

EXECUTIVE CHAMBERS  
KE KE'ENA O KE KIA'ĀINA

JOSH GREEN, M.D.  
GOVERNOR  
KE KIA'ĀINA

**House Committee on Labor & Government Operations**

Thursday, February 1, 2024

9:00 a.m.

State Capitol, Conference Room 309 and Videoconference

**In Support**

**H.B. No. 1947, Relating to the Employees' Retirement System**

Chair Matayoshi, Vice Chair Garrett, and members of the House Committee on Labor & Government Operations:

The Office of the Governor supports H.B. No. 1947, Relating to the Employees' Retirement System (ERS). This bill is similar to our Administration bill, H.B. No. 2410, Relating to the Employees' Retirement System, which also proposes to reduce the minimum number of years of credited service from ten years to five years qualified Tier 2 ERS members must have to be eligible for vested benefit status for service retirement allowance purposes. H.B. No. 2410 also includes an appropriation of \$9,800,000 for the added costs of benefits and administrative expenses of the ERS.

State and county governments are feeling the impacts of reduced public employment. Continued and widespread vacancies have contributed to the inability of understaffed departments and agencies to provide various essential services in areas ranging from public health and transportation to correctional institutions and public education. At a time when the needs of our community are great, a well-functioning government is imperative to deliver services to the public efficiently and effectively.

Staffing issues will continue to plague the provision of public services in our State. Both H.B. No. 1947 and H.B. No. 2410 offer meaningful ways of recruiting individuals for jobs in government service and retaining employees in public service. The public employee benefits of comprehensive health care insurance, sick leave, vacation leave, retirement programs, and other State and county benefits are valuable incentives to pursue a government job. Reduction in the ERS vesting requirements is but one component in attracting new and active employees to government service.

Testimony of Office of the Governor

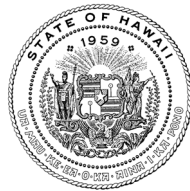
H.B. No. 1947

February 1, 2024

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The Office of the Governor looks forward to continuing discussion on H.B. No. 1947 and H.B. No. 2410 to recruit individuals to, and retain employees in, State and county employment; enhance the delivery of public services in our State; and further efforts to improve the quality of life of individuals and families in our State.

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



JOSH GREEN, M.D.  
GOVERNOR

SYLVIA LUKE  
LIEUTENANT GOVERNOR

LUIS P. SALAVERIA  
DIRECTOR

SABRINA NASIR  
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**  
*Ka 'Oihana Mālama Mo'ohelu a Kālā*  
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

**WRITTEN ONLY**

TESTIMONY BY LUIS P. SALAVERIA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE HOUSE COMMITTEE ON LABOR AND GOVERNMENT OPERATIONS  
ON  
HOUSE BILL NO. 1947

**February 1, 2024**  
**9:00 a.m.**  
**Room 309 and Videoconference**

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM

The Department of Budget and Finance (B&F) offers comments on this bill.

House Bill (H.B.) No. 1947: 1) reduces the minimum number of years of credited service qualified Tier 2 Employees' Retirement System (ERS) members must have to be eligible for vested benefit status for service retirement allowance purposes from ten years to five years; 2) appropriates an undetermined amount of general funds for FY 25 for investments of the ERS; and 3) declares that the FY 25 general fund expenditure ceiling will be exceeded by an undetermined amount.

B&F supports the intent to amend the ERS vesting eligibility requirements, but it prefers the language in Legislative Proposal GOV-9(24) (H.B. No. 2410/Senate Bill No. 3099) that also includes a general fund appropriation amount of \$9,800,000.

Thank you for your consideration of our comments.



