



THE HAWAII STATE HOUSE OF REPRESENTATIVES
The Twenty-Seventh Legislature
Regular Session of 2013

COMMITTEE ON LABOR & PUBLIC EMPLOYMENT

The Honorable Rep. Mark Nakashima, Chair
The Honorable Rep. Mark Hashem, Vice Chair

DATE OF HEARING: Tuesday, March 12, 2013
TIME OF HEARING: 9 a.m.
PLACE OF HEARING: Conference Room 309

**TESTIMONY ON SB867 SD2 RELATING TO THE HAWAII EMPLOYER-UNION HEALTH
BENEFITS TRUST FUND**

By DAYTON M. NAKANELUA,
State Director of the United Public Workers,
AFSCME Local 646, AFL-CIO ("UPW")

My name is Dayton M. Nakanelua and I am the State Director of the United Public Workers, AFSCME, Local 646, AFL-CIO (UPW). The UPW is the exclusive representative for approximately 14,000 public employees, which include blue collar, non-supervisory employees in Bargaining Unit 1 and institutional, health and correctional employees in Bargaining Unit 10, in the State of Hawaii and various counties. The UPW also represents about 1,500 members of the private sector.

The UPW supports the passage of SB867 SD2 that repeals provisions relating to the base monthly contributions for health benefit plans paid by the State and counties for retired employees. This measure would protect the accrued health and pension benefits that retirees have earned and been promised. It is important to keep in mind that retirees live on a fixed income even as the costs of health care are constantly rising.

The Hawaii Constitution protects the accrued health and pension benefits for retirees and a reduction would be a clear violation of our State's Constitution. We ask that you eliminate the "cap" and give our retirees what they rightfully deserve.

For the reasons stated above, we ask that the Committee pass this measure.

Thank you for the opportunity to testify.

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON LABOR & PUBLIC EMPLOYMENT
ON
SENATE BILL NO. 867, S.D. 2

March 12, 2013

RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST
FUND

Senate Bill No. 867, S.D. 2, sets the base monthly contributions for health benefit plans, including two-party plans, paid by the State and counties for retired employees to unspecified amounts beginning January 1, 2014.

The Department of Budget and Finance supports the retention of the base monthly contributions for health benefit plans but has concerns with the unspecified amounts. Raising the base monthly contribution by any amount will unnecessarily increase the State's and counties' expenses. Per data from the Hawaii Employer-Union Health Benefits Trust Fund (EUTF), only four retirees (receiving 100% benefits) have exceeded their monthly caps. This was a result of the combination of plans selected by the retirees. In these four instances, the retirees selected self medical/prescription plans, but chose family vision and dental plans, thereby exceeding the base monthly contribution allowable. The retirees were then responsible for paying the amounts above the base monthly contribution. With 61,600 retirees and beneficiaries currently receiving varied levels of benefits, that only four exceeded the base monthly contribution shows that the current amounts are sufficient at this time.

Additionally, the base monthly contribution formula for State/county retirees is one of the factors used by the actuary determining the unfunded other post-employment benefit (OPEB) liability of the EUTF. Any unwarranted increase in the base monthly contribution could result in an increase of the EUTF unfunded OPEB liability, which is currently \$16.3 billion for all State/county jurisdictions - the State's portion of the unfunded OPEB liability is \$13.6 billion.