



UNIVERSITY OF HAWAI'I SYSTEM

TESTIMONY

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

Testimony Presented Before the
House Committees on Higher Education and
Labor and Public Employment

February 8, 2005

By

Sam Callejo
Vice President for Administration, University of Hawai'i

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Chair Waters, Chair Caldwell and Members of the Committees:

While the University of Hawaii 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, it prefers House Bill 747.

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.

The University supports the removal of the sunset provision; however, House Bill 747, in addition to removing the sunset provision, would also remove the salary limitation on the State's reimbursement to the University. Therefore, the University prefers H.B. 747. Alternatively, 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.

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