

LINDA LINGLE  
GOVERNOR



**STATE OF HAWAII**  
**EMPLOYEES' RETIREMENT SYSTEM**

February 21, 2008

The Honorable Rosalyn H. Baker, Chair  
Senate Committee on Ways and Means  
Twenty-fourth State Legislature  
State Capitol, Room 210  
Honolulu, Hawaii

Dear Chair Baker:

RE: S.B. No. 2039, S.D. 1, Relating to the Employees' Retirement System

S.B. No. 2039, S.D. 1 provides a one-time lump sum pension bonus payment for retirants at least 75 years of age who have been in retirement for at least 20 years as of June 30, 2008. The bonus is equal to \$1 per month of credited service earned by the retirant, would average about \$290 per retirant and would affect 7,870 retirants.

The estimated cost of this Bill is \$2,283,736 as follows:

State (general fund portion)	\$1,766,271
County of Honolulu	328,214
County of Hawaii	55,064
County of Maui	45,683
County of Kauai	34,004
Honolulu Board of Water Supply	<u>54,500</u>
Total	\$2,283,736

We also need budgetary authorization to expend an additional \$40,000 in BUF 141 for computer reprogramming costs, postage, supplies, etc. to carry out the purpose of this Bill.

We have the following technical comments on this measure:

- Reference to "retirees" on the following pages should be changed to "retirant" pursuant to Section 88-21, HRS, which defines "retirant" as a member who has retired and becomes a beneficiary of ERS:
  - Page 13, line 12
  - Page 14, lines 4 and 7
- Insert "pension" between "sum" and "bonus" on page 13, line 15.

- Insert "earned by the retirant" after "credited service" on page 13, line 17.
- Replace "at least twenty years of retirement" with "been in retirement for at least twenty years" on page 14, lines 4 and 5.
- Insert "a sum derived by adding up " between "equal to" and "\$1 per month" on page 14, line 6
- Insert "credited" between "per year of" and "service" on page 14, line 6.
- Insert a new section on page 14, line 9 to clarify that ERS is authorized to bill each of the counties for the bonuses payable to county retirants as follows:

SECTION 4. The counties shall bear the respective amounts of the pension bonus payable to their respective retirants pursuant to this Act. If a county fails to pay the full amount of the pension bonuses payable to its retirants within 30 days of the date the county is billed by the system, the amount owed may be collected as provided in section 88-126(c), Hawaii Revised Statutes.

We would be willing to work with your Committee on these additional amendments to carry out the purpose of this Bill.

Please share this information with the members of your Committee. If you have any questions, please call me at 586-1700.

Very truly yours,



David Shimabukuro  
Administrator

c: ERS Board of Trustees  
The Honorable Georgina K. Kawamura, Director of Finance



# HAWAII GOVERNMENT EMPLOYEES ASSOCIATION

AFSCME LOCAL 152, AFL-CIO

888 MILILANI STREET, SUITE 601 • HONOLULU, HAWAII 96813-2991



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## THE SENATE THE TWENTY-FOURTH LEGISLATURE REGULAR SESSION OF 2008

### COMMITTEE ON WAYS AND MEANS

Senator Rosalyn H. Baker, Chair  
Senator Shan S. Tsutsui, Vice Chair

Testimony by  
Hawaii Government Employees Association  
February 22, 2008

### S.B. 2039, S.D. 1 – RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO supports passage of S.B. 2039, S.D.1. This bill authorizes a one-time, lump sum payment to state or county retirees who are at least 75 years of age and who have been in retirement for at least 20 years as of June 30, 2008.

This bill is a well-needed measure which will help the retirees most in need to meet today's rising costs of living. All retirees face the financial challenges of living on a fixed income. The individuals who will be affected and benefit from this bill, those 75 years of age and older, are particularly hard hit with the continually rising cost of living. Because their retirement is based on what they made when they were working, as a group, they are probably receiving the much smaller retirement benefits than the retirees who retired more recently. However, they are faced with the same kind of costs that everyone faces today. For example, over the course of just a few years, the price of gas has gone from less than \$2.00 a gallon to well over \$3.00 a gallon today. This represents almost a doubling of price within a little over three years. This is only one necessity of many that have increased in price and will continue to increase because of the volatility of today's economy. This bill provides those retirees with needed relief from those costs.