**JOSH GREEN, M.D.**  
GOVERNOR  
**SYLVIA LUKE**  
LIEUTENANT GOVERNOR

**STATE OF HAWAII**  
**HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND**  
201 MERCHANT STREET, SUITE 1700  
HONOLULU, HAWAII 96813  
Oahu (808) 586-7390  
Toll Free 1(800) 295-0089  
[www.eutf.hawaii.gov](http://www.eutf.hawaii.gov)

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**TESTIMONY BY DEREK MIZUNO**  
**ADMINISTRATOR, HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND**  
**DEPARTMENT OF BUDGET AND FINANCE**  
**STATE OF HAWAII**  
**TO THE HOUSE COMMITTEE ON LABOR & GOVERNMENT OPERATIONS**  
**ON HOUSE BILL NO. 1947**

**February 1, 2024**  
**9:00 a.m.**  
**Conference Room 309 & Videoconference**

**RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM**

Chair Matayoshi, Vice Chair Garrett, and Members of the Committee:

The Hawaii Employer-Union Health Benefits Trust Fund (EUTF) Board of Trustees has not taken a position on this bill. EUTF staff would like to provide comments.

The proposed bill to reduce the vesting period from ten to five years for qualified Tier 2 Employees' Retirement System members will not impact the State and counties (Employers) contribution to retiree health care premiums (i.e., medical, prescription drug, dental and vision premiums) since the Employers' health care contribution percentage is 0% of the Base Composite Monthly Contribution for retirees with 5-years but less than 10-years of service. However, the Employers will still be required to reimburse Medicare Part B premiums for the retirees in this group and if the retiree was hired prior to July 1, 2023, the spouse as well. We have not asked the EUTF's actuary to estimate the impact on the OPEB unfunded actuarial accrued liability and normal cost but it is not expected to be significant.

Thank you for the opportunity to testify.

**EUTF's Mission:** We care for the health and well being of our beneficiaries by striving to provide quality benefit plans that are affordable, reliable, and meet their changing needs. We provide informed service that is excellent, courteous, and compassionate.



JOSH GREEN, M.D.  
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 HOUSE COMMITTEE ON LABOR AND GOVERNMENT OPERATIONS  
ON  
HOUSE BILL NO. 1947  
February 1, 2024  
9:00 A.M.  
Conference Room 309 and VIA Videoconference**

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM.

Chair Matayoshi, Vice Chair Garrett, and Members of the Committee,

H.B. 1947 proposes to reduce from ten to five years the minimum number of years of credited service that qualified Tier 2 Employees' Retirement System (ERS) members must have to be eligible for vested benefit status for service retirement, refunds, and death benefits, and amends several statutes that are affected by the reduction. The bill also requests the appropriation of funds for the added costs of benefits and administrative expenses of the ERS.

The ERS Board of Trustees supports the bill with the modifications proposed below and ERS staff offers the following comments.

The ERS understands State and county governments in Hawaii are experiencing tough challenges and difficult impacts of job vacancies. The reduction in the vesting requirement is one of the components that could make benefits more attractive to new and active workers with a minimal impact to the ERS's Unfunded Actuarial Accrued Liability (UAAL). An increased worker headcount would mean additional pension contributions to the ERS by employers and employees and additional monies to invest.



**Employees' Retirement System**  
of the State of Hawaii

City Financial Tower • 201 Merchant Street, Suite 1400 • Honolulu, Hawaii 96813-2980  
Telephone (808) 586-1735 • Fax (808) 586-1677 • <http://ers.ehawaii.gov>

Tier 2 employees have an ERS membership date after June 30, 2012. There are approximately 30,493 ERS Tier 2 non-vested active members who have fewer than 10 years of service, including approximately 16,600 with fewer than five years of service.

The ERS's actuary, Gabriel, Roeder, Smith & Company, estimates that a reduction to a five-year vesting for Tier 2 members would increase the Unfunded Actuarial Liability Accrued (UAAL) by \$8 million, but would increase the ongoing cost of providing benefits to current and future Tier 2 members by approximately 0.18% of payroll. The total payroll increase for fiscal year-end 2025 is approximately \$9 million of which the State's share is approximately 76%. The change would also add four months to the funding period, which was at 23 years as of June 30, 2023. An additional contribution of \$8 million would allow the period to full funding to remain unchanged. The ERS also estimates the cost to make changes to its pension processing system to be \$1.7 million. The bill requests an appropriation to cover additional contributions and for added administrative expenses for fiscal year-end 2025.

