

TESTIMONY BY THOMAS WILLIAMS
EXECUTIVE DIRECTOR, EMPLOYEES' RETIREMENT SYSTEM
STATE OF HAWAII

TO THE HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT
AND
THE HOUSE COMMITTEE ON TRANSPORTATION
ON
HOUSE BILL NO. 2446

FEBRUARY 9, 2016, 9:15 A.M.

RELATING TO SEPARATION BENEFITS

Chairs Nakashima and Aquino, Vice Chairs Keohokalole and LoPresti, and Members of the Committees,

H.B. 2446 authorizes the State executive branch and other jurisdictions to offer a voluntary severance or special retirement benefit to its employees who elect to separate from service when their positions are identified for abolishment, affected by reductions-in-force or workforce restructuring, including privatization.

As of the submittal of this testimony, the Board of Trustees of the Employees' Retirement System (ERS) has not yet reviewed H.B. 2446 and therefore has not yet taken a formal position on the "special retirement benefit" offered by this proposal; however the ERS staff has the following comments and concerns regarding Section 2 of H.B. 2446:

1. This section should be of limited duration, and be tied to the event that it is intended to address. For example, Act 253, Session Laws of Hawaii 2000, which was enacted to reform existing public employment laws, provided "special retirement incentive" benefits, similar to the special retirement benefit provided by this bill, to employees who voluntarily separated from service when their positions were identified for abolishment or when they were directly affected by a reduction-in-force or a workforce restructuring plan. The benefits under Act 253 were originally in effect until June 30, 2003. The "sunset" date was subsequently extended by Act 131, Session Laws of Hawaii 2002, until June 30, 2008. If there is no limitation, there is a risk of unintended consequences, that benefits that are not a proper fit for future circumstances will become locked in either through oversight or the State's constitutional protection for accrued benefits. For example, the failure to make a distinction (discussed below) between class H members with ten years of service who became members before July 1, 2012, and after June 30, 2012, will not have a significant impact on the cost of the special retirement benefit at the present time because there are few, if any, members in the latter category. However, as the number of potentially affected members in the latter category increases, the costs of extending the special retirement benefit to class H members will significantly increase.

- a. If “special” enhanced benefits will be provided, the reason for providing the benefits, and the associated costs, should be carefully balanced. ERS staff believes that this cannot be achieved by a one-size fits all “permanent” solution.
2. Subsection 3 of the bill requires the State to pay for the additional actuarial present value of the benefits granted under the special retirement benefit. (§___-3(f).) However, it does not define what that means. This could be: (a) the additional actuarial present value under the actuarial valuation created as a result of allowing a member to retire when the member would not otherwise be able to do so, or (b) the difference in value between the member’s benefit reflecting termination of service without the special retirement provision and the value of the member’s benefit reflecting the special retirement benefit. Definition (b) alleviates the adverse impact on the ERS’s funded status better than definition (a).
3. The requirement in §___-5 for repayment of the special retirement benefit to the ERS if the employee returns to public service should not be waivable. The easy exception offered in this bill makes the requirement meaningless.
4. If a special benefits retirant returns to work, the bill should also require that the employee meet the age and service requirements in effect when the individual again retires.
5. §__-3 uses the term “vested member of the employees’ retirement system.” There is no such term in chapter 88. This term should be defined in the bill. For example: “A member of the employees’ retirement system of the State of Hawaii who has sufficient credited service to be eligible to receive the service retirement benefit in effect under section 88-74, 88-282, or 88-332, upon becoming eligible under section 88-73, 88-281 , or 88-331, respectively, to receive a retirement allowance.” (ERS staff would like to clarify that, under this definition, these terminated members would eventually have been eligible to receive a retirement allowance when the members reach the statutory retirement age without the special retirement allowance.)
6. §__-3, subsection (c): This subsection of special retirement benefit qualification criteria does not take into account the different “tiers” within each class of ERS members. Class A and H members who become members prior to July 1, 2012 have different retirement requirements and retirement benefits than Class A and H members who become members after June 30, 2012. For example, pre-7/1/2012 class A members with sufficient years of credited service can retire at 55. The respective retirement age for post-6/30/2012 members is 60. A post-6/30/2012 class A member would get a bigger “break” (qualifying 10 years earlier) than pre-7/1/2012 class A member if the early retirement age for both members is 50.

On behalf of the Board of Trustees and staff of ERS we wish to thank you for the opportunity to testify.



