

JOSH GREEN, M.D.  
GOVERNOR



LUIS P. SALAVERIA  
DIRECTOR

SABRINA NASIR  
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM  
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII  
DEPARTMENT OF BUDGET AND FINANCE  
*Ka 'Oihana Mālama Mo'ohelu a Kālā*  
P.O. BOX 150  
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ADMINISTRATIVE AND RESEARCH OFFICE  
BUDGET, PROGRAM PLANNING AND MANAGEMENT DIVISION  
FINANCIAL ADMINISTRATION DIVISION  
OFFICE OF FEDERAL AWARDS MANAGEMENT

TESTIMONY BY LUIS P. SALAVERIA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE SENATE COMMITTEES ON PUBLIC SAFETY AND INTERGOVERNMENTAL  
AND MILITARY AFFAIRS AND LABOR AND TECHNOLOGY  
ON  
SENATE BILL NO. 1158

**February 15, 2023**  
**4:00 p.m.**  
**Room 225 and Videoconference**

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM

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

Senate Bill (S.B.) No. 1158 amends Chapter 88, HRS, to adjust the following for police officers hired after June 30, 2023: 1) the means of calculating retirement benefits, including categories of compensation that apply, retirement allowance, and average final compensation; 2) the employee contribution rate; 3) parameters for return to service and reenrollment with the Employees' Retirement System (ERS); and 4) retirement age requirements and penalties. The bill also amends Section 87A-36, HRS, to restore spousal health benefit plan coverage for all police officers hired after June 30, 2001.

B&F opposes the proposed ERS and Hawai'i Employer-Union Health Benefits Trust Fund benefits amendments because they represent a major setback in the State's and the other public employers' efforts to address the unfunded actuarial accrued liabilities (UAAL) for pension accumulation and other post-employment benefits (OPEB). Restoring the retirement benefits for police officers hired after June 30, 2023, and

OPEB for all police officers hired after June 30, 2001, will significantly increase annual fringe benefits costs for public employers in the future and set a precedent for other employee groups to request the same benefit amendments. Furthermore, the setback in the timeline of funding the UAALs and the increased annual fixed cost requirements burdening the State's budget will negatively impact the State's credit ratings.

Thank you for your consideration of our comments.



**TESTIMONY OF  
THE DEPARTMENT OF THE ATTORNEY GENERAL  
KA 'OIHANA O KA LOIO KUHINA  
THIRTY-SECOND LEGISLATURE, 2023**

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**ON THE FOLLOWING MEASURE:**

S.B. NO. 1158, RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM.

**BEFORE THE:**

SENATE COMMITTEES ON PUBLIC SAFETY AND INTERGOVERNMENTAL AND  
MILITARY AFFAIRS AND ON LABOR AND TECHNOLOGY

**DATE:** Wednesday, February 15, 2023      **TIME:** 4:00 p.m.

**LOCATION:** State Capitol, Room 225

**TESTIFIER(S):** Anne E. Lopez, Attorney General, or  
Diane W. Wong, Deputy Attorney General

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Chairs Wakai and Moriwaki and Members of the Committees:

The purpose of this bill is to adjust the retirement benefits of police officers who became members of the Employees' Retirement System (ERS) after June 30, 2023.

The Department of the Attorney General provides the following comments.

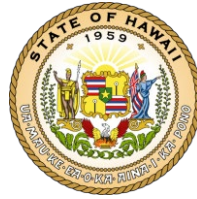
We are concerned that section 1 of this bill may be subject to challenge as violating article III, section 14, of the Hawai'i State Constitution, which provides: "No law shall be passed except by bill. Each law shall embrace but one subject, which shall be expressed in its title." See *League of Women Voters of Honolulu v. State*, 150 Haw. 182, 199, 499 P.3d 382, 399 (2021).

Sections 2 through 14 of this bill contain proposed amendments to sections of chapter 88, Hawaii Revised Statutes, relating to the subject identified in the title of this bill, to wit: the ERS, but the proposed amendments in section 1 of the bill do not relate to the ERS. Section 1 of this bill proposes to amend section 87A-36, Hawaii Revised Statutes, relating to the Hawaii Employer-Union Health Benefits Trust Fund.

