UNIVERSITY OF HAWAI‘I SYSTEM

TESTIMONY

H.B. 5 HD 1, RELATING TO THE UNIVERSITY OF HAWAII

Testimony Presented Before the

Senate Committees on Higher Education and Labor

March 22, 2005

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Sam Callejo
Vice President for Administration, University of Hawai‘i, System

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Chairs Hee and Kanno and Members of the Committees:

The University of Hawaii strongly supports House Bill 5, the purpose of which is to amend Section 88-8, Hawai‘i Revised Statutes, by removing the July 1, 2009 sunset provision on certain subsections of Section 88-8.

The July 1, 2009 sunset provision affects the University's ability to implement an optional retirement plan (ORP) in two ways. First, it would restore statutory language prohibiting the cost of the University's ORP from exceeding that of any State Employees' Retirement System (ERS) plan. Because the cost of the ERS fluctuates, it was impossible to implement the ORP with this limitation. The last legislature removed this prohibition and replaced it with language providing for a State reimbursement to the University of 6% of salaries up to $100,000 for every University employee electing membership in the ORP. The restoration of this restrictive language could throw the legality of any plan adopted by the University into question. Second, the sunset provision would eliminate the State's 6% reimbursement to the University thereby placing the entire cost of the ORP on the University. Because the State funds the entire cost of retirement benefits for University employees in the ERS, there is no rationale for eliminating the State's reimbursement to the University for employees in the optional plan in 2009.

While the University supports the removal of the sunset provision, we would also request the removal of the salary limitation on the State's reimbursement to the University. More specifically, we would recommend the incorporation of language removing the $100,000 cap on salaries for which the State will reimburse the University into this bill, thereby making the salary cap equivalent to IRS limitations and consistent with the limitations adopted by the ERS. We would propose the following amendments to HRS 88-8 (e)(1) for your consideration:

> (1) The State's annual contribution for any such employee shall not exceed six percent of [~~$100,000,~~] <u>the federal tax limit on annual compensation as set forth in section 401(a)(17) of the Internal Revenue Code of 1986, as amended;</u>

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