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

RANDY PERREIRA, Executive Director • Tel: 808.543.0011 • Fax: 808.528.0922

The Twenty-Eighth Legislature, State of Hawaii
House of Representatives
Committee on Labor and Public Employment

Testimony by
Hawaii Government Employees Association

February 9, 2016

**H.B. 2446 – RELATING TO
SEPARATION BENEFITS**

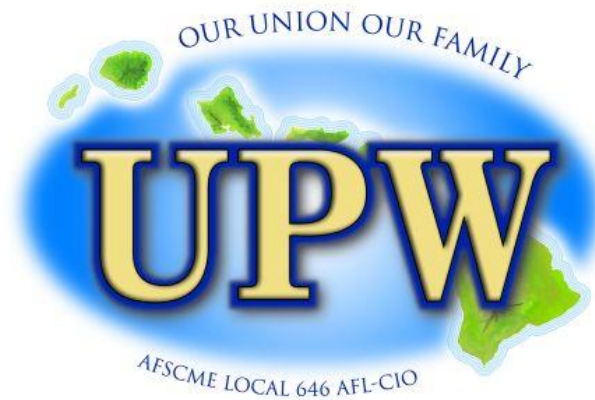
The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO strongly supports the purpose and intent of H.B. 2446. Under this bill, employees whose positions are privatized by an action of state or county government will become eligible for a voluntary severance payment or a special retirement benefit.

This legislation is similar to the separation incentive program that previously existed in Hawaii Revised Statutes. As drafted, H.B. 2446 offers employees two basic options: a severance payment or special retirement benefits. Within the Hawaii Health Systems Corporation Maui Region privatization there are employees at different life stages and this bill addresses that complexity. Employees with only a few years of creditable service with the HHSC may opt for a severance payment, which can be applied to continued health insurance coverage through the Hawaii Employer-Union Health Benefits Trust Fund. Or, for those who have more years of service, but need additional years before they can retire, there is a special retirement benefit to meet that important need. Without such assistance, employees may face economic hardship that will be permanent through no fault of their own. We cannot allow that to occur.

Thank you for the opportunity to testify in support of H.B. 2446.

Respectfully submitted,

Randy Perreira
Executive Director



THE HAWAII STATE HOUSE OF REPRESENTATIVES
The Twenty-Eighth Legislature
Regular Session of 2016

COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT (LAB)/
COMMITTEE ON TRANSPORTATION (TRN)

The Honorable Mark M. Nakashima, Chair (LAB)
The Honorable Henry Aquino, Chair (TRN)
The Honorable Jarrett K. Keohokalole, Vice Chair (LAB)
The Honorable Matthew LoPresti, Vice Chair (TRN)

DATE OF HEARING: Tuesday, February 9, 2016
TIME OF HEARING: 9:30 a.m.
PLACE OF HEARING: State Capitol
415 South Beretania Street
Conference Room 309

TESTIMONY ON HOUSE BILL 2446 RELATING TO SEPARATION BENEFITS

By DAYTON M. NAKANELUA,
State Director of the United Public Workers (UPW),
AFSCME Local 646, AFL-CIO

My name is Dayton M. Nakanelua, State Director of the United Public Workers, AFSCME, Local 646, and AFL-CIO. The UPW is the exclusive bargaining representative for approximately 12,000 public employees, which include blue collar non-supervisory employees in Bargaining Unit 01 and institutional, health and correctional employees in Bargaining Unit 10, in the State of Hawaii and various counties. The UPW also represents about 1,500 members of the private sector.

HB2446 Relating to Separation Benefits authorizes public employees facing position abolishment, reduction-in-force, or workforce restructuring to opt to receive either voluntary severance benefits Or a special retirement benefit in lieu of exercising any reduction-in-force rights.

The UPW supports the intent of this measure. Thank you for the opportunity to submit this testimony.

LABtestimony

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 08, 2016 8:55 AM
To: LABtestimony
Cc: ddochin@hhsc.org
Subject: *Submitted testimony for HB2446 on Feb 9, 2016 09:30AM*

HB2446

Submitted on: 2/8/2016

Testimony for LAB on Feb 9, 2016 09:30AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Desiree K Dochin	Individual	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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From: Carol Kramer
Submitted on: February 8, 2016
Testimony in support of HB2446, Relating to Separation Benefits
Submitted to: The Senate Committee on Labor & Public Employment
Aloha Chair Nakashima and Members of the Committee,
I support HB2446.