As written, the bill would violate the one subject requirement of article III, section 14, of the Hawai'i State Constitution. To address this constitutional issue, we recommend that section 1 be removed from the bill.

Thank you for the opportunity to provide these comments.

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 COMMITTEES ON**  
**PUBLIC SAFETY AND INTERGOVERNMENTAL AND MILITARY AFFAIRS**  
**AND ON**  
**LABOR AND TECHNOLOGY**

**ON**

**SENATE BILL NO. 1158**

**February 15, 2023**

**4:00 P.M.**

**Conference Room 225 and VIA Videoconference**

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

Chairs Wakai and Moriwaki, Vice Chairs Elefante and Lee, and Members of the Committees,

Section 1 of S.B. 1158 relates to Chapter 87A and the Hawaii Employer-Union Health Benefits Trust Fund, which administers the retiree health benefits.

Sections 2 through 14 of S.B. 1158 propose to provide police officers who become members of the Employees' Retirement System (ERS) after June 30, 2023 with retirement benefits similar to those provided for members of the ERS who became members before July 1, 2012, including but not limited to calculation of retirement allowance, minimum age or years of credited service requirements, and vesting period.

The ERS Board of Trustees has not had the opportunity to review the bill, but the ERS staff believes the Board would strongly object to this proposal.

The ERS believes that the bill would violate the § 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



**Employees' Retirement System**  
of the State of Hawaii

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 eliminate its unfunded liability and ensure the long-term viability of the system.” S.S.C.R. 1083 (2011).

S.B. 1158 allows new Police Officers to have similar retirement requirements and benefits as officers hired prior to July 1, 2012. These new officers would have better benefits than members hired between July 1, 2012 to the effective date of the bill. It would also change the retirement age requirement and lower the required contribution rates for those new members.

The ERS acknowledges and respects the extraordinary sacrifices made by Police Officers. However, the amendments outlined in the bill would negatively impact the ERS' Unfunded Actuarial Accrued Liability (“UAAL”). 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 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 amendments outlined in the bill could lead to requests for other exceptions. Currently Police Officers and Firefighters have the same ERS benefits. The bill only applies to Police Officers. This bill would be a departure from the past practice of providing the same benefits to both employee groups. S.B. 1158 would also set a precedent for other employee groups to ask for the same benefits and set back the ERS' goal to reach full-funding.

If S.B. 1158 were applied to all Police Officers and Firefighters hired after June 30, 2012, GRS estimates the ERS' unfunded actuarial accrued liability for the Police/Fire group to increase from \$2.2 billion to \$2.3 billion. The funded ratio for the group would decrease from 67.4% to 66.5% and the funding period would increase from 23 years to 30 years. In order to remain at the 23-year funding period, employer contribution rates would need to be increased from 41% to 45.1%.

S.B. 1158 would negatively impact the ERS' unfunded liability.

Thank you for the opportunity to provide testimony on S.B. 1158.



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

February 9, 2023

**VIA ONLINE**

The Honorable Glenn Wakai  
Chair  
The Honorable Brandon J.C. Elefante  
Vice-Chair  
Senate Committee on Public Safety and Intergovernmental and Military Affairs  
Hawaii State Capitol, Rooms 407, 217  
415 South Beretania Street  
Honolulu, HI 96813

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 1158 – Relating to the Employees’ Retirement System**

Dear Chairs Wakai and Moriwaki, Vice-Chairs Elefante and 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 1158. This bill makes various amendments to HRS chapters 87A and 88 to restore retirement benefits that were taken away from police officers who joined after 6/30/12. This bill will reinstate benefits that were taken away from officers back in 2012, by restoring those retirement benefits for police officers who become members after 6/30/23, as explained below. The suggested amendment we make is that the retirement benefits go one step further and be restored for all officers who became members between 7/1/12 and 6/30/23.

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The Honorable Glenn Wakai, Chair, and The Honorable Brandon J.C. Elefante, Vice-Chair  
Senate Committee on Public Safety and Intergovernmental and Military Affairs  
The Honorable Sharon Y. Moriwaki, Chair, and The Honorable Chris Lee, Vice-Chair  
Senate Committee on Labor and Technology

February 9, 2023

SHOPO Testimony Page 2

Re: **SB 1158 – Relating to the Employees’ Retirement System**

This Act will provide a much-needed incentive to recruit and retain more 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. Although our county leaders may say that public safety has not been compromised by the shortage of police officers, we on the front lines know that is simply not true when you have open beats and an insufficient number of officers available to respond to emergency calls. Maui Police Chief John Pelletier bluntly told the Maui County Council in January 2022 that “the best way for him to explain the staffing crisis and danger it poses to public safety is to ‘cut off one quarter of your body and be asked to perform at the same standard. That’s like taking a sprinter and saying, Hey, go run this race but we’re going to take your leg off.’”

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 55. 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. This bill proposes a new subsection to HRS § 88-73 to give police officers who become members after 6/30/23 the same rule as those who became members before 6/30/12 allowing them to retire with 25 years regardless of age.

This bill also proposes to amend HRS § 88-73 so that police officers shall become eligible to receive a retirement allowance pursuant to HRS 88-74(i). See SB 1158, section 7. This bill also proposes to amend HRS 88-74(i) so that reductions to allowances for retirement before age 60 are not applicable to police officers if the member has at least 25 years of credited service as a county police officer regardless of whether the member has attained age 55. See SB 1158, section 8.

The bill will also restore other important retirement benefits taken away over the years from our officers. For example, it would amend HRS § 88-21.5 so that police officers who become members after 6/30/23 are treated like members who became members before 7/1/12 such that “compensation” includes overtime, bonuses, etc. See SB 1158, section 3. It would amend HRS § 88-81 so that police officers who become members after 6/30/23 are treated like those who became members between 12/31/70-7/1/12 where “average final compensation” is of a member’s three highest paid years. See SB 1158, section 11. It would also amend HRS § 88-45 so that police officers who become members after 6/30/23 shall contribute 12 and two-tenths percent of their compensation to the annuity savings fund. See SB 1158, section 5. This bill will also amend HRS § 88-62 so that return to service rules for those who became members before 7/1/12 apply to police officers who become members after 6/30/23. See SB 1158, section 6.

The Honorable Glenn Wakai, Chair, and The Honorable Brandon J.C. Elefante, Vice-Chair  
Senate Committee on Public Safety and Intergovernmental and Military Affairs

The Honorable Sharon Y. Moriwaki, Chair, and The Honorable Chris Lee, Vice-Chair  
Senate Committee on Labor and Technology

February 9, 2023

SHOPO Testimony Page 3

Re: **SB 1158 – Relating to the Employees’ Retirement System**

The bill will also amend HRS § 87A-36 so that county police officers hired after 6/30/01 who are retired are treated as if their employment began before 7/1/01 for purposes of maintaining a spouse on a health benefit plan. See SB 1158, section 1. This bill also proposes amendments to HRS § 88-90 making subsection (c) (1.5% post-retirement allowance) not applicable to police officers who become members after 6/30/23. See SB 1158, section 12. This bill would amend HRS § 88-96 so that separation of service rules that to 7/1/12 members also apply to members who become members after 6/30/23. See SB 1158, section 13. This bill also would amend HRS § 88-311 to include a definition of “hypothetical account balance” that equates police officers who become members after 6/30/23 to those members who became a member before 7/1/12. See SB 1158, section 14.

SHOPO fully supports this measure because it will help to address the severe staffing crisis that we are in. 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 has led to mental and psychological fatigue which affects an officer’s performance in the field and can be extremely detrimental. 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 prohibitive 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.



