

# **TESTIMONY**

**SB 2691**

TESTIMONY BY DAVID SHIMABUKURO  
ADMINISTRATOR, EMPLOYEES' RETIREMENT SYSTEM  
STATE OF HAWAII  
TO THE SENATE COMMITTEE LABOR  
ON  
SENATE BILL NO. 2691

RELATING TO THE PAYMENT OF EMPLOYEES' RETIREMENT SYSTEM BENEFITS

FEBRUARY 4, 2010

Chair Takamine and Members of the Committee:

The ERS Board of Trustees supports this Administration Bill (S.B. 2691) and recommends its passage since it will streamline the processing of ERS pension payments and reduce the number of benefit payment transactions from 764,000 to 455,000 each year.

Under this measure, approximately 25,700 pensioners and beneficiaries out of a total of 38,000 will be paid on a monthly rather than on a semi-monthly basis. In addition, approximately 1,400 of these recipients will have their checks directly deposited into a financial institution instead of receiving paper checks.

This measure will result in cost savings in postage, check printing, check imaging, and bank fees; and will also increase the ERS' investment earnings. The ERS estimates that this proposal will add approximately \$955,000 annually to ERS' bottom line.

The January 1, 2011 effective date and implementation date of March 1, 2011 is to provide a transition period for the retirees to adjust to the new pension payment cycle.

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 Education and Housing  
Committee on Labor

Testimony by  
Hawaii Government Employees Association  
February 4, 2010

### S.B. 2691 – RELATING TO THE PAYMENT OF EMPLOYEES' RETIREMENT SYSTEM BENEFITS

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO, supports S.B. 2691 in part and opposes in part. If enacted, S.B. 2691 will accomplish two things: (1) effective March 1, 2011, all payments from the state retirement system will be made to retirees just once a month; and (2) all state retirement payments will be made directly into a retiree's bank account.

We strongly oppose that part of S.B. 2691 which would change the state retirement payments to those older retirees who now receive payments twice monthly to once a month. If S.B. 2691 is passed, approximately 25,700 individuals, or two-thirds of the approximately 38,000 individuals who now receive state retirement payments semi-monthly will receive their payment just once a month. It may not seem to be a significant change, but switching from semi-monthly payments to a monthly payment, may add an additional financial burden for these older retirees.

It will mean that those retirees, many of whom who are not receiving a large pension, will need to be more careful about budgeting their monthly expenses. We are also concerned about problems that might occur due to a miscalculation or error in a payment to retiree if they are only paid once per month, than the current semi-monthly schedule.

The law to switch state retirement payments to retirees from semi-month to monthly was changed in 2002. The intent of S.B. 2691, that all retirees will eventually be paid once a month, can occur over time.

We support that part of S.B. 2691 which will make state retirement payments directly into retirees' bank accounts. This will add an extra layer of protection for retirees who

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do not currently receive their retirement payments through direct deposit. The possibility of a payment not being properly received, such as being mis-delivered in the mail, being stolen in the process of being delivered, or being misplaced once a check is received, will be greatly eliminated.

We appreciate the opportunity to testify in support of the direct deposit provisions of S.B. 2691; however we oppose making the monthly pension payments retroactive.

Respectfully submitted,

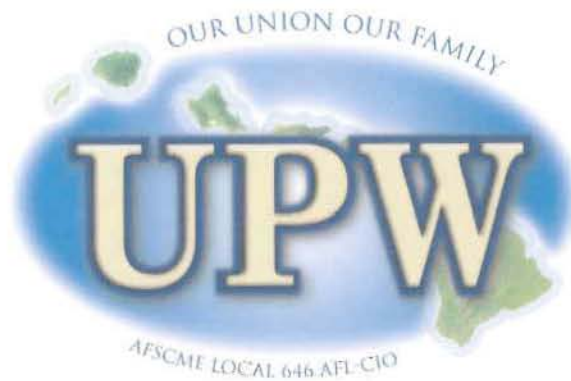
A handwritten signature in black ink, appearing to read "Nora A. Nomura", written in a cursive style.

Nora A. Nomura  
Deputy Executive Director

**TESTIMONY**

**SB 2691**

**LATE**



The Senate  
The Twenty-Fifth Legislature  
Regular Session of 2010

Committee on Labor  
Senator Dwight Y. Takamine, Chair  
Senator Brian T. Taniguchi, Vice Chair

DATE: Thursday, February 4, 2010  
TIME: 2:45 pm  
PLACE: Conference Room 224

**TESTIMONY OF THE UNITED PUBLIC WORKERS, LOCAL 646, ON SB 2691,  
RELATING TO THE PAYMENT OF EMPLOYEES' RETIREMENT SYSTEM BENEFITS**

SB 2691 provides for: (1) the payment of state retirement system benefits on a monthly basis, and (2) the payment to be directly deposited to a financial institution account.

**The UPW has strong concerns with the section on monthly payments.**

Currently, about two-thirds of the retirees receive semi-monthly payments. Many of these retirees are quite elderly; many survive entirely on their retirement benefits. This change from semi to monthly payments would be traumatic and place an additional hardship on these retirees in planning their budget and coping with their expenses.

**For this reason we ask you to hold this measure.** Thank you for the opportunity to offer testimony.