The bill's proposed 5-year vesting requirement would apply to ERS Tier 2 members in service as of effective date of the bill, or who return to service or become members after the bill's effective date. Because the bill would not apply to members who forfeited their service or retired before the effective date, the ERS recommends that the bill be amended to clarify and confirm the Legislature's intent. In particular, the ERS recommends that on page 23, section 10 of the bill be amended as follows:

SECTION 10. This Act does not affect the rights and duties that matured or were vested, penalties that were incurred, and proceeding that were begun before its effective date[-], including but not limited to, any membership that was terminated, credited service that was forfeited, retirement that was finalized, or benefits which were paid.

We believe the reversion to a five-year vesting requirement has not only the potential to aid in the recruitment and retention of staff, but that over time will prove to strengthen the ERS.

Thank you for the opportunity to provide testimony on H.B. 1947.

JOSH GREEN, M.D.  
GOVERNOR

SYLVIA LUKE  
LIEUTENANT GOVERNOR



JADE T. BUTAY  
DIRECTOR

WILLIAM G. KUNSTMAN  
DEPUTY DIRECTOR

STATE OF HAWAII  
KA MOKU'ĀINA O HAWAII  
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS  
KA 'OIHANA PONO LIMAHANA

February 1, 2024

To: The Honorable Scot Z. Matayoshi, Chair,  
The Honorable Andrew Takuya Garrett, Vice Chair, and  
Members of the House Committee on Labor & Government Operations

Date: Thursday, February 1, 2024  
Time: 9:00 a.m.  
Place: Conference Room 309, State Capitol

From: Jade T. Butay, Director  
Department of Labor and Industrial Relations (DLIR)

**Re: H.B. 1947 RELATING TO RELATING TO THE  
EMPLOYEES' RETIREMENT SYSTEM**

The DLIR **supports the intent** of this measure and defers to the Employees' Retirement System (ERS) and the Department of Budget and Finance (B&F). The department believes that the proposed reduction in the vesting requirement will help the Hawaii Occupational Safety and Health Division (HIOSH) attract and retain both Boiler and Elevator Inspectors. In the past, HIOSH has been able to recruit older workers to serve as Boiler and Elevator inspectors seeking a second or alternative career. However, HIOSH has encountered headwinds in recruiting these older workers to serve as inspectors since the change in the law to require a ten year vesting period. If enacted, this measure could make it easier for HIOSH to recruit both Boiler and Elevator inspectors.

Thank you for this opportunity to provide testimony on this important matter.

**DEPARTMENT OF HUMAN RESOURCES  
KA 'OIHANA HO'OMOHALA LIMAHANA  
CITY AND COUNTY OF HONOLULU**

650 SOUTH KING STREET, 10TH FLOOR • HONOLULU, HAWAII 96813  
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RICK BLANGIARDI  
MAYOR  
MEIA



NOLA N. MIYASAKI  
DIRECTOR  
PO'O

FLORENCIO C. BAGUIO, JR.  
ASSISTANT DIRECTOR  
KÓKUA PO'O

January 31, 2024

**LATE**

The Honorable Scot Z. Matayoshi, Chair  
The Honorable Andrew Takuya Garrett, Vice Chair  
and Members of the Committee on Labor & Government Operations  
House of Representatives, Room 309  
State Capitol  
415 South Beretania Street  
Honolulu, Hawaii'i 96813

Dear Chair Matayoshi, Vice Chair Garrett, and Members of the Committee:

**SUBJECT: House Bill No. 1947  
Relating to the Employees' Retirement System**

House Bill No. 1947, proposes to amend the vesting requirement from ten (10) years to 5 years for members of the Employees' Retirement System (ERS) who have membership dates after June 30, 2012 (Tier 2 members). The City and County of Honolulu, Department of Human Resources strongly supports this change in law.

The City notes that the Legislature made significant changes in 2011 and 2012 to address the unfunded liability of the ERS. These changes have been successful in making the retirement system more sustainable. The changes in this bill only affect the vesting period for Tier 2 members. The remaining characteristics of Tier 2 membership remain unchanged. The following were important considerations for the City in supporting this measure:

- **Widespread Effect:** The bill would affect all ERS eligible positions in the State and counties since, eventually, all employees will be Tier 2 members of the ERS.
- **Universal Coverage:** The bill essentially covers all situations such as Tier 2 employees who are in service on the effective date of the bill; Tier 2 employees who were separated from service and then return to service on or after the effective date of the bill and whose contributions were not refunded; and employees who enter service after the effective date of the



The Honorable Scot Z. Matayoshi, Chair  
The Honorable Andrew Takuya Garrett, Vice Chair  
and Members of the Committee on Labor & Government Operations  
January 31, 2024  
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bill, would all have a 5-year vesting period. We do not anticipate there would be a need to cover additional employee groups.

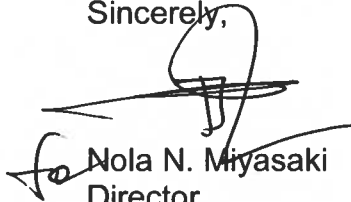
- **Minimal effect on the Funding Period and Employer Contribution Rate:** While covering all positions and generally all situations, the ERS actuaries have determined that the bill will have a minimal effect on the funding period (a 4-month increase) and employer contribution rate.

The return to a 5-year vesting requirement is fully in line with the City's hiring initiative. Mayor Blangiardi has made filling City job vacancies a top priority and a number of initiatives have been launched to meet this challenge. These initiatives have made a difference, but like other employers, we continue to experience significant challenges in filling our vacant positions and we started 2024 with 2,527 vacancies. Accordingly, it is important that we have available as many tools as possible to attract workers to City employment and returning the ERS vesting requirement to 5 years would be one of those tools. Our hope is that a 5-year vesting requirement will attract more employees to government service.

Based on the foregoing, we ask for your support in advancing H.B. 1947.

Thank you for the opportunity to provide testimony in strong support of this measure.

Sincerely,



Nola N. Miyasaki  
Director



## UNITED PUBLIC WORKERS

AFSCME Local 646, AFL-CIO

**HOUSE OF REPRESENTATIVES  
THE THIRTY-SECOND LEGISLATURE  
REGULAR SESSION OF 2024**

**COMMITTEE ON LABOR & GOVERNMENT OPERATIONS**

Rep. Scot Z. Matayoshi, Chair  
Rep. Andrew Takuya Garrett, Vice Chair

Thursday, February 1, 2024, 9:00 AM  
Conference Room 309 & Videoconference

**Re: Testimony on HB1947 – RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM**

Chair Matayoshi, Vice Chair Garrett, and Members of the Committee:

The United Public Workers, AFSCME Local 646, AFL-CIO (“UPW”) is the exclusive bargaining representative for approximately 14,000 public employees, which includes blue collar, non-supervisory employees in Bargaining Unit 1 and institutional, health, and correctional employees in Bargaining Unit 10, in the State of Hawaii and various counties.

UPW supports HB1947, which reduces the minimum number of years of credited service from ten years to five years qualified Tier 2 employee's retirement system members must have to be eligible for vested benefit status for service retirement allowance purposes.

Quite simply, this is a bill that is long overdue. Reducing eligibility for vested benefit status from 10 to five years could greatly assist the State and counties with the recruitment and retention of public employees. Additionally, this statutory change could aid in the recruitment of eligible former employees who may be considering a return to public service in order to achieve vested benefit status.

Mahalo for the opportunity to testify in support of this measure.

Sincerely,

A handwritten signature in blue ink, appearing to read "Kalani Werner", is written over a light blue horizontal line.

Kalani Werner  
State Director

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