

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
DIRECTOR

ROBERT YU
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

TESTIMONY BY CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON LABOR, CULTURE AND THE ARTS
ON
HOUSE BILL NO. 2314, H.D. 1

March 10, 2020
2:45 p.m.
Room 224

RELATING TO EMPLOYEES' RETIREMENT SYSTEM DISABILITY
RETIREMENT

The Department of Budget and Finance (B&F) supports House Bill (H.B.)
No. 2314, H.D. 1.

H.B. No. 2314, H.D. 1, amends Chapter 88, HRS, to clarify the definitions and
requirements to qualify for Employees' Retirement System (ERS) service-connected
disability and accidental death benefits.

B&F supports this clarification, which should help to prevent the ERS from being
compelled to provide disability retirement and accidental death benefits that go beyond
their original intents and to prevent the resulting increases to the ERS' unfunded
liabilities.

Thank you for your consideration of our comments.

DAVID Y. IGE
GOVERNOR



THOMAS WILLIAMS
EXECUTIVE DIRECTOR

KANOE MARGOL
DEPUTY EXECUTIVE DIRECTOR

**STATE OF HAWAII
EMPLOYEES' RETIREMENT SYSTEM**

TESTIMONY BY THOMAS WILLIAMS
EXECUTIVE DIRECTOR, EMPLOYEES' RETIREMENT SYSTEM
STATE OF HAWAII

TO THE SENATE COMMITTEE ON LABOR, CULTURE AND THE ARTS
ON

HOUSE BILL NO. 2314, H.D. 1

**March 10, 2020
2:45 P.M.
Conference Room 224**

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM DISABILITY RETIREMENT.

Chair Taniguchi, Vice Chair Ihara, and Members of the Committee,

Based upon a plain reading of the legislative intent as stated in governing statutes, H.B. 2314 clarifies the requirements of service-connected disability retirement and accidental death benefits of the Employees' Retirement System ("ERS") by amending sections 88-21, 88-79, 88-82, 88-85.5, 88-261(a), and 88-336, Hawaii Revised Statutes. The ERS Board of Trustees strongly supports this legislation.

The ERS's service-connected disability retirement and accidental death provisions do not contain a presumption favoring coverage, and should not be construed liberally in favor of awarding compensation for all injuries and death occurring in the workplace, regarding questions of ERS membership position, negligence, proximate cause, the difference between an accident and injury/incapacity, and the burden of proof.

Courts in several cases recently rendered rulings awarding ERS service-connected disability retirement and/or accidental death benefits beyond a plain reading of the legislature's original intent.

These rulings have required the ERS to provide service-connected disability retirement and/or accidental death benefits which were never contemplated in determining employer contributions, employee contributions, and employee benefits (including



Employees' Retirement System
of the State of Hawaii

monthly retirement allowance benefits to be provided for an extended duration and at a higher rate, plus the refund of employee contributions), and consequently, increased the State's unfunded liability as a whole.

Furthermore, ERS members are not foreclosed from collecting ERS service retirement, ERS ordinary disability retirement, ERS ordinary death, workers' compensation, or social security disability.

By amending sections 88-21, 88-79, 88-82, 88-85.5, 88-261, 88-336, and 88-339, HRS, this bill clarifies the definitions and requirements of ERS service-connected disability and death benefits in order to preserve them as originally intended.

The ERS Board of Trustees strongly supports H.B. 2314, H.D. 1 and respectfully requests its passage.

Thank you for this opportunity to testify.