

TESTIMONY BY DAVID SHIMABUKURO
ADMINISTRATOR, EMPLOYEES' RETIREMENT SYSTEM
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON LABOR & PUBLIC EMPLOYMENT
ON
HOUSE BILL NO. 2538

RELATING TO THE
PAYMENT OF EMPLOYEES' RETIREMENT SYSTEM BENEFITS

FEBRUARY 5, 2010

Chair Rhoads and Members of the Committee:

The ERS Board of Trustees supports this Administration Bill and recommends its passage since it will streamline the processing of ERS pension payments and reduce the number of benefit payment transactions by 40% (from 764,000 to 455,000 payments each year).

Under this measure, approximately 25,700 pensioners and beneficiaries out of 38,000 will be paid on a monthly rather than on a semi-monthly basis. In addition, approximately 1,400 of these recipients will have their benefit payments deposited directly into a financial institution instead of receiving paper checks.

This measure will result in cost savings in postage, check printing, check imaging, and bank fees; and will also increase the ERS' investment earnings. The ERS estimates that this proposal will add approximately \$955,000 annually to ERS' bottom line.

The January 1, 2011 effective date and implementation date of March 1, 2011 is to provide a transition period for the retirees to adjust to the new pension payment cycle.

Thank you for the opportunity to testify on this measure.



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION

AFSCME Local 152, AFL-CIO

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The Twenty-Fifth Legislature, State of Hawaii Hawaii State House of Representatives

Committee on Labor & Public Employment

Testimony by
Hawaii Government Employees Association
February 5, 2010

H.B. 2538 – RELATING TO THE PAYMENT OF EMPLOYEES' RETIREMENT SYSTEM BENEFITS

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO, supports H.B. 2538 in part and opposes in part. If enacted, H.B. 2538 will accomplish two things: (1) effective March 1, 2011, all payments from the state retirement system will be made to retirees just once a month; and (2) all state retirement payments will be made directly into a retiree's bank account.

We strongly oppose that part of H.B. 2538 which would change the state retirement payments to those older retirees who now receive payments twice monthly to once a month. If H.B. 2538 is passed, approximately 25,700 individuals, or two-thirds of the approximately 38,000 individuals who now receive state retirement payments semi-monthly will receive their payment just once a month. It may not seem to be a significant change, but switching from semi-monthly payments to a monthly payment, may add an additional financial burden for these older retirees.

It will mean that those retirees, many of whom who are not receiving a large pension, will need to be more careful about budgeting their monthly expenses. We are also concerned about problems that might occur due to a miscalculation or error in a payment to retiree if they are only paid once per month, than the current semi-monthly schedule.

The law to switch state retirement payments to retirees from semi-month to monthly was changed in 2002. The intent of H.B. 2538, that all retirees will eventually be paid once a month, can occur over time.


We support that part of H.B. 2538 which will make state retirement payments directly into retirees' bank accounts. This will add an extra layer of protection for retirees who

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do not currently receive their retirement payments through direct deposit. The possibility of a payment not being properly received, such as being mis-delivered in the mail, being stolen in the process of being delivered, or being misplaced once a check is received, will be greatly eliminated.

We appreciate the opportunity to testify in support of the direct deposit provisions of H.B. 2538; however we oppose making the monthly pension payments retroactive.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Nora A. Nomura', with a long horizontal flourish extending to the right.

Nora A. Nomura
Deputy Executive Director