

TESTIMONY BY DAVID SHIMABUKURO
ADMINISTRATOR, EMPLOYEES' RETIREMENT SYSTEM
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON LABOR & PUBLIC EMPLOYMENT
ON
HOUSE BILL NO. 2855

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM

FEBRUARY 5, 2010

Chair Rhoads and Members of the Committee:

The ERS Legislative and Administrative Committee supports the intent of H.B. 2855 which directs the ERS Board of Trustees to study and recommend legislation to amortize the ERS' unfunded actuarial accrued liability (UAAL) over a 30 year period.

However, the ERS Legislative and Administrative Committee requests that the January 1, 2011 deadline to submit the proposed amortization plan and enabling legislation to the Legislature be extended to January 1, 2012. The additional time is needed to conduct a comprehensive review and evaluation of the benefits, contributions, and other factors as stipulated in the Bill; and to develop legislation necessary to implement the proposed plan.

Your attention is also directed to page 4, lines 1 to 3, which states that "the cost of the amortizing the unfunded actuarial accrued liability should be shared by public employers and employees". We feel that the cost to amortize the unfunded liability should be borne by the employers since the employers' past diversions of the ERS' excess investment earnings has been a major contributor to the ERS' UAAL. Whenever the ERS had excess earnings, employers were able to reduce their contributions to the ERS but employees did not receive any reduction in their contributions to the ERS. We therefore recommend that the reference to "employees" in this section be deleted.

Thank you for the opportunity to testify on this measure.

DEPARTMENT OF HUMAN RESOURCES
CITY AND COUNTY OF HONOLULU

650 SOUTH KING STREET 10TH FLOOR • HONOLULU, HAWAII 96813
TELEPHONE: (808) 768-6500 • FAX: (808) 768-6563 • INTERNET: www.honolulu.gov/hr

MUFI HANNEMANN
MAYOR



NOEL T. ONO
ACTING DIRECTOR

February 5, 2010

Representative Karl Rhoads, Chair
and Members of the Committee on
Labor and Public Employment
The House of Representatives
State Capitol
Honolulu, Hawaii 96813

Dear Chair Rhoads and Members:

Subject: House Bill No. 2855
Relating to the Employee's Retirement System

The City and County of Honolulu, Department of Human Resources offers the following **comment** on House Bill 2855 which directs the Board of Trustees of the Employees' Retirement System (ERS Board) to study and recommend legislation to amortize the unfunded actuarial accrued liability of the fund over a thirty year period.

The City notes that this study and the resulting legislation will have far reaching and long term effects on our budget and our employees. This highlights the urgent need for county representation on the ERS Board. Without county representation on the Board we will have no real input into the design of the study and the recommendations made to the Legislature—recommendations which may include increases in employer and employee contributions.

The Hawaii Council of Mayors has made county representation on the ERS Board one of its legislative priorities for this year. We urge you to provide for that representation so that the counties may be actively involved in efforts such as this one of finding solutions to the very complex challenge of addressing the unfunded actuarial accrued liability.

Thank you for the opportunity to testify.

Yours truly,

A handwritten signature in cursive script, appearing to read "Noel T. Ono".

Noel T. Ono
Acting Director