

TESTIMONY

SB 2528

WRITTEN ONLY

TESTIMONY BY **GEORGINA K. KAWAMURA**
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON LABOR
ON
SENATE BILL NO. 2528

February 4, 2010

RELATING TO SEPARATION INCENTIVES

Senate Bill No. 2528 authorizes the State Executive Branch to offer a voluntary severance or a special retirement incentive benefit to State employees who elect to voluntarily separate from service when their positions are identified for abolishment or when they are directly affected by a reduction-in-force or workforce restructuring plan.

We oppose this bill as the criteria detailed in Section _ 3(c) allowing employees to qualify for a special retirement benefit will increase the unfunded liability of the Employees' Retirement System. The funding of the Employees' Retirement System is based on the assumption that employees meet the age and service requirements specified in the statutes. Any special treatment that deviates from these requirements will result in an actuarial loss and, thus, increase the unfunded liability of the system.

TESTIMONY BY DAVID SHIMABUKURO
ADMINISTRATOR, EMPLOYEES' RETIREMENT SYSTEM
STATE OF HAWAII
TO THE SENATE COMMITTEE ON LABOR
ON
SENATE BILL NO. 2528

RELATING TO SEPARATION INCENTIVES

FEBRUARY 4, 2010

Chair Takamine and Members of the Committee:

The ERS Legislative and Administrative Committee opposes the special retirement incentive benefit provisions in S.B. 2528 since it will afford State employees an early retirement benefit that will increase the ERS' \$6.2 billion unfunded actuarial accrued liability.

The special retirement incentive benefit is also contrary to the provisions of Act 256, Session Laws of Hawaii 2007, which placed a moratorium on benefit enhancements until January 2, 2011.

Thank you for the opportunity to testify on this measure.



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

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The Twenty-Fifth Legislature, State of Hawaii
Hawaii State Senate
Committee on Labor

Testimony by
Hawaii Government Employees Association
February 4, 2010

S.B. 2528 – RELATING TO
SEPARATION INCENTIVES

The Hawaii Government Employees' Association, AFSCME Local 152, **AFL-CIO**, **strongly supports the purpose and intent of S.B. 2528**, which allows the state executive branch to offer a voluntary severance or special retirement incentive benefit to state employees when their position is affected by a reduction-in-force, a workforce restructuring plan or is identified for abolishment. It also extends to other jurisdictions the option to provide a special retirement incentive to their employees under similar circumstances.

The voluntary severance, as proposed, is a one-time lump sum cash bonus calculated at 5% of the employee's base salary for every year of service worked, up to ten years, and cannot exceed 50% of the employee's annual base salary. Special retirement incentive is a benefit offered to employees who meet certain age and years of service requirements.

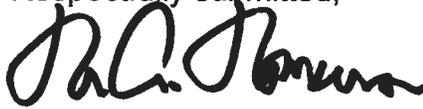
The objective in any reduction-in-force is to reduce expenses by cutting payroll and benefit-related costs. Such cost savings make a reduction-in-force attractive, but large scale reductions also entail substantial costs, both in upfront accumulated vacation payouts and unemployment insurance, and in longer-term expenses, such as the attrition of valuable employees, and future costs of hiring again when economic circumstances improve.

During the recent reduction-in-force, the administration did not allow a broad-based retirement option in lieu of a layoff. The deliberate decision to layoff employees rather than use a retirement incentive option resulted in a reduction-in-force which was more hurtful and divisive on employees than necessary. A well-structured separation incentive program would reduce the need for layoffs and the associated negative impact to employee morale and productivity.

Hawaii State Senate, Committee on Labor
Re: S.B. 2528 – Relating to Separation Incentives
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Thank you for the opportunity to testify in support of S.B. 2528.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Nora A. Nomura". The signature is fluid and cursive, with the first name being the most prominent.

Nora A. Nomura
Deputy Executive Director