

TESTIMONY BY DAVID SHIMABUKURO
ADMINISTRATOR, EMPLOYEES' RETIREMENT SYSTEM
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE
ON
SENATE BILL NO. 2174, H.D. 1

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM

MARCH 29, 2010

Chair Oshiro and Members of the Committee:

The ERS Board of Trustees opposes Senate Bill 2174, H.D. 1 since it would increase the number of trustees on the ERS Board from 8 to 10.

The Board believes that maintaining the current number of board members as proposed in S.B. No. 2174 adequately addresses the interests of all ERS members and retirees and the taxpayers of the State of Hawaii. The composition of the Board already provides for a wide range of experiences and financial background. We also feel the S.B. 2174, H.D. 1 proposed increase in the number of ERS trustees may result in a case of having "too many cooks in the kitchen".

Although the ERS Board takes no position on the S.B. No. 2174 which includes county representation on the Board, we have attached some recommended amendments to carryout the intent of S.B. No. 2174.

Thank you for the opportunity to testify on this measure.

Attachment

ATTACHMENT TO TESTIMONY
S.B. NO. 2174, H.D. 1
RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM
March 29, 2010
PROPOSED AMENDMENTS

§88-24 Composition of board. The board of trustees shall consist of eight members as follows:

- (1) The director of finance of the State, ex officio;
- (2) Four members of the system, two of whom shall be general employees, one of whom shall be a teacher, and one of whom shall be a retirant to be elected by the members and retirants of the system under rules adopted by the board governing the election to serve for terms of six years each, one of the terms to expire on January 1 of each even-numbered year; provided that, if after the close of filing of petitions for candidacy, a member is unopposed for election to a trustee position, the member shall be deemed and declared to be duly and legally elected to the position of trustee without an election; [and]
- (3) [~~Three~~] Two citizens of the State who are not employees, one of whom shall be a responsible officer of a bank authorized to do business within the State, or a person of similar experience, to be appointed by the governor, with the advice and consent of the senate, to serve for a term of six years each, one of the terms to expire January 1 of each odd-numbered year[-]; and
- (4) One member appointed by the Hawaii council of mayors, subject to confirmation by the senate in the same manner as trustees appointed by the governor, to serve for a term of six years, with each term to expire on January 1 of an odd-numbered year.

Each trustee shall serve until the trustee's successor is elected or appointed, as the case may be, and qualified. For the purpose of this section, the term "general employees" includes police officers and firefighters.

WRITTEN ONLY

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE
ON
SENATE BILL NO. 2174, H.D. 1

March 29, 2010

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM

Senate Bill No. 2174, H.D. 1, increases the membership of the Board of Trustees of the Employees' Retirement System from eight to ten by adding a member selected by the Council of Mayors who is confirmed by the Senate and an additional member who belongs to the system.

This department opposes the proposed change to the Board of Trustees of the Employees' Retirement System as the current composition of the Board allows for the broadest spectrum of knowledge and experience in making investments, which is the primary function of the Board. Pursuant to Chapter 88-24, Hawaii Revised Statutes, the Board of Trustees currently consists of eight members: the Director of Finance; four members of the system (two general employees, one teacher, and one retirant); and three citizens of the State (one of whom shall be a responsible officer of a bank authorized to do business within the State, or a person of similar experience). Adding two more members to the Board of Trustees will make it more difficult to reach a quorum and could make Board operations more unwieldy.

It should be noted that benefits of the Employees' Retirement System and contribution requirements are determined by statute.

HAWAII COUNCIL OF MAYORS

Testimony of the

Hawaii Council of Mayors

Bernard Carvalho, Jr., Mayor of Kauai County
Mufi Hannemann, Mayor of the City and County of Honolulu
Billy Kenoi, Mayor of Hawaii County
Charmaine Tavares, Mayor of Maui County

Before a Hearing of the
House Committee on Finance

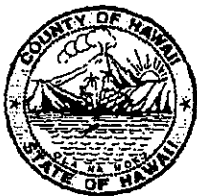
March 29, 2010

Senate Bill 2174, House Draft 1, Relating to the Employees' Retirement System

The Hawaii Council of Mayors supports Senate Bill 2174, H.D.1, which amends Section 88-24 of the Hawaii Revised Statutes to adjust the membership of the Employees' Retirement System's board of trustees to provide for county representation.

