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**STATE OF HAWAII**  
**EMPLOYEES' RETIREMENT SYSTEM**

TESTIMONY BY THOMAS WILLIAMS  
EXECUTIVE DIRECTOR, EMPLOYEES' RETIREMENT SYSTEM  
STATE OF HAWAII

TO THE SENATE COMMITTEE ON JUDICIARY AND LABOR  
ON

SENATE BILL NO. 279

FEBRUARY 8, 2017, 9:00 A.M.

RELATING TO PUBLIC EMPLOYEES

Chair Keith-Agaran, Vice Chair Rhoads and Members of the Committee,

S.B. 279 would require the Employees' Retirement System (ERS) to transfer contributions by retirees and beneficiaries to the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) that represent the difference between the monthly contributions by the State or county to the EUTF and the actual costs of health benefit plans under the EUTF.

The ERS Board of Trustees has not taken a formal position on this proposal; however, as a deduction method for the withholding of EUTF premium payments from ERS pensioners' benefit amounts has already been developed and is in the process of being tested by both agencies, the ERS staff respectfully requests that S.B. 279 be deferred.

The bill addresses a section of the Hawaii Revised Statutes (HRS), §88-6, which relates to the timing and manner in which ERS payments are to be made. This proposal is more closely related to an existing section, §88-95, which provides for withholding of payments to the EUTF in addition to employee organizations for dues and insurance premiums.

Under the provisions of §88-95, the ERS and the EUTF are currently in the process of testing the importing and exporting of deduction files to and from our respective systems. By April 2017, EUTF expects to provide the ERS with a test file by which we will be able to determine the feasibility of actual deductions with the hope of implementing the same by July 2017. The



Employees' Retirement System  
of the State of Hawaii

ERS and EUTF have been working collaboratively to ensure that liabilities and responsibilities for the federal Health Insurance Portability and Accountability Act (HIPAA) have been addressed and that all of the possible issues related to automatic deductions (premium changes, shortages, negative transactions due to death, etc.) have been anticipated and resolved.

Thank you for this opportunity to provide testimony on S.B. 279.



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**TESTIMONY BY DEREK MIZUNO**  
**ADMINISTRATOR, HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND**  
**DEPARTMENT OF BUDGET AND FINANCE**  
**STATE OF HAWAII**  
**TO THE SENATE COMMITTEE ON JUDICIARY AND LABOR**  
**ON SENATE BILL NO. 279**

**February 8, 2017**  
**9:00 a.m.**  
**Room 016**

**RELATING TO PUBLIC EMPLOYEES**

Chair Keith-Agaran, Vice Chair Rhoads, and Members of the Committee:

The Hawaii Employer-Union Health Benefits Trust Fund (EUTF) Board of Trustees has not had an opportunity to take a position on this bill. The EUTF Board's next meeting is February 21, 2017. However, during the 2016 Legislative Session, the EUTF Board supported the intent of a similar bill.

The EUTF would like to make the payment of health care premiums for retirees who pay a portion of their premiums (approximately 1,500 or 2% of all retirees) as well as employees on leave without pay as simple as possible. To that end, the EUTF has the following implementation plan for providing electronic payment options to its members:

1. November 4, 2016 – EUTF began offering payment by credit card and electronic check through a third party. Through January 31, 2017, 229 credit

**EUTF's Mission:** We care for the health and well being of our beneficiaries by striving to provide quality benefit plans that are affordable, reliable, and meet their changing needs. We provide informed service that is excellent, courteous, and compassionate.

- card and 330 electronic check transactions have been processed through the third party.
2. May 1, 2017 – begin automated clearinghouse (ACH) deductions. Prior to this date, EUTF will mail out a EUTF ACH Withdrawal Authorization Agreement Form (Form) to all retirees paying a portion of their premiums. Upon completion, the EUTF will be able to initiate premium deductions from the bank account selected by the retiree. EUTF will time the deductions to coincide with the Employees' Retirement System (ERS) pension deposits to ensure funds are available in the bank account. The Form will also allow the EUTF to change the premium deduction amount each new plan year subject to notification of the retiree. Once the retiree completes this form they will no longer have to worry about submitting premium payment, just ensuring that they have funds in the bank account.
  3. July 1, 2017 – begin EUTF premium deductions from ERS pensions. Prior to this date, EUTF will mail out authorization forms to retirees to allow the EUTF to submit protected health information to the ERS in order to deduct their EUTF premium deductions from their ERS pension. This authorization form will relieve ERS from the requirements of the federal Health Insurance Portability and Accountability Act of 1996.

The EUTF would like to implement electronic payment options #2 and #3 as soon as possible. However, the EUTF Benefits Administration System (BAS) needs reprogramming to export the deduction information into a file that is compatible with the EUTF's financial institution and/or the ERS' formatting requirements. Additionally, the

EUTF will have to reprogram the BAS to import an upload of the electronic payments from the ERS.

The bill currently requires implementation of the withholdings from ERS pensions July 1, 2017 but provides the option of automatic electronic payments in lieu of withholdings from January 1, 2018. We request an amendment to Section 2, page 5, lines 6-8 as follows:

“...provided that ~~beginning after January 1, 2018,~~ the Hawaii employer-union health benefits trust fund ~~shall~~ may authorize automatic electronic payment in lieu of withholdings.”

This would allow retirees to select automated (ACH) deductions in lieu of withholdings from their ERS pensions.

Thank you for the opportunity to testify.