Thank you for the opportunity to submit our testimony in support of this bill.

Respectfully submitted,

Nora A. Nomura  
Deputy Executive Director

**testimony**

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**From:** Beverly Gotelli [bgotelli@msn.com]  
**Sent:** Wednesday, February 20, 2008 2:53 PM  
**To:** testimony  
**Subject:** Support SB 2039 SD 1

Committee on Ways and Means

*SB 2039 SD 1 Provides for a one time lump sum payment for retirees at least 75 years of age who have been in retirement at least 20 years. Makes appropriation.*

February 22, 2008

Conference Room 211

Chair Baker, Vice Chair Tsutsui and members of the Committee:

My name is Beverly Gotelli, a recent retiree writing in support of SB 2039 SD 1 which would provide a one time lump sum payment for retirees at least 75 years of age who have been retired at least 20 years.

I can only imagine what it must be like for someone who is in their later years to receive a small income due to the post retirement allowance that is at 2.5 % annually and not compounded. Due to the rising cost these retirees need to have this legislation passed to keep up with the high cost of living. As a young retiree I look to the future and hope that I will not be in this situation where what I am currently receiving will not be enough for me to live the way I am accustomed too.

These retirees were once active members who contributed to our communities, I believe it is only right and fitting that we provide this one time lump sum for them.

I urge to Committee to please support this legislation.

Thank you for the opportunity to testify.

COMMITTEE ON WAYS AND MEANS  
Senator Rosalyn H. Baker, Chair  
Senator Shan S. Tsutsui, Vice Chair

DATE: Friday, February 22, 2008  
TIME: 11:00a.m.  
PLACE: Conference Room 211  
State Capitol  
415 South Beretania Street

February 21, 2008

RE: SB2039 Relating to the Employees' Retirement System

Dear Senator Baker and Members of the Ways and Means Committee,

As I also stated to the Committee on Judiciary and Labor, I strongly support SB2039, which will give all retirees who are at least 75 years of age and who have been retired 20 years or more, an additional income which will surely help at a time when inflation goes beyond the cost of living. This is for those 7,870 retirees who have been retired the longest and whose Post Retirement Allowance is based initially on the smaller base income.

I feel each person's appropriation is fair because it is based on \$1 per month or \$12 a year for each year of employment to the State or City and County. This recognizes a person who has worked for the State for his/her lifetime vs. just 10 years to become vested for example. In contrast, the last "bonus bill" awarded in 2002 was the same lump sum amount of \$200.

Thank you for the opportunity to testify.

Sincerely,

/s/ Donna Higashi,  
HSTA-Retired  
State Vice-President and  
Member of the  
HSTA-R COLA Fairness Committee

## testimony

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**From:** Justin Wong [wongj060@hawaii.rr.com]  
**Sent:** Thursday, February 21, 2008 2:30 AM  
**To:** testimony  
**Subject:** SB2039,SD1

SENATE COMMITTEE ON WAYS AND MEANS  
Senator Rosalyn Baker, Chair  
Senator Shan Tsutsui, Vice Chair

**DATE:** Friday, February 22, 2008  
**TIME:** 11:00 a.m.  
**PLACE:** Conference Room 211  
State Capitol  
415 South Beretania Street

**RE:** SB2039, Relating to the Employees Retirement System

Senator Baker and members of the Ways and Means Committee the Hawaii State Teachers Association - Retired, consisting of more than 4,300 retired teachers statewide, supports the passage of SB2039, SD1.

This bill which was crafted by a special committee established by HSTA-R to study the Post Retirement Allowance increases that state and county retirees receive each year, and how they compare with the rising cost of living. What our committee found was that the annual non-compounding Post Retirement Allowance was a fixed dollar amount equal to 2.5% of the pension received by a retiree in his first year of retirement. Over time the year to year increases provided by the Post Retirement Allowance fall further and further behind the more than 3 percent average annual increase in the cost of living.

