

STAND. COM. REP. NO

421

Honolulu, Hawaii

FEB 18 2011

RE: S.B. No. 1066
S.D. 1

Honorable Shan S. Tsutsui
President of the Senate
Twenty-Sixth State Legislature
Regular Session of 2011
State of Hawaii

Sir:

Your Committee on Judiciary and Labor, to which was referred
S.B. No. 1066 entitled:

"A BILL FOR AN ACT RELATING TO THE HAWAII EMPLOYER-UNION
HEALTH BENEFITS TRUST FUND,"

begs leave to report as follows:

The purpose and intent of this measure is to address the
unfunded liability of the Hawaii Employer-Union Health Benefits
Trust Fund (EUTF) by:

- (1) Exempting the EUTF from the Procurement Code in
procuring benefit plan carriers, consultants, actuaries,
auditors, and administrators;
- (2) Imposing duties, restrictions, and liabilities on
fiduciaries of the Trust;
- (3) Allowing the EUTF to retain an attorney as a legal
advisor who is independent of the Attorney General;
- (4) Changing the number of trustees on the Board of Trustees
of the EUTF, how they are appointed, their terms of
office, and quorum and voting requirements;
- (5) Providing for sub-boards to administer exclusive
bargaining unit contributions and benefits;



- (6) Requiring the EUTF to provide health and other benefit plans within certain contributions and appropriations; and
- (7) Transferring the administration of the EUTF from the Department of Budget and Finance to the Department of Human Resources Development.

Your Committee received testimony in support of this measure from the University of Hawaii Professional Assembly; the Hawaii Government Employees Association; and one individual. Your Committee received testimony in opposition to this measure from the Department of the Attorney General, the Department of Budget and Finance, and the Department of Human Resources Development. Your Committee received comments on this measure from the State Procurement Office and the Department of Human Resources of the City and County of Honolulu.

Your Committee finds that the intent of this measure is to address the unfunded liability of the EUTF, which your Committee has been informed currently stands at \$10,000,000,000. This measure, along with several other measures being heard by your Committee, attempts to make fundamental changes in the EUTF to address concerns that it is not operating in the manner as was originally intended, which has made the EUTF system ineffective and expensive. Given the current financial crisis of the EUTF, it is incumbent upon your Committee to seek and consider every avenue available to improve the efficiency of the EUTF so that going forward, the EUTF can be stabilized and preserved for state and county employees.

While your Committee acknowledges that there are concerns regarding various provisions proposed in this measure, your Committee anticipates more discussions with the Hawaii Government Employees Association, other stakeholders, and subsequent committees hearing this measure to address these issues. Your Committee believes that every attempt to address the EUTF system should be pursued.

Your Committee has amended this measure by:

- (1) Removing the provisions imposing fiduciary duties on trustees of the EUTF, due to potential conflicts with existing state laws and to ambiguities related to the



federal Employee Retirement and Income Security Act from which these fiduciary provisions are drawn;

- (2) Inserting an effective date of July 1, 2050, to allow for further discussion; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Judiciary and Labor that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1066, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1066, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Judiciary and
Labor,

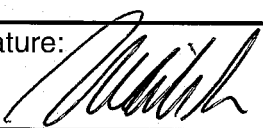


CLAYTON HEE, Chair



The Senate
 Twenty-Sixth Legislature
 State of Hawai'i

Record of Votes
Committee on Judiciary and Labor
JDL

Bill / Resolution No.:* <i>SB 1066</i>	Committee Referral: <i>JDL, JAM</i>	Date: <i>2/15/11</i>		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
HEE, Clayton (C)	✓			
SHIMABUKURO, Maile (VC)	✓			
GABBARD, Mike				✓
IHARA, Jr., Les	✓			
SLOM, Sam				✓
TOTAL	<i>3</i>	<i>0</i>	<i>0</i>	<i>2</i>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes