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# A BILL FOR AN ACT

RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST  
FUND.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 PART I

2 SECTION 1. The purpose of this part is to convene a task  
3 force in the department of budget and finance to examine the  
4 unfunded liability of the Hawaii employer-union health benefits  
5 trust fund.

6 SECTION 2. (a) There is established a Hawaii employer-  
7 union health benefits trust fund task force within the  
8 department of budget and finance for administrative purposes to  
9 consist of the following members:

- 10 (1) Two members from the house of representatives selected  
11 by the speaker of the house of representatives;
- 12 (2) Two members from the senate selected by the senate  
13 president;
- 14 (3) The director of finance, or the director's designee;
- 15 (4) One member from the Hawaii Council of Mayors;
- 16 (5) One member from the Hawaii State Association of  
17 Counties;



- 1 (6) Four members representing public sector unions who  
2 shall be invited to participate by the director of  
3 finance;
- 4 (7) One member representing public employee retirees who  
5 shall be invited to participate by the director of  
6 finance; and
- 7 (8) Four members representing the respective interests of  
8 the four counties who shall be selected by the  
9 governor.

10 The director of finance, or the director's designee, shall  
11 serve as the chairperson of the task force. The task force  
12 shall cease to exist on June 30, 2014.

13 (b) The members of the task force shall serve without  
14 compensation, but shall be reimbursed for expenses, including  
15 travel expenses, necessary for the performance of their duties.  
16 No member shall be made subject to chapter 84, Hawaii Revised  
17 Statutes, solely because of that member's participation as a  
18 member of that task force.

19 SECTION 3. The Hawaii employer-union health benefits trust  
20 fund task force shall examine the unfunded liability of the  
21 Hawaii employer-union health benefits trust fund (trust fund),  
22 including:



- 1 (1) The current and projected unfunded actuarial accrued  
2 liability of the trust fund;
- 3 (2) The availability of medical benefits plans other than  
4 plans that pay or reimburse medical services providers  
5 under a fee-for-service model;
- 6 (3) The costs and benefits of alternative medical benefits  
7 plans in relation to the medical benefits plans  
8 currently offered by the trust fund;
- 9 (4) An evaluation of the costs and process of  
10 transitioning from the current medical benefits plans  
11 to an alternative medical benefits plan, including  
12 recommended proposed legislation;
- 13 (5) An evaluation of the current structure of state and  
14 county public employers paying a percentage of health  
15 insurance policy premiums and providing  
16 recommendations for a benefits plan for prospective  
17 employees; and
- 18 (6) Any other matters that are relevant to gaining a full  
19 and meaningful understanding of the circumstance of  
20 the trust fund.

21 SECTION 4. The director of finance, in consultation with  
22 the task force, shall submit a report to the legislature,



1 including findings, recommendations, and proposed legislation,  
2 no later than twenty days prior to the convening of the regular  
3 session of 2014.

4 SECTION 5. There is appropriated out of the general  
5 revenues of the State of Hawaii the sum of \$185,750 or so much  
6 thereof as may be necessary for fiscal year 2013-2014 to support  
7 the work of the Hawaii employer-union health benefits trust fund  
8 task force, including necessary travel expenses for task force  
9 members who reside outside of Oahu and consulting services of  
10 persons knowledgeable in relevant issues.

11 The sum appropriated shall be expended by the department of  
12 budget and finance for the purposes of this part.

13 PART II

14 SECTION 6. Chapter 87A, Hawaii Revised Statutes, is  
15 amended by adding two new sections to part IV to be  
16 appropriately designated and to read as follows:

17 "§87A-A Public employers; defined. For the purposes of  
18 this part, "public employer" means a governmental entity whose  
19 employees', beneficiaries', and retirees' health benefits  
20 coverage is provided through the fund.

21 §87A-B Payment of public employer contributions to the  
22 other post-employment benefits trust. (a) Commencing with



1 fiscal year 2018-2019, each of the counties and all other public  
2 employers shall make annual required contributions in accordance  
3 with section 87A-42 for the benefit of their retirees and  
4 beneficiaries.

5 (b) The board shall determine the annual required  
6 contribution owed by each public employer under this part for  
7 each fiscal year, beginning with fiscal year 2018-2019."

8 SECTION 7. Section 87A-24, Hawaii Revised Statutes, is  
9 amended to read as follows:

10 "§87A-24 Other powers. In addition to the power to  
11 administer the fund, the board may:

- 12 (1) Collect, receive, deposit, and withdraw money on  
13 behalf of the fund;
- 14 (2) Invest moneys in the same manner specified in section  
15 88-119(1)(A), (1)(B), (1)(C), (2), (3), (4), (5), (6),  
16 and (7);
- 17 (3) Hold, purchase, sell, assign, transfer, or dispose of  
18 any securities or other investments of the fund, as  
19 well as the proceeds of those investments and any  
20 money belonging to the fund;
- 21 (4) Appoint, and at pleasure dismiss, an administrator and  
22 other fund staff. The administrator and staff shall



- 1 be exempt from chapter 76 and shall serve under and at  
2 the pleasure of the board;
- 3 (5) Make payments of periodic charges and pay for  
4 reasonable expenses incurred in carrying out the  
5 purposes of the fund;
- 6 (6) Contract for the performance of financial audits of  
7 the fund and claims audits of its insurance carriers;
- 8 (7) Retain auditors, actuaries, investment firms and  
9 managers, benefit plan consultants, or other  
10 professional advisors to carry out the purposes of  
11 this chapter[+], including the retaining of an actuary  
12 to determine the annual required public employer  
13 contribution for the separate trust fund established  
14 under section 87A-42;
- 15 (8) Establish health benefits plan and long-term care  
16 benefits plan rates that include administrative and  
17 other expenses necessary to effectuate the purposes of  
18 the fund; and
- 19 (9) Require any department, agency, or employee of the  
20 State or counties to furnish information to the board  
21 to carry out the purposes of this chapter."



1 SECTION 8. Section 87A-42, Hawaii Revised Statutes, is  
2 amended to read as follows:

3 "[~~f~~]\$87A-42[+] Other post-employment benefits trust. (a)  
4 Notwithstanding sections 87A-31 and 87A-31.5, the board, upon  
5 terms and conditions set by the board, [~~may~~] shall establish and  
6 administer a separate trust fund for the purpose of receiving  
7 employer contributions that will prefund other post-employment  
8 health and other benefit plan costs for retirees and their  
9 beneficiaries. [~~If a fund is established, it~~] The separate  
10 trust fund shall meet the requirements of the Government  
11 Accounting Standards Board regarding other post-employment  
12 benefits trusts. The board shall establish and maintain a  
13 separate account for each public employer within the separate  
14 trust fund to accept and account for each public employer's  
15 contributions. Employer contributions to the separate trust  
16 fund shall be irrevocable, all assets of the fund shall be  
17 dedicated exclusively to providing health and other benefits to  
18 retirees and their beneficiaries, and assets of the fund shall  
19 not be subject to appropriation for any other purpose and shall  
20 not be subject to claims by creditors of the employers or the  
21 board or plan administrator. The board's powers under section



1 87A-24 shall also apply to [any] the fund established pursuant  
2 to this section.

3 (b) Public employer contributions shall be paid into the  
4 fund in each fiscal year, and commencing with the 2018-2019  
5 fiscal year, the amount of the annual public employer  
6 contribution shall be equal to the amount of the annual required  
7 contribution, as determined by an actuary retained by the board.

8 (c) In any fiscal year subsequent to the 2017-2018 fiscal  
9 year in which the state public employer's contributions into the  
10 fund are less than the amount of the annual required  
11 contribution, the amount that represents the excess of the  
12 annual required contribution over the state public employer's  
13 contributions shall be deposited into the appropriate account of  
14 the separate trust fund from a portion of all general excise tax  
15 revenues collected by the department of taxation under section  
16 237-31.

17 If any general excise tax revenues are deposited into the  
18 separate trust fund in any fiscal year as a result of this  
19 subsection, the director of finance shall notify the legislature  
20 and governor whether the general fund expenditure ceiling for  
21 that fiscal year would have been exceeded if those revenues had  
22 been legislatively appropriated instead of deposited without .





1 appropriation into the trust fund. The notification shall be  
2 submitted within thirty days following the end of the applicable  
3 fiscal year.

4 (d) In any fiscal year subsequent to the 2017-2018 fiscal  
5 year in which a county public employer's contributions into the  
6 fund are less than the amount of the annual required  
7 contribution, the amount that represents the excess of the  
8 annual required contribution over the county public employer's  
9 contributions shall be deposited into the fund from a portion of  
10 all transient accommodations tax revenues collected by the  
11 department of taxation under section 237D-6.5(b)(3). The  
12 director of finance shall deduct the amount necessary to meet  
13 the county public employer's annual required contribution from  
14 the revenues derived under section 237D-6.5(b)(3) and transfer  
15 the amount to the board for deposit into the appropriate account  
16 of the separate trust fund.

17 (e) In any fiscal year subsequent to fiscal year 2017-2018  
18 in which a public employer's contributions into the fund are  
19 less than the amount of the annual required contribution and the  
20 public employer is not entitled to transient accommodations tax  
21 revenues sufficient to satisfy the total amount of the annual  
22 required contribution, the public employer's contributions shall



1 be deposited into the fund from portions of any other revenues  
2 collected on behalf of the public employer or held by the State.  
3 The director of finance shall deduct the amount necessary to  
4 meet the public employer's annual required contribution from any  
5 revenues collected on behalf of the public employer held by the  
6 State and transfer the amount to the board for deposit into the  
7 appropriate account of the separate trust fund.

8 (f) For the purposes of this section, "annual required  
9 contribution" means a public employer's required contribution to  
10 the trust fund established in this section that is sufficient to  
11 cover:

12 (1) The normal cost, which is the cost of other post-  
13 employment benefits attributable to the current year  
14 of service; and

15 (2) An amortization payment, which is a catch-up payment  
16 for past service costs to fund the unfunded actuarial  
17 accrued liability over the next thirty years."

18 SECTION 9. Section 237-31, Hawaii Revised Statutes, is  
19 amended to read as follows:

20 "§237-31 Remittances. All remittances of taxes imposed by  
21 this chapter shall be made by money, bank draft, check,  
22 cashier's check, money order, or certificate of deposit to the



1 office of the department of taxation to which the return was  
2 transmitted. The department shall issue its receipts therefor  
3 to the taxpayer and shall pay the moneys into the state treasury  
4 as a state realization, to be kept and accounted for as provided  
5 by law; provided that:

6 (1) The sum from all general excise tax revenues realized  
7 by the State that represents the difference between  
8 \$45,000,000 and the proceeds from the sale of any  
9 general obligation bonds authorized for that fiscal  
10 year for the purposes of the state educational  
11 facilities improvement special fund shall be deposited  
12 in the state treasury in each fiscal year to the  
13 credit of the state educational facilities improvement  
14 special fund;

15 (2) A sum, not to exceed \$5,000,000, from all general  
16 excise tax revenues realized by the State shall be  
17 deposited in the state treasury in each fiscal year to  
18 the credit of the compound interest bond reserve fund;  
19 [and]

20 (3) A sum from all general excise tax revenues realized by  
21 the State that is equal to one-half of the total  
22 amount of funds appropriated or transferred out of the



1 hurricane reserve trust fund under sections 4 and 5 of  
 2 Act 62, Session Laws of Hawaii 2011, shall be  
 3 deposited into the hurricane reserve trust fund in  
 4 fiscal year 2013-2014 and in fiscal year 2014-2015;  
 5 provided that the deposit required in each fiscal year  
 6 shall be made by October 1 of that fiscal year[-]; and  
 7 (4) Commencing with fiscal year 2018-2019, a sum from all  
 8 general excise tax revenues realized by the State that  
 9 represents the difference between the state public  
 10 employer's annual required contribution for the  
 11 separate trust fund established under section 87A-42  
 12 and the amount of the state public employer's  
 13 contributions into that trust fund shall be deposited  
 14 to the credit of the State's annual required  
 15 contribution into that trust fund in each fiscal year,  
 16 as provided in section 87A-42."

17 SECTION 10. Section 237D-6.5, Hawaii Revised Statutes, is  
 18 amended by amending subsection (b) to read as follows:

19 "(b) Revenues collected under this chapter, except for  
 20 revenues collected under section 237D-2(b), shall be distributed  
 21 as follows, with the excess revenues to be deposited into the  
 22 general fund:



- 1           (1) 17.3 per cent of the revenues collected under this  
2           chapter shall be deposited into the convention center  
3           enterprise special fund established under section  
4           201B-8; provided that beginning January 1, 2002, if  
5           the amount of the revenue collected under this  
6           paragraph exceeds \$33,000,000 in any fiscal year,  
7           revenues collected in excess of \$33,000,000 shall be  
8           deposited into the general fund;
- 9           (2) 34.2 per cent of the revenues collected under this  
10          chapter shall be deposited into the tourism special  
11          fund established under section 201B-11 for tourism  
12          promotion and visitor industry research; provided that  
13          for any period beginning on July 1, 2012, and ending  
14          on June 30, 2015, no more than \$71,000,000 per fiscal  
15          year shall be deposited into the tourism special fund  
16          established under section 201B-11; provided further  
17          that beginning on July 1, 2012, and ending on June 30,  
18          2015, \$2,000,000 shall be expended from the tourism  
19          special fund for development and implementation of  
20          initiatives to take advantage of expanded visa  
21          programs and increased travel opportunities for  
22          international visitors to Hawaii; and provided further



1 that beginning on July 1, 2002, of the first  
2 \$1,000,000 in revenues deposited:

3 (A) Ninety per cent shall be deposited into the state  
4 parks special fund established in section  
5 184-3.4; and

6 (B) Ten per cent shall be deposited into the special  
7 land and development fund established in section  
8 171-19 for the Hawaii statewide trail and access  
9 program;

10 provided that of the 34.2 per cent, 0.5 per cent shall  
11 be transferred to a sub-account in the tourism special  
12 fund to provide funding for a safety and security  
13 budget, in accordance with the Hawaii tourism  
14 strategic plan 2005-2015; provided further that of the  
15 revenues remaining in the tourism special fund after  
16 revenues have been deposited as provided in this  
17 paragraph and except for any sum authorized by the  
18 legislature for expenditure from revenues subject to  
19 this paragraph, beginning July 1, 2007, funds shall be  
20 deposited into the tourism emergency trust fund,  
21 established in section 201B-10, in a manner sufficient



1 to maintain a fund balance of \$5,000,000 in the  
2 tourism emergency trust fund; and  
3 (3) 44.8 per cent of the revenues collected under this  
4 chapter shall be transferred as follows: Kauai county  
5 shall receive 14.5 per cent, Hawaii county shall  
6 receive 18.6 per cent, city and county of Honolulu  
7 shall receive 44.1 per cent, and Maui county shall  
8 receive 22.8 per cent; provided that for any period  
9 beginning on July 1, 2011, and ending on June 30,  
10 2015, the total amount transferred to the counties  
11 shall not exceed \$93,000,000 per fiscal year[-];  
12 provided that commencing with fiscal year 2018-2019, a  
13 sum that represents the difference between a county  
14 public employer's annual required contribution for the  
15 separate trust fund established under section 87A-42  
16 and the amount of the county public employer's  
17 contributions into that trust fund shall be retained  
18 by the state director of finance and deposited to the  
19 credit of the county public employer's annual required  
20 contribution into that trust fund in each fiscal year,  
21 as provided in section 87A-42, if the respective  
22 county fails to remit the total amount of the county's



1           required annual contributions, as required under  
2           section 87A-B.

3           Revenues collected under section 237D-2(b) shall be  
4 deposited into the general fund. All transient accommodations  
5 taxes shall be paid into the state treasury each month within  
6 ten days after collection and shall be kept by the state  
7 director of finance in special accounts for distribution as  
8 provided in this subsection.

9           As used in this subsection, "fiscal year" means the twelve-  
10 month period beginning on July 1 of a calendar year and ending  
11 on June 30 of the following calendar year."

12           SECTION 11. Notwithstanding the amount of a public  
13 employer annual required contribution determined in any fiscal  
14 year by an actuary retained by the board for this purpose, for  
15 the five-year fiscal period from 2014-2015 to 2018-2019, public  
16 employer contributions into the separate trust fund established  
17 under section 87A-42, Hawaii Revised Statutes, shall be at the  
18 specified percentages of the respective annual required  
19 contributions, as follows:

	<u>Fiscal Year</u>	<u>Annual Required Contribution</u>
20		
21	(1) 2014-2015	Twenty per cent;
22	(2) 2015-2016	Forty per cent;





- 1           (3) 2016-2017                   Sixty per cent;
- 2           (4) 2017-2018                   Eighty per cent; and
- 3           (5) 2018-2019                   One hundred per cent.

4           SECTION 12. Not less than twenty days prior to the  
5 convening of the regular session of 2015, the director of  
6 finance, in order to maximize the efficient use of resources and  
7 public funds, shall submit an implementation plan and any  
8 proposed legislation to the legislature to execute the  
9 following:

- 10           (1) Joint use of any investment information, advice, and  
11                services provided by fund managers retained by the  
12                board of trustees of the employees' retirement system  
13                with the board of trustees of the employer-union  
14                health benefits trust fund for the purpose of  
15                investing moneys contained in the separate trust fund  
16                established under section 87A-42, Hawaii Revised  
17                Statutes; and
- 18           (2) Procedures to accept and deposit employer  
19                contributions from county public employers into the  
20                separate trust fund established under section 87A-42,  
21                Hawaii Revised Statutes.



1 SECTION 13. There is appropriated out of the general  
2 revenues of the State of Hawaii the sum of \$500,000 or so much  
3 thereof as may be necessary for fiscal year 2013-2014 and the  
4 same sum or so much thereof as may be necessary for fiscal year  
5 2014-2015 for the department of budget and finance to conduct a  
6 study and develop an implementation plan to have both the  
7 employer-union health benefits trust fund and the employees'  
8 retirement system jointly share investment information and  
9 services.

10 The sums appropriated shall be expended by the department  
11 of budget and finance for the purposes of this Act.

12 SECTION 14. In codifying the new sections added by section  
13 6 of this Act, the revisor of statutes shall substitute  
14 appropriate section numbers for the letters used in designating  
15 the new sections in this Act.

16 SECTION 15. Statutory material to be repealed is bracketed  
17 and stricken. New statutory material is underscored.

18 SECTION 16. This Act shall take effect on July 1, 2013;  
19 provided that the amendments made to section 237D-6.5, Hawaii  
20 Revised Statutes, in section 10 of this Act shall not be  
21 repealed when section 237D-6.5, Hawaii Revised Statutes, is  
22 repealed and reenacted on June 30, 2015, pursuant to Act 61,



1 Session Laws of Hawaii 2009, and Act 103, Session Laws of Hawaii  
2 2011.



**Report Title:**

Hawaii Employer-union Health Benefits Trust Fund; Task Force;  
Annual Required Contribution; OPEB

**Description:**

Establishes the Hawaii employer-union health benefits trust fund (EUTF) task force to examine the unfunded liability of the EUTF. Requires the EUTF to establish a separate trust fund for public employer contributions with separate accounts for each public employer. Requires the annual public employer contribution to be equal to the amount determined by an actuary commencing with FY 2018-2019. Requires the use of a portion of the general excise tax revenues to supplement deficient state public employer contribution amounts commencing with FY 2018-2019. Requires the use of a portion of the transient accommodations tax revenues to supplement deficient county public employer contribution amounts commencing with FY 2018-2019. Establishes a schedule to phase-in the annual required state public employer contribution requirement. Requires the director of finance to report to the legislature on an implementation plan to have both the EUTF and the ERS jointly sharing investment information and services for the benefit of the trust fund and to establish disbursement channels for county public employer contributions into the trust fund. Makes appropriations. (CD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