While HSTA-R's ultimate objective is to permanently fix this discrepancy between the Post Retirement Allowance and inflation, we have chosen at this time to attempt to help those retirees who have already been hurt the most by inflation, the older retirees who retired many years ago. SB2039 attempts to provide some relief for those older retirees.

SB2039 provides for a one-time bonus to all state and county retirees in the Employees Retirement System, who have been retired at least 20 years and who are at least 75 years old. The bonus paid will be \$1.00 for each month of service with the state and county governments. The Employees Retirement System estimates that approximately 7,800 current retirees would qualify for the bonus.

Please, support SB2039,SD1

Justin Wong, President  
Hawaii State Teachers Association - Retired

WRITTEN ONLY

TESTIMONY BY GEORGINA K. KAWAMURA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE SENATE COMMITTEE ON WAYS AND MEANS  
ON  
SENATE BILL NO. 2039, S.D. 1

February 22, 2008

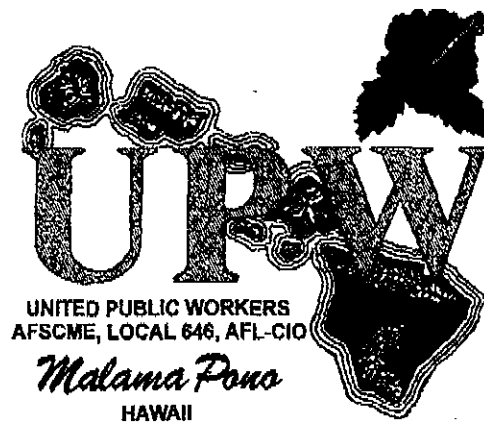
RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM

Senate Bill No. 2039, S.D. 1, provides a one-time, lump sum bonus equal to \$1 per month per year of service earned by each State and county retiree who is 75 years of age or older with at least 20 years of retirement as of June 30, 2008. The bill appropriates an unspecified amount in general funds in FY 09 to be deposited into the Employees' Retirement Systems' operating budget to provide for the one-time, lump sum pension bonus.

We are opposed to this bill.

In 2002, Act 233, SLH 2002, provided a one-time lump sum bonus of \$200 per eligible employee. At that time, costs were estimated at \$1,912,400. Based on the provisions of this bill, costs are estimated at \$2.284 million, averaging approximately \$290 per retiree and would affect 7,870 retirees.

To enable the Employees' Retirement System to eventually eliminate its large unfunded liability, Act 256, SLH 2007, included a prohibition of benefit enhancements for any group of members for the period January 2, 2008 until January 2, 2011. While a lump sum bonus may not be considered an enhancement of benefits, now is not the time to be considering this type of program.



February 21, 2008

Honorable Senator Rosalyn Baker, Chair  
Honorable Senator Shan S Tsutsui, Vice-Chair  
The Senate Committee on Ways and Means

Hawaii State Capitol  
415 S. Beretania Street  
Honolulu, HI 96813

Honorable Senators Baker and Members of the Senate Committee on Ways and Means:

**RE: TESTIMONY SUPPORTING SENATE BILL SB 2039 SD1 RELATING TO  
THE EMPLOYEES' RETIREMENT SYSTEM**

My name is Dayton M. Nakanelua and I am the State Director of the United Public Workers, AFSCME, Local 646, AFL-CIO (UPW). UPW/AFSCME supports SB 2039 SD1 relating to the Employee' Retirement System. This measure provides for a one time lump sum payment for retirees at least 75 years of age, and have been in retirement for at least 20 years. Makes appropriation.

This measure will help the retirees meet today's increasing costs of living. Our retirees face the fiscal battles of living on a fixed income. Their retirement benefits are based on what they earned while they were working, and as a group they are most likely receiving much smaller benefits than those who have retired more recently. They are faced with the same kinds of costs that everyone faces today such as gas prices increasing from \$2.00 per gallon to well over \$3.00 per gallon. This is just one of many increases in price and this trend is most likely to continue due to our unstable economy.

UPW supports the passage of SB 2039 SD1.