The counties contribute to the ERS but have no votes on its board. The proposed amendment would enable the mayors to appoint one trustee to represent the county governments.

The decisions of the ERS significantly affect the counties, our employees, and our retirees. Although the mayors acknowledge the service and contributions of the ERS board, no one on the board has direct knowledge of the effect of board decisions on the counties or their employees and retirees. All public employers must fund board decisions, but the state is the only public employer represented. This inequity can be addressed through this proposal.



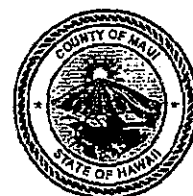
Mayor Billy Kenoi
County of Hawaii
25 Aupuni Street
Hilo, Hawaii 96720



Mayor Mufi Hannemann
City and County of Honolulu
530 South King Street
Honolulu, Hawaii 96813



Mayor Bernard Carvalho, Jr.
County of Kauai
4444 Rice Street, Suite 235
Lihue, Hawaii 96766

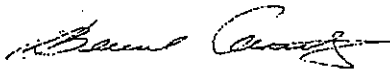


Mayor Charmaine Tavares
County of Maui
200 South High Street, 9th Floor
Wailuku, Hawaii 96793

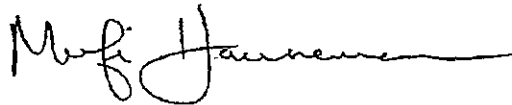
The counties have always assumed their responsibility for funding the ERS. The mayors believe that the county governments should be able to vote on policies and costs we have to bear, and that we should have a role in those decisions that affect us.

The HCOM strongly supports passage of this bill, and thanks the committee for its consideration.

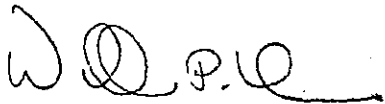
Mahalo.



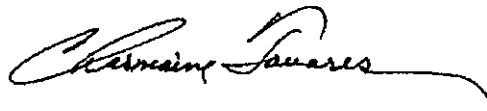
Bernard P. Carvalho, Jr.
Mayor of Kauai County



Mufi Hannemann
Mayor of the City and County of Honolulu



William P. Kenoi
Mayor of Hawaii County



Charmaine Tavares
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The Twenty-Fifth Legislature, State of Hawaii
Hawaii State House of Representatives
Committee on Finance

Testimony by
Hawaii Government Employees Association
March 29, 2010

S.B. 2174, H.D. 1 – RELATING TO
THE EMPLOYEES'
RETIREMENT SYSTEM.

The Hawaii Government Employees' Association, AFSCME Local 152, AFL-CIO supports the purpose and intent of S.B. 2174, H.D. 1. It would replace a public member on the ERS Board of Trustees with one selected by the Hawaii Council of Mayors to represent the City and County of Honolulu, and the neighbor island counties.

The Committee on Labor and Public Employment amended the bill by increasing the membership of the board from eight to ten members. An additional member would be appointed by the Council of Mayors, subject to Senate confirmation. And another member would also be elected from the ranks of employees who participate in the system. Instead of two general employees on the ERS Board, there would be three.

The counties contribute a considerable amount to fund the retirement system, and their employees and retirees represent a significant portion of the system's membership. County representation will ensure that the board possesses knowledge about county finances and the county workforce in making important decisions about benefits. Therefore, they should have membership on the ERS Board of Trustees.

Thank you for the opportunity to testify in support of S.B. 2174, H.D. 1.

Respectfully submitted,

Nora A. Nomura
Deputy Executive Director