



UNIVERSITY OF HAWAI'I SYSTEM

TESTIMONY

S.B. 2073, SD 2 RELATING TO THE UNIVERSITY OF HAWAII

Testimony Presented Before the

Joint House Committees on Labor and Public Employment and Higher Education

March 15, 2004

By

Sam Callejo
Chief of Staff, University of Hawai'i

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Chair Oshiro, Chair Takai and Members of the Committee:

The purpose of this bill is to amend Section 88-8, Hawai'i Revised Statutes, in four major ways. First, it amends the law to allow all Board of Regents' appointees to participate in a University of Hawai'i optional retirement system, not just faculty. Second, it dictates the type of optional retirement plan that shall be established at the University by mandating that the Board of Regents designate no fewer than three companies to provide annuity contracts under the optional plan. Third, it deletes restrictive language that has made it impossible to implement an optional retirement plan. Finally, it requires the State to remit 6% of the salaries of employees electing to participate in the University plan.

Section 88-8, Hawai'i Revised Statutes authorizes the Board of Regents to establish an optional retirement system for its faculty and academic administrators. SB 2073, SD 2 proposes to broaden the scope of the current law to allow all Board of Regents' appointees to participate in the optional retirement plan. The University does not object to extending participation to other than faculty employees; however, the language of this bill must be amended to exclude certain Board of Regents' appointees, e.g., employees who are

employed less than half-time or for less than three months, graduate assistants, etc., from participation. Only Board of Regents' appointees who are eligible for membership in the Employees Retirement System should be allowed to participate in the optional retirement plan.

The language in SB 2073, SD 2, dictating the type of optional retirement system to be established at the University arguably intrudes upon the exclusive jurisdiction of the Board of Regents over the internal management and operation of the University. We do not believe that the structure of the optional retirement plan for University employees appointed by the Board of Regents is a matter of statewide concern which should be dictated by statute. Rather, we believe that the Board of Regents should have the flexibility to establish a plan which best meets the needs of the University. It is our recommendation that the current language of section 88-8(b), Hawaii Revised Statutes, remain unchanged.

Section 88-8(e), Hawaii Revised Statutes, provides that the Employer's share of the cost of the optional retirement plan cannot exceed the amount for any group currently in the Employees' Retirement System. This limitation has made it impossible to implement a University plan because the amount of the Employer's contribution fluctuates based on market conditions. This bill would remove this limitation and replace it with language requiring the State to remit to the University an amount equal to 6% of the employee's compensation in lieu of any contribution it would have made on behalf of the employee had he or she not opted to participate in the University plan. The remittance rate of 6% is being proposed because it is the normalized contribution rate at which the State funds the Employees' Retirement System. This proposal, if adopted, would not

increase the cost to the State and would allow the University to establish an optional retirement plan similar to those at universities on the mainland. The University would be responsible for obtaining funding for any plan costs exceeding the amount of the State's remittance to the University. We support this change.

The University administration has discussed this bill with representatives of the Department of Budget and Finance and the Employees Retirement System. Some of the changes they have suggested have been incorporated into this bill and we are prepared to work with them to address any other concerns they may have.

Thank you for the opportunity to provide testimony on this bill.