The Honorable Glenn Wakai, Chair, and The Honorable Brandon J.C. Elefante, Vice-Chair  
Senate Committee on Public Safety and Intergovernmental and Military Affairs  
The Honorable Sharon Y. Moriwaki, Chair, and The Honorable Chris Lee, Vice-Chair  
Senate Committee on Labor and Technology

February 9, 2023

SHOPO Testimony Page 4

Re: **SB 1158 – Relating to the Employees’ Retirement System**

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.

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 an extremely 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 Honorable Glenn Wakai, Chair, and The Honorable Brandon J.C. Elefante, Vice-Chair  
Senate Committee on Public Safety and Intergovernmental and Military Affairs

The Honorable Sharon Y. Moriwaki, Chair, and The Honorable Chris Lee, Vice-Chair  
Senate Committee on Labor and Technology

February 9, 2023

SHOPO Testimony Page 5

Re: **SB 1158 – Relating to the Employees’ Retirement System**

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 Waikiki district where approximately 20 rounds were fired off in the heart of Waikiki is just one example of how things have spiraled out of control. We cannot close our eyes or deny a problem exists because it is right there in front of us all to see. 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 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.”

The Honorable Glenn Wakai, Chair, and The Honorable Brandon J.C. Elefante, Vice-Chair  
Senate Committee on Public Safety and Intergovernmental and Military Affairs

The Honorable Sharon Y. Moriwaki, Chair, and The Honorable Chris Lee, Vice-Chair  
Senate Committee on Labor and Technology

February 9, 2023

SHOPO Testimony Page 6

Re: **SB 1158 – Relating to the Employees’ Retirement System**

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

**SB-1158**

Submitted on: 2/14/2023 11:26:30 AM

Testimony for PSM on 2/15/2023 4:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Nicholas Krau	Testifying for State of Hawaii Organization of Police Officers (SHOPO)	Support	Remotely Via Zoom

Comments:

My name is Nicholas Krau, I am a Maui Police Officer and also the Maui Chapter Chairman of the State of Hawaii Organization of Police Officers (SHOPO). The Maui Police Department currently has 106 police officer vacancies out of 400 positions. We have gone from a staffing problem to a staffing crisis and this crisis will not solve itself. Staffing shortages mean longer shifts for officers and increased overtime pay for taxpayers, slower responses to 911 calls, mental health crises and our communities could ultimately be underserved by their police.

We need to take major steps to retain the qualified police officers we already have and stop the mainland police departments from hiring them away from us by enticing them with a cheaper cost of living, higher pay and better benefits. Reinstating the retirement benefits once afforded to police officers will stop the exodus of police officers while also helping us attract new police officer candidates that we are currently losing to other jobs that don't require overnight shifts and mandatory overtime.

We must invest in our police officers if we expect people to invest their lives in a career serving our communities as police officers. I understand this creates a burden to the State ERS, but we're talking about public safety here and that impacts everyone. I'm sure there is a way to reinstate the police officer retirement system that was afforded to police officers prior to 2001 without bankrupting the ERS.

Sincerely,

Nicholas Krau



February 14, 2023

4 p.m.

Conference Room 225 and Via Videoconference

**To: Senate Committee on Public Safety and Intergovernmental and Military Affairs**

**Senator Glenn Wakai, Chair**

**Senator Brandon Elefante, Vice Chair**

**Senate Committee on Labor and Technology**

**Senator Sharon Moriwaki, Chair**

**Senator Chris Lee, Vice Chair**

**From: Grassroot Institute of Hawaii**

**Joe Kent, Executive Vice President**

RE: SB1158 — RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM

***Comments Only***

Dear Chair and Committee Members:

The Grassroot Institute of Hawaii would like to offer its comments on [SB1158](#), which would provide police officers who become members of the Hawaii Employees' Retirement System after June 30, 2023, with retirement benefits similar to ERS members who became members before July 1, 2012.

The bill would also allow police officers hired after June 30, 2001, to be treated as if they were hired before July 1, 2001, so their spouses may receive health benefits.

No doubt, this bill is intended to assist Hawaii's police departments in filling staff vacancies by providing officers more generous retirement benefits; however, we are concerned that this measure might endanger the financial stability of the ERS.

In particular, we are concerned that overturning the prohibition on “pension spiking” and allowing the spouses of ERS members to receive health benefits will increase the pension system’s unfunded liabilities, which currently stand at \$14.2 billion.<sup>1</sup>

Yes, this measure would once again allow “pension spiking” — an action that the Legislature stopped for new ERS members back in 2012.

“Pension spiking” occurred when public employees worked overtime or received substantial bonuses. These payments — in addition to their base salaries — were used to calculate an employee’s retirement benefits.

By racking up substantial hours of overtime for just a few years during their careers, public employees could receive inflated pensions.

The Legislature recognized that this practice was sapping money from the ERS and contributing to its large unfunded liabilities, which at the time totalled roughly \$8 billion.

In the 2012 regular session, the Legislature passed and Gov. Neil Ambercrombie signed SB1269, which prohibited pension spiking for public employees hired after June 30, 2012.<sup>2</sup>

At the time, then-ERS Administrator Wes Machida said that getting the bill enacted “was really a good accomplishment for us from a liability standpoint. It helps us curtail the liability going forward.”<sup>3</sup>

The prohibition did, in fact, save the state and county governments several million dollars. In 2010, for example, pension spiking had added \$12.3 million in unfunded liabilities.<sup>4</sup> The prohibition was not a silver bullet to bring down the system’s unfunded liabilities, but it helped.

Today, the ERS still is in no position to allow more pension spiking. In 2021, Hawaii’s public retirement system was only 58.3% funded. Only five other states had a lower percentage of their pension systems funded.<sup>5</sup>

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<sup>1</sup> [“Annual Comprehensive Financial Report for Fiscal Year Ended June 30, 2021,”](#) Hawaii Employees’ Retirement System, Nov. 23, 2022, p. 132.

<sup>2</sup> Nanea Kalani, [“Pension Spiking Measures Await Gov’s OK,”](#) Honolulu Civil Beat, May 15, 2012; [“SB1269 SD2 HD2 CD1,”](#) Hawaii State Legislature, 2012 Archives.

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

<sup>5</sup> [“Annual Comprehensive Financial Report for Fiscal Year Ended June 30, 2021,”](#) p. 33, 171. Note that this figure is on an actuarial basis. On a market basis, the funded ratio is 64.3%.

Under its current assumptions, ERS management predicts it will take about 24 years to zero out its unfunded liabilities<sup>6</sup> — assuming economic downturns, global instability or other such factors do not significantly interfere.

Allowing pension spiking and spousal health benefits would make it that much harder to pay off the unfunded liabilities.

The Pew Charitable Trusts reports that high unfunded liabilities sap government revenues and can affect credit ratings. In July 2022, two Pew researchers wrote:

“Although states have decades to pay off these sums, such spending commitments can have budget consequences both now and later.

“If the amount states must spend each year to pay down these obligations gets too high, less money may be available to fund other priorities, such as healthcare or education, or to cover unexpected needs.

“As part of a state’s full financial picture, these liabilities also can affect credit ratings and borrowing costs.”<sup>7</sup>

The Grassroot Institute of Hawaii recognizes that this bill is well-intentioned, but changing ERS calculations for police officers is not the way to improve police recruitment efforts.

The state and counties should consider avenues that would not burden the ERS, such as providing additional relocation assistance or other perks unrelated to pensions.

Thank you for the opportunity to submit our comments.

Sincerely,

Joe Kent  
Executive vice president  
Grassroot Institute of Hawaii

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<sup>6</sup> Ibid, p. 37.

<sup>7</sup> Joanna Biernacka-Lievestro and Joe Fleming, “[States’ Unfunded Pension Liabilities Persist as Major Long-Term Challenge](#),” Pew Charitable Trusts, July 7, 2022.

**SB-1158**

Submitted on: 2/13/2023 10:38:33 AM

Testimony for PSM on 2/15/2023 4:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Alan Urasaki	Individual	Support	Written Testimony Only

Comments:

I urge the committee to support this measure. Mahalo