



UNIVERSITY OF HAWAI'I SYSTEM

TESTIMONY

S.B. 900, RELATING TO THE UNIVERSITY OF HAWAII

Testimony Presented Before the
Senate Committees on Higher Education and Labor

February 8, 2005

By

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

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Chair Hee, Chair Kanno and Members of the Committees:

The University of Hawaii strongly supports Senate Bill 900, the purpose of which is to amend Section 88-8, Hawai'i Revised Statutes, by removing language limiting the State's annual contribution for any employee electing membership in the University's optional retirement plan (ORP) to no more than 6% of \$100,000 and by removing the July 1, 2009 sunset provision on certain subsections of Section 88-8.

Pursuant to the Internal Revenue Code's limitation on salaries for qualified retirement plans, the State Employees' Retirement System (ERS) currently limits retirement benefits to the federal tax limit on compensation. Since the State currently funds retirement benefits for salaries up to the federal tax limit, there is no justification for limiting its reimbursement to the University to 6% of salaries \$100,000 or below for University employees electing the ORP.

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 ERS plan. Because the cost of the ERS plan 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.

Thank you for the opportunity to provide testimony in support of this bill.