

S.B. NO. 2838

JAN 27 2016

A BILL FOR AN ACT

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

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

1 SECTION 1. The legislature finds that moneys held in trust
2 by the Hawaii employer-union health benefits trust fund for
3 other post-employment benefits will continue to grow as both
4 state and county employers make contributions to the fund to
5 prefund their OPEB obligations as employers. In light of what
6 will be ongoing and large increases in trust fund moneys, the
7 legislature finds that allowing the fund to invest in asset
8 classes mirroring those of the employees' retirement system will
9 allow the fund to best manage these trust fund moneys in order
10 to maximize returns on investments.

11 The purposes of this Act are to repeal certain restrictions
12 on the fund to invest in certain asset classes, thereby allowing
13 the fund to invest in asset classes mirroring those of the
14 employees' retirement system and to make housekeeping amendments
15 to sections 87A-34 and 87A-36, Hawaii Revised Statutes.

16 SECTION 2. Section 87A-24, Hawaii Revised Statutes, is
17 amended to read as follows:

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- 1 "§87A-24 Other powers. In addition to the power to
2 administer the fund, the board may:
- 3 (1) Collect, receive, deposit, and withdraw money on
4 behalf of the fund;
- 5 (2) Invest moneys in the same manner specified in section
6 ~~[88-119(1)(A), (1)(B), (1)(C), (2), (3), (4), (5),~~
7 ~~(6), and (7);]~~ 88-119;
- 8 (3) Hold, purchase, sell, assign, transfer, or dispose of
9 any securities or other investments of the fund, as
10 well as the proceeds of those investments and any
11 money belonging to the fund;
- 12 (4) Appoint, and at pleasure dismiss, an administrator and
13 other fund staff. The administrator and staff shall
14 be exempt from chapter 76 and shall serve under and at
15 the pleasure of the board;
- 16 (5) Make payments of periodic charges and pay for
17 reasonable expenses incurred in carrying out the
18 purposes of the fund;
- 19 (6) Contract for the performance of financial audits of
20 the fund and claims audits of its insurance carriers;
- 21 (7) Retain auditors, actuaries, investment firms and
22 managers, benefit plan consultants, or other

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1 professional advisors to carry out the purposes of
2 this chapter, including the retaining of an actuary to
3 determine the annual required public employer
4 contribution for the separate trust fund established
5 under section 87A-42;

6 (8) Establish health benefits plan and long-term care
7 benefits plan rates that include administrative and
8 other expenses necessary to effectuate the purposes of
9 the fund; and

10 (9) Require any department, agency, or employee of the
11 State or counties to furnish information to the board
12 to carry out the purposes of this chapter."

13 SECTION 3. Section 87A-34, Hawaii Revised Statutes, is
14 amended by amending subsection (a) to read as follows:

15 "(a) This section shall apply to state and county
16 contributions to the fund for employees specified in paragraph
17 [~~(1)(E)~~] (1)(D) of the definition of "employee" in section 87A-1
18 who:

19 (1) Were hired on or before June 30, 1996; and
20 (2) Retired after June 30, 1984, with fewer than ten years
21 of credited service, excluding sick leave."

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1 SECTION 4. Section 87A-36, Hawaii Revised Statutes, is
2 amended by amending subsection (c) to read as follows:

3 "(c) The State, through the department of budget and
4 finance, and the counties, through their respective departments
5 of finance, shall pay to the fund:

6 (1) For retired employees based on the self plan with ten
7 or more years but fewer than fifteen years of service,
8 a monthly contribution equal to one-half of the base
9 medicare or non-medicare monthly contribution set
10 forth under section 87A-33(b);

11 (2) For retired employees based on the self plan with at
12 least fifteen but fewer than twenty-five years of
13 service, a monthly contribution equal to seventy-five
14 per cent of the base medicare or non-medicare monthly
15 contribution set forth under section 87A-33(b);

16 (3) For retired employees based on the self plan with
17 twenty-five or more years of service, a monthly
18 contribution equal to one-hundred per cent of the base
19 medicare or non-medicare monthly contribution set
20 forth under section 87A-33(b); and

21 (4) One-half of the monthly contributions for the
22 employee-beneficiary or employee-beneficiary with

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1 dependent-beneficiaries upon the death of the
2 employee, as defined in paragraph [~~(1)(E)~~] (1)(D) of
3 the definition of "employee" in section 87A-1.

4 If both husband and wife are employee-beneficiaries, the
5 total contribution by the State or county shall not exceed the
6 monthly contribution for two supplemental medicare self or non-
7 medicare self plans, as appropriate."

8 SECTION 5. Statutory material to be repealed is bracketed
9 and stricken. New statutory material is underscored.

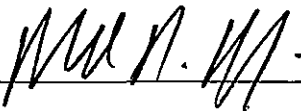
10 SECTION 6. This Act shall take effect upon its approval.

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INTRODUCED BY:



BY REQUEST

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Report Title:

Hawaii Employer-Union Health Benefits Trust Fund

Description:

Repeals certain restrictions on investments that can be made by the Hawaii Employer-Union Health Benefits Trust Fund and make housekeeping amendments.

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

JUSTIFICATION SHEET

DEPARTMENT: Budget and Finance

TITLE: A BILL FOR AN ACT RELATING TO INVESTMENTS OF THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND.

PURPOSE: To remove certain restrictions to investments that can be made by the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) and to make certain housekeeping amendments to the EUTF statute.

MEANS: Amend sections 87A-24, 87A-34(a), and 87A-36(c), Hawaii Revised Statutes (HRS).

JUSTIFICATION: As of July 31, 2015, the other post-employment benefits trust of the EUTF, established to receive employer contributions to prefund their other post-employment health and other benefit plan costs for retirees and their beneficiaries, has grown to over \$1,000,000,000 and is expected to increase to over \$2,400,000,000 over the next 3-4 years. With the large growth in the trust assets, the EUTF should be allowed to invest in other asset classes not currently permissible under section 87A-24(2). It is expected that, over time, the EUTF's asset allocation will begin to resemble that of the Employees' Retirement System of the State of Hawaii (ERS). Therefore, the EUTF believes it is appropriate to permit EUTF investment in the asset classes as that of the ERS.

Act 36, Session Laws of Hawaii 2012, amended the definition of "employee" in section 87A-1, HRS, by removing "(B) A per diem employee", which resulted in the redesignation of the following subparagraphs. However, the reference to paragraph (1) (E) was not updated to paragraph (1) (D) in sections 87A-34(a) and

87A-36(c)(4) by Act 36, so this bill will update that reference.

Impact on the public: None.

Impact on the department and other agencies:
This would allow EUTF to more effectively invest its money held in trust by removing certain statutory restrictions on investing and to comply with federal law.

GENERAL FUND: None.