



UNIVERSITY OF HAWAI'I SYSTEM

TESTIMONY

S.B. 2073, SD 1 RELATING TO THE UNIVERSITY OF HAWAII

Testimony Presented Before the
Senate Committee on Ways and Means

March 5, 2004

By

Sam Callejo
Chief of Staff, University of Hawai'i

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Chair Taniguchi and Members of the Committee:

I would like to present testimony in support of this bill, the purpose of which is to amend Section 88-8, Hawai'i Revised Statutes, in three ways. First, it clarifies that only individuals who are eligible for membership in the Employees' Retirement System are eligible to participate in a University of Hawai'i optional retirement system. Second, 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 faculty 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. The intent of this law is to allow faculty who are eligible for membership in the Employees' Retirement System to elect participation in a University administered retirement plan instead. However, the language of Section 88-8 can be read to allow those members of the faculty who are ineligible for membership in the Employees' Retirement System, e.g., those employed less than half-time, to join the University sponsored program. The proposed amendment would clarify that only those who are eligible for Employees'

Retirement System membership may elect participation in the optional retirement system.

Section 88-8 also 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.

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 S.B. 2073, SD 1 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.