I am in support of HB2446 as my husband is eligible to retire with his full pension on October 1, 2016. He will be age 62 on September 14, 2016.

My husband started working at Kula Hospital on August 1, 1997, after many years of working in the hotels, as he was passionate to work in an area that helps people. Even though his wage was approximately \$15,000 less per year, he considered the benefits that the State offered: sick leave, vacation, comp time, deferred compensation plan, and most importantly - retirement at age 62.

Due to the Kaiser takeover effective July 1, 2016, and his termination from the government effective June 30, 2016, he will have to wait to apply for retirement when he is age 65. In this situation, I believe there should be an exception to allow State employees to elect to use their accumulated sick leave towards years of service as this was not their choice to leave government service prior to their planned retirement date.

Thank you for your time and consideration.

LABtestimony

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 08, 2016 8:47 AM
To: LABtestimony
Cc: masykes11@gmail.com
Subject: *Submitted testimony for HB2446 on Feb 9, 2016 09:30AM*

HB2446

Submitted on: 2/8/2016

Testimony for LAB on Feb 9, 2016 09:30AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Melissa Ann Sykes	Individual	Support	No

Comments:

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LABtestimony

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 08, 2016 8:47 AM
To: LABtestimony
Cc: ikang1960@gmail.com
Subject: *Submitted testimony for HB2446 on Feb 9, 2016 09:30AM*

HB2446

Submitted on: 2/8/2016

Testimony for LAB on Feb 9, 2016 09:30AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
isabel kang	Individual	Support	No

Comments:

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Charles R. Kroner, Jr
2420 Waipua Street
Paia, Maui, HI 96779
KronerChuck@yahoo.com
(H) 808-871-6007
(C) 808-269-5973



February 8, 2016

RE: HB 2446, SB 2077 – Support
HB 2606, SB 3000 – Support
HB 2445, SB 2039 – Support

I have been permanently employed by MMMC for 19 years. My seniority would have been higher, but due to the politics of the State System I was unable to receive credit for all my time worked. Even though there were positions available, I had to work as “E-hire” for a year first, which now disqualifies me from early retirement as the Maui Region is privatized this year. Even though I was a longtime resident of Maui & honor graduate of Maui Community College in nursing, I was left with no other option, short of leaving the island, to get my foot in the door. Even that sacrifice wasn’t enough, as I could not be considered for a job as the RN I trained to be, unless I first accepted a job below my level of education, training & pay class!

It makes me lose faith in our political system that I am now again at the mercy of the State to receive what I have worked long & hard to achieve. It seems there has been a bullseye on my employment from day 1, preventing me from reaching my goals. I love taking care of our patients at the hospital, both visitors and community members. I give them quality care with aloha that I hope I will receive in turn when I am in need. Even though I receive letters of appreciation frequently from my patients, I often feel like I am not appreciated by MMMC, HHSC, or the State of Hawaii. All of us employees are victims of this bureaucracy. It is a huge injustice if we cannot even count on the government process to protect our rights & benefits.

I am willing to work in any job with the state or county of Maui to retain my tenure in the retirement system that I sacrificed all these years to achieve. Since there are not any nursing jobs that I can transfer to, I applied in November 2015 for several positions advertising active recruitment to maintain my employment on Maui. So far I have been disqualified to work as a painter, park superintendent or with waste water management. I finally received a letter stating I am qualified for unskilled labor jobs as a janitor, groundskeeper, grass cutting, & golf course maintenance. The letter states I am on the list, but no job offers have been presented. I would rather fill one of these significantly lower paying jobs on Maui, rather than RIF to an outer island & bump another dedicated nurse from achieving his/her work goals.

I know of several people that literally had their golden egg turn into humpty dumpty, by dying before they could afford to retire. All the sacrifices that they made to dedicate themselves to work at the hospital were all in vain, as their hard earned pension was forfeited to the state by their death. Their families missed out on their life with their commitment to the hospital & their death destroyed the employee’s plans to provide financial security for their children & mates. I am convinced that the stress of being understaffed, underpaid & underappreciated was a factor in their premature deaths.

I implore you to give these bills your blessing, and pass them as an act of appreciation for the dedication & hard work that I & my fellow coworkers have provided. These bills would allow employees facing a RIF, privatization, etc. to receive an early retirement incentive, voluntary separation benefit, and ensures future ERS benefits.

Thank you for taking my testimony into consideration as you make your decision on these bills. If you have any questions please feel free to contact me. I would have preferred to appear in person to testify, but was not granted the time off to attend the hearing.

