



UNIVERSITY OF HAWAI'I SYSTEM

TESTIMONY

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

Testimony Presented Before the
House Committee on Finance

March 3, 2005

By

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

Testimony Presented Before the House
Committee on Finance

March 3, 2005

By

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

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

Chair Takamine, Vice Chair Kawakami 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, and also requests a revision.

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, in addition to removing the sunset provision, we would also like to remove the salary limitation on the State's reimbursement to the University. 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 thereby making the salary cap equivalent to IRS limitations and consistent with the Employee Retirement System of the State. Draft language reflecting this amendment is cited below.

Draft language for HRS 88-8 (e)(1):

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

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