M.D.  
GOVERNOR

SYLVIA LUKE  
LIEUTENANT GOVERNOR

EMPLOYEES' RETIREMENT SYSTEM  
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
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FINANCIAL ADMINISTRATION DIVISION  
OFFICE OF FEDERAL AWARDS MANAGEMENT

**TESTIMONY BY LUIS P. SALAVERIA**  
**DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE**  
**TO THE HOUSE COMMITTEE ON LABOR**  
**ON**  
**HOUSE BILL NO. 1183**

**January 30, 2025**  
**9:00 a.m.**  
**Room 309 and Videoconference**

**RELATING TO ALLOWANCE ON SERVICE RETIREMENTS**

The Department of Budget and Finance (B&F) opposes this bill.

House Bill No. 1183 amends Chapter 88, HRS, to include certain law enforcement administrators and employees of the Department of Law Enforcement (DLE) as Class A members of the pension and retirement system and adjust their retirement compensation computations to be similar to those of police officers.

B&F opposes this measure as the proposed amendments will significantly increase the State's unfunded actuarial accrued liabilities (UAAL) for pension accumulation and other post-employment benefits for these employees and will set an undesirable precedent for other employee groups to request the same benefit enhancements.

It is important to note that Section 88-99, HRS, prohibits benefit enhancements for any group of members, including any reduction of retirement age, until such time as the actuarial value of the system's assets is 100% of the system's actuarial liability, which is currently estimated at 22 years from now. A setback in the timeline of funding the State's UAALs and the increased annual fixed cost requirements burdening the State's budget will negatively impact the State's credit rating.

Further, while this measure increases the retirement compensation for the subject positions, it does not make conforming amendments to Section 88-45, HRS, to adjust their employee contributions to match the Class A positions such as police officers. Police officers and firefighters are provided with the ability to retire upon meeting service requirements without penalty for age; however, these employees contribute 14.2% of their compensation for this benefit. As the bill is currently drafted, the affected DLE employees will be provided police officer retirement benefits without having to contribute appropriately.

Finally, it should be noted that the affected DLE positions do not have the Social Security contribution exemption that police officers and firefighters have. (NOTE: When Social Security was being implemented, states were given the one-time option to exempt certain classes of employees - Hawai'i opted to exempt police officers and firefighters.) Consequently, if the affected DLE employees are required to contribute 14.2% of their compensation like police officers and firefighters, their Federal Insurance Contributions Act (7.65%) and retirement contributions would amount to 21.85% of their compensation.

Thank you for your consideration of our comments.