

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 HOUSE COMMITTEE ON FINANCE
ON**

HOUSE BILL NO. 2485, H.D. 1

**February 19, 2020
3:00 P.M.
Conference Room 308**

RELATING TO HAWAII NATIONAL GUARD RETIREMENT BENEFITS.

Chair Luke, Vice Chair Cullen, and Members of the Committee,

H.B. 2485, H.D. 1, requires the Board of Trustees of the Employees' Retirement System of the State of Hawaii (ERS) to conduct a study and recommend State retirement benefits for part-time, intermittent Hawaii national guard personnel who are activated under State active duty orders. Although the ERS Board recognizes the supportive intent of the bill to research possible retirement programs for the national guard program, the Board must respectfully oppose the bill as its implementation would represent a benefit enhancement precluded by Act 29, SLH 2011, utilize ERS resources for other than the exclusive benefit of its members, extend benefits to otherwise ineligible individuals as these individuals are not employees of the State or the counties and their inclusion may adversely impact the unfunded liability of the system.

At present, National Guard service personnel who are members of the ERS, are granted ERS service credit during periods of active duty call up. Both employer and employee contributions are continued during such period so as to avoid interruption in service accrual. This provision, under section 88-132, HRS, applies to ERS members only, and does not apply to ineligible non-State or non-county employees. H.B. 2485, H.D. 1 addresses an activated national guard population who are not employees of the State or county and are not members of the ERS.



Employees' Retirement System
of the State of Hawaii

A defined benefit plan like the ERS is likely not the best retirement accrual option for employees for whom employment is short-term, part-time and intermittent. Defined benefit plans are better suited for long-term, career employees who steadily contribute toward their benefit through out their employment and acquire a vested retirement benefit by their normal retirement age. Short-term, part-time and intermittent employees would rarely reach eligibility for retirement benefits which vest after 5 or 10 years of service, while contributions would continue to be deducted from their part-time pay. If benefits are granted retroactively, as contemplated by the bill, our plan's unfunded liability is likely to increase and the plan's funding period may be extended as well. Likewise, the administrative challenges of billing, receiving and crediting contributions and service accrual for non-State and county employees would be formidable.

Should the legislature wish to pursue an additional retirement program for activated national guard personnel other than State or county employees, perhaps the Department of Human Resources Development (DHRD) would be best equipped to research and provide the legislature with information on a program for these part-time, intermittent employees. DHRD currently administers the PTS Deferred Compensation Retirement Plan for part-time, temporary, seasonal/casual employees of the State. A similar defined contribution retirement program appears to be best suited for this group of employees. Attached for your review is a PTS Deferred Compensation Retirement Plan brochure.

Thank you for this opportunity to testify on H.B. 2485, H.D. 1.

Attachment

HB-2485-HD-1

Submitted on: 2/18/2020 10:36:42 AM

Testimony for FIN on 2/19/2020 3:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Carlos	Veterans Caucus of the Democratic Party of Hawaii	Support	No

Comments:

Aloha,

The Veterans Caucus of the Democratic Party of Hawaii supports this measure. When National Guard troops are federally activated, they accumulate time towards a federal retirement. It is only logical to extend state retirement time to state activated troops. National Guard members should not be at a disadvantage simply because they are called to duty.

I urge all members to support this measure.

HB-2485-HD-1

Submitted on: 2/17/2020 7:51:05 PM

Testimony for FIN on 2/19/2020 3:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Pride at Work - Hawaii	Pride @ Work - Hawaii	Support	No

Comments:

TO THE HOUSE OF REPRESENTATIVES
THE THIRTIETH LEGISLATURE
REGULAR SESSION OF 2020

COMMITTEE ON FINANCE
Rep. Sylvia Luke, Chair
Rep. Ty J.K. Cullen, Vice Chair
DATE: Wednesday, February 19, 2020
TIME: 3:00 P.M.
PLACE: Conference Room 308
State Capitol
415 South Beretania Street
HEARING: HB2485 HD1

POSITION: **SUPPORT HB2485 HD1**

Aloha Chair Luke,

This bill is a small token of gratitude toward the persons serving in the armed forces in a state capacity. Currently, these members of our community that serve are provide with no avenue toward state retirement benefits. This is unconscionable, the members that serve help with state as well as national emergencies deserve to have the respect in the way of compensation for their commitment toward the residents and State of Hawaii.

The language and intent of this bill is to reaffirm the commitment to these members of the National Guard our state commitment to their service. An example in this prudence in Section 2 b(3) whereas, there will be and an examination of the *“differences between full-time and part-time beneficiaries of the employees' retirement system, and intermittent employees, in relation to the provision of state retirement benefits to these employee.*

This area of study and suggested policy direction will have an enormous impact on the lives of these members. These action are not without precedence. Stated in Section 1 of the bill states like Alabama, California, Michigan, and Texas all that have expanded the retirement benefits for National Guard members who have been activated by their state governor through state active duty order.

This bill should pass this committee with all amendments to strengthen the intent of this bill. Any expenditure(s) should not be seen just as an expense rather, as a commitment to those that serve in our Air and National Guard. Thank you for reading my testimony.

Mahalo,

Ken Farm

LATE

HB-2485-HD-1

Submitted on: 2/18/2020 9:21:17 PM

Testimony for FIN on 2/19/2020 3:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Roland P. Carino Jr.	Individual	Support	Yes

Comments:

Dear Chair Luke & Vice Chair Cullen,

I'm writing to **support** HB2485 Relating to Hawaii National Guard Retirement Benefits. I am not sure whether or not the Board of Trustees for the Employees Retirement System is best place to answer this question but I do support the intent of the legislation to search for a way to fully compensate the State's National Guard Members that are activated for State Active Duty (SAD).

If I may, I'd suggest looking for a way to allow members activated to SAD to earn points toward their military retirement for the duration of the orders and to direct a portion of their SAD pay to their military Thrift Savings Plan (TSP) pre-tax. Either of these options would require coordination with the Defense Finance and Accounting Service (DFAS) but I believe it could be done.

For background, National Guard Members accrue points toward retirement on a pro-rated basis depending on the number of days they perform active duty and are also allowed to make contributions to a Thrift Savings Plan. The pro-rated nature of those benefits incentivize National Guard Members to perform active duty as a means to build their National Guard retirement benefit. I'd be happy to answer any questions of the committee or the Chair & Vice Chair.

Thank you for your consideration,

Roland "JR" Carino

LATE

HB-2485-HD-1

Submitted on: 2/18/2020 8:06:01 PM

Testimony for FIN on 2/19/2020 3:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Francis Riddell	Individual	Support	No

Comments:

This is my testimony supporting HB2485 for conducting a study to provide State Retirement Benefits for Hawaii's National Guard Members.

Francis Riddell