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STATE OF HAWAII
EMPLOYEES' RETIREMENT SYSTEM

TESTIMONY BY THOMAS WILLIAMS
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STATE OF HAWAII

TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON

HOUSE BILL NO. 2395 H.D. 1 S.D. 1

April 3, 2024

10:30 A.M.

Conference Room 211 and VIA Videoconference

RELATING TO THE HAWAII NATIONAL GUARD.

Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee,

H.B. 2395 H.D. 1 S.D. 1 proposes to exclude any member of the Hawaii National Guard (HING) who is ordered into State active duty (SAD) from membership in the Employees' Retirement System (ERS). It proposes a new Section in Chapter 88 of the Hawaii Revised Statutes (HRS) as well as amending the description of "Active service" under HRS § 121-29. The Employees' Retirement System (ERS) staff is providing the following comments.

Section 88-__ of H.B. 2395 H.D. 1 S.D. 1 makes members of HING under SAD orders ineligible for ERS membership by virtue of their active duty while reinforcing that ERS membership may be maintained based on other State or county employment. The bill also affirms that ERS members on HING SAD orders may be eligible for service and compensation to be included in benefits calculations ("eligible compensation"), and that the employer provides payment of employee contributions pursuant to HRS § 88-132.

Thank you for the opportunity to provide testimony on H.B. 2395 H.D. 1 S.D. 1.



Employees' Retirement System
of the State of Hawaii

JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA



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KA MOKU'ĀINA O HAWAI'I
DEPARTMENT OF DEFENSE
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STATE OF HAWAI'I
DEPARTMENT OF DEFENSE

TESTIMONY ON HOUSE BILL 2395 HD1 SD1
RELATING TO THE HAWAII NATIONAL GUARD
BEFORE THE COMMITTEE ON WAYS & MEANS

BY

MAJOR GENERAL KENNETH S. HARA
ADJUTANT GENERAL
AND DIRECTOR OF HAWAII EMERGENCY MANAGEMENT AGENCY

April 2, 2024

Aloha Chair Dela Curz, Vice Chair Moriwaki, and members of the committee:

I am MG Kenneth S. Hara, Adjutant General and Director of Hawaii Emergency Management Agency, State of Hawaii, Department of Defense.

The Department of Defense (DEF) provides written testimony in **SUPPORT** of HB2395 HD1 SD1.

This measure amends Hawai'i Revised Statutes (HRS) Chapter 88, Part II regarding the Employees' Retirement System (ERS) and provides an exemption for Hawai'i National Guard (HING) Servicemembers serving on State Active Duty (SAD) from requiring enrollment into the ERS once the Servicemember exceeds 90 days of service on SAD.

We have seen an increase in natural disasters throughout the State resulting in numerous HING Servicemembers being ordered to SAD in response for extended periods. With each activation, HING Servicemembers are asked to serve in an indeterminate timeframe, which has recently often exceeded 90 days. After a Servicemember exceeds 90 days on SAD, they are afforded certain employment rights as a temporary State employee, such as mandatory enrollment in the ERS.

However, to require HING Servicemembers exceeding 90 days on SAD orders to contribute to the ERS would result in them sacrificing earned compensation on a benefit they will never receive. Many Servicemembers who are ordered to SAD status are not current State or County employees in their civilian occupations and subsequently will never vest in the state's ERS nor receive the benefits of their ERS contributions. When the Servicemember requests a refund payment, the ERS will withhold at least 20% of the taxable portion of the refund and pay the Servicemember the remaining balance. The taxable portion of the contributions must also be rolled over into an IRA within 60 days of receipt of payment, and the refund is subject to an additional 10% federal income tax on the taxable portion of the refund payment for those below the age of 55. Additionally, the state will be unnecessarily burdened with expending additional resources to return the ERS contributions back to the Servicemember.

If passed, the bill will exempt HING Servicemembers from enrolling in the ERS for SAD periods that exceed 90 days. This will allow our Servicemembers to retain all their earned SAD compensation and help ensure an uninterrupted response force capability to the State.

The HING places great value on selfless service to the State of Hawai'i, as well as the well-being of our dedicated women and men of the HING who support the State during times of need. Please pass this bill and help our HING Servicemembers remain focused on their duty.

Thank you for the opportunity to provide testimony in SUPPORT of HB2395 HD1 SD1.

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