

TESTIMONY BY KALBERT K. YOUNG  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON FINANCE  
ON  
HOUSE BILL NO. 1037

February 25, 2011

RELATING TO EMPLOYER CONTRIBUTIONS TO THE EMPLOYEES'  
RETIREMENT SYSTEM

House Bill No. 1037 increases the rates for public employer contributions to the Employees' Retirement System beginning with fiscal year 2012-2013.

The Department of Budget and Finance supports this Administration bill which will phase in increases to the employer contribution rates for firefighters, police officers, and corrections officers (FPOCO), and all other (Others) employees to the Employees' Retirement System beginning in fiscal year 2012-2013 through fiscal year 2015-2016. A breakdown of the phase in is as follows:

	<u>FY 12</u>	<u>FY 13</u>	<u>FY 14</u>	<u>FY 15</u>	<u>FY 16</u>
FPOCO	19.7%	22.0%	23.0%	24.0%	25.0%
Others	15.0%	15.5%	16.0%	16.5%	17.0%

While this measure increases the percentage rates contributed by employers to the Employees' Retirement System, the Administration recognizes that such action is necessary to ensure the long-term viability of the Employees' Retirement System. Furthermore, taken in conjunction with other measures to address the long-term liability of the Employees' Retirement System, there could be net cost savings overall.

TESTIMONY BY WESLEY K. MACHIDA  
ADMINISTRATOR, EMPLOYEES' RETIREMENT SYSTEM  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON FINANCE  
ON  
HOUSE BILL NO. 1037

FEBRUARY 25, 2011

RELATING TO EMPLOYER CONTRIBUTIONS TO  
THE EMPLOYEES' RETIREMENT SYSTEM

Chair Oshiro and Members of the Committee:

H.B. 1037 provides for the setting of the employer contribution rates over the next several years from FY 2012 through FY 2016. The ERS Board of Trustees strongly supports this bill as it seeks to provide for stabilization and reasonable increases during these challenging economic times. The current employer contribution rates are 19.7% of payroll for Police & Fire and 15% of payroll for all other employees. This bill provides for no changes to these rates in FY 2012, and provides for moderate increases up to 25% of payroll for Police & Fire in FY 2016 and 17% of payroll for all other employees in FY 2016.

The ERS has an unfunded actuarial accrued unfunded liability (UAAL) of \$7.1 billion as of June 30, 2010 and a funded ratio of 61.4%. This means that the ERS has a significant funding shortfall that must be made up with either increasing employer and/or employee contributions and investment earnings or decreasing benefits (or a combination of all three). This bill provides for moderate increases over the next several years to the employer contribution rates and is based on benefit changes that are being proposed for new hires after June 30, 2012 in H.B. 1038 and H.B. 1142. Without the passing of H.B.1038 and H.B. 1142, the employer contribution rates would require immediate increases in FY 2012 from 15% to 17% for all other employees and from 19.7% to 23% for Police & Fire to meet the 30-year amortization period for paying down the UAAL.

As a result, the ERS Board strongly recommends the passage of H.B. 1037 along with H.B. 1038, H.D. 1 and H.B. 1142. Thank you for the opportunity to testify on this important bill.

Name: Cynthia "Niyati" Brown, HSTA-R

Committee: Finance

Hearing Date: Friday, February 25, 2011 at 10:00 AM

Place: Conference Room 308 State Capitol 415 S. Beretania St.

Bill: HB1037

To: Marcus R. Oshiro, Chair, Marilyn Lee, Vice Chair. and Committee on Finance

Dear Representatives,

Thank you for allowing me to enter testimony on HB 1035. As a teacher retiree, I am concerned that this bill would limit the bargaining rights of Hawaii's union members and increase costs to employees thus depriving them of money for their families and money to give back to our state economy.

As a retiree, hired after July 1, 1996, I am already paying fifty percent of my monthly premiums. When I retired, under the VEBA Trust, I paid less than \$100 per month for my contribution. As of January 1, 2011 my premiums increased under EUTF to \$252. per month. This amounts to about one third of my retirement check. I am only one of over 600 such retirees in this situation.

How are we going to attract the best and brightest teachers to come to Hawaii and retain them here if we do not have a decent benefit package to offer them. Every year, Hawaii starts the school year short on teachers. Every year, we lose highly qualified teachers to the mainland because they cannot survive here on the economy with the benefits they have to help pay for.

Please consider bargaining rights and human rights to a quality benefits package for both active and retired employees. Thank you for allowing me to contribute this testimony.

Cynthia "Niyati" Brown

## **FINTestimony**

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**From:** Joel Fischer [jfischer@hawaii.edu]  
**Sent:** Wednesday, February 23, 2011 12:22 PM  
**To:** FINTestimony  
**Subject:** HB1037; FIN; 2/25/11; 10AM; Rm308  
  
**Importance:** High

HB1037; Relating to Employer Contributions  
FIN; Chair, Rep Oshiro

### **PLEASE KILL THIS BILL, MAKE-DIE-DEAD!!**

Today's entire agenda (#1) is absolutely frightening to me. I have never seen any set of bills that are more anti-worker and anti-elderly. How can a democratic Governor and Democrat-controlled legislature countenance this attack on your most important constituencies? Even Republican administrations would never submit these attacks on workers and the elderly. **HEWA!**

The budget problems in Hawai'i nei are not the fault of workers and retirees. But there is a clear line of blame for these problems: first, the hundreds of millions of dollars wasted on tax credits that do virtually nothing to create jobs, and, second, the tax changes introduced in faux-liberal Ben Cayetano's regime that absolutely robbed the state of hundreds of millions of tax dollars from the rich under the absolutely false assumptions of the trickle-down theory.

Until the Governor and Legislature really attack these inequities, I am unalterably opposed to the bills on today's agenda.

"Everybody" sharing the burden does NOT mean only the poor, elderly and state workers!!

Aloha, joel

Dr. Joel Fischer, ACSW  
Professor (Ret.)  
University of Hawai'i, School of Social Work  
Henke Hall  
Honolulu, HI 96822

"It is reasonable that everyone who asks justice should DO justice."  
Thomas Jefferson

"There comes a time when one must take a position that is neither safe, nor politic, nor popular, but one must take it because one's conscience tells one that it is right."  
Dr. Martin Luther King, Jr.

"Never, never, never quit."  
Winston Churchill

It is better to be "over the hill" than under it.  
Anonymous