



STATE OF HAWAII  
DEPARTMENT OF EDUCATION  
P.O. BOX 2360  
HONOLULU, HAWAII 96804

**Date:** 02/17/2015

**Time:** 08:45 AM

**Location:** 016

**Committee:** Senate Judiciary and Labor

**Department:** Education

**Person Testifying:** Kathryn S. Matayoshi, Superintendent of Education

**Title of Bill:** SB 1090 RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM.

**Purpose of Bill:** Requires State and counties to furnish payroll and personnel transaction information to the Employees' Retirement System in the required format. If a department or agency fails to provide the information in the required format, the State or county will be required to pay to the system in a lump sum at the beginning of the fiscal year the amount equal to the employer contributions payable by the department or agency. Unpaid amounts bear interest.

**Department's Position:**

The Department of Education (DOE) would like to provide comment on SB1090.

DOE submits its payroll information and DAGS processes the payroll information to generate pay checks and pay statements for approximately 23,000 full time employees and upwards of 40,000 part time employees each pay period.

The payroll system is manual where hard copy sheets of Pay Change Schedules (PCS) are prepared by DOE payroll clerks and submitted to DAGS for data entry. Payroll details that support the PCS entries are manually written onto 5x8 payroll index cards every pay period by DOE payroll clerks. Converting the data for tens of thousands of manual payroll data cards to an electronic data capture system would be not be feasible due to the sheer volume of data to convert and would require substantial additional resources to comply. However, the statewide Enterprise Resource Planning (ERP) initiative to develop a single computer system platform for all State agencies will address the need to automate the payroll process and provide the data details that ERS requires.

TESTIMONY BY KANOE MARGOL  
INTERIM EXECUTIVE DIRECTOR, EMPLOYEES' RETIREMENT SYSTEM  
STATE OF HAWAII

TO THE SENATE COMMITTEE ON JUDICIARY AND LABOR  
ON  
SENATE BILL NO. 1090

FEBRUARY 17, 2015, 8:45 a.m.

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM

Chair Keith-Agaran, Vice Chair Shimabukuro and Members of the Committee:

S.B. 1090, proposes to amend Section 88-103.7, Hawaii Revised Statutes, which requires departments of the State and counties to provide payroll and personnel information electronically to the Employees' Retirement System (ERS). This proposal ultimately benefits the ERS membership by requiring the employers to provide ERS the timely and accurate information needed in order for the ERS to promptly pay retired state and county employees their full retirement benefits. The bill also provides an economic incentive for employers to cooperate with the ERS.

When state and county employees retire, they are paid an estimated retirement benefit by the ERS until the system receives and audits the employees' final personnel and payroll records. The estimated benefit is usually less than an employee's actual benefit. If the ERS receives personnel and payroll records that are late, incomplete, or in a format that requires manual entry into their computer system, "finalization" and payment of retirants' benefits are delayed. Employers have little incentive to comply with the system's request for timely and accurate information in electronic format. Therefore, this proposal provides an economic incentive for them to do so.

This proposal specifies that, in addition to allocating payments to the periods payments are earned and specifying the purpose or nature of the payments, the employers are required to "indicate any changes or errors in payments that require correcting or updating."

In addition, if the State or counties do not provide the ERS with payroll and personnel information in the format required, they would be required to pay their employer contributions at the beginning of the following fiscal year (rather than on a monthly basis) in which the failure occurred. Any unpaid amounts would be subject to additional interest based on a rate equal to the investment yield assumption of the ERS. In order for employers to prepare their budgets, the ERS will submit a report to the Legislature and the Department of Budget and Finance indicating anticipated employer amounts payable for the upcoming fiscal year.

ERS's personnel and payroll file formats are currently configured to accept corrections, adjustments and updated information, though most employers do not utilize this capability,

resulting in delays in the processing of retirement benefits. S.B. 1090, specifies that, if the ERS changes the required file format, each department or agency has 180 days from the notice of change to update their reporting format. This would provide sufficient time for both the employer and the ERS to update, test and validate accurate data reporting.

The Board of Trustees of the Employees' Retirement System supports this bill.

Thank you for the opportunity to provide testimony on this important measure.