Mahalo,

Charles R. Kroner, Jr

Rose Kroner
2420 Waipua Street
Paia, Maui, HI 96779
Rose3Chas9@aol.com
(H) 808-871-6007
(C) 808-298-6017



February 8, 2016

RE: HB 2446, SB 2077 – Support
HB 2445, SB 2039 – Support
HB 2606, SB 3000 – Support

I have dedicated my career as a nurse to MMMC, for the last 25 years, along with many other State of Hawaii employees with HHSC. Our pay salary has always been significantly less than the private sector primarily due to our retirement package, that we were lead to believe would never go away. Our retirement was a significant factor in our choice to remain dedicated caregivers to our community hospitals. Now the day is coming that none of us thought we would ever see, when our jobs are being abolished through privatization. This has a huge impact, as many of us are just short of age or years of service to qualify for full retirement.

Throughout the years we have struggled with the difficulty to recruit & retain experienced/qualified staff due to our state contracts that deferred the bulk of our benefits till retirement. This privatization will cause our hospital to lose a higher amount of nurses to early retirement or to other hospitals within HHSC to get their retirement. Maui has already had an increase number of nurses retire before they intended. These are highly skilled nurses that need to be replaced, subjecting Maui region to increasing staff shortages. University of Hawaii, Maui Campus produces new excellent nurses, but they need to gain experience by being mentored by the senior nurses. This subjects Maui community to a difficult transition due to this forced attrition.

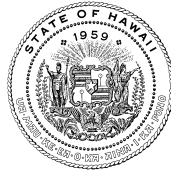
It is very frustrating since several of us are so close to a step movement in vesting or the ability to retire. There are minimal opportunities to fulfill our retirement goals that we were promised. Leaving the Maui region is not an option for most people whose families & homes are established here. Changing professions to an unskilled job to continue to retain state or county employment isn't fair to the employees or prospective employers. Providing separation benefits & allowing for early retirement without penalties is the politically correct way to ease this transition for our hard working employees who jobs are directly impacted by the abolishment of Maui Region HHSC through privatization.

These bills would allow employees facing a RIF, privatization, etc. to receive an early retirement incentive, voluntary separation benefit, and ensures future ERS benefits. Thank you for your consideration & allowing my testimony. Feel free to contact me if you have any questions.

Mahalo,

Rose Kroner

DAVID Y. IGE
GOVERNOR



WESLEY K. MACHIDA
DIRECTOR

RODERICK K. BECKER
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

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 (OFAM)

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT
ON
HOUSE BILL NO. 2446

February 9, 2016
9:30 a.m.

LATE

RELATING TO SEPARATION BENEFITS

House Bill No. 2446 authorizes public employees facing position abolishment, reduction-in-force (RIF), or workforce restructuring to opt to receive either voluntary severance benefits or a special retirement benefit in lieu of exercising any RIF rights.

The Department of Budget and Finance opposes this bill.

First, based on the provisions of this measure, the cost could be significant as all affected employees would qualify (in the case of the Hawaii Health Systems Corporation's Maui Region Health Systems transitioning to Maui Health Systems) for the voluntary severance benefit or special retirement benefit. The provisions of the bill appear to be an overly broad approach to address a situation where only a limited number of the estimated 1,479 affected employees may not be re-employed by Maui Health Systems. A more cost effective solution may be looking at inter-jurisdictional employment agreements to address those who may not retain employment with Maui Health Systems.

A second concern is that previous RIFs were implemented without offering employees severance packages or retirement benefit enhancements. The provisions of this bill offer an open-ended package of separation benefits for any future RIF.

Third, the cost of paying for voluntary severance benefits or special retirement benefits nullifies the intent of a RIF, which is to reduce the size and cost of government. While the voluntary severance package would only be a one-time cost, retirement benefit enhancements have a long-term cost to the State and result in a higher unfunded actuarial accrued liability (UAAL) for the Employees' Retirement System (ERS). Although the special retirement benefits are exempt from Section 88-99 and the bill requires that the State pay the ERS the additional actuarial present value of the benefit enhancements over a period of five years, the benefit enhancement is counter to the purpose of Section 88-99, Hawaii Revised Statutes, which places a moratorium on benefit enhancements until such time as the actuarial value of the ERS' assets is 100% of the ERS' UAAL. Each exception from Section 88-99 increases the ERS' UAAL and affects the efficacy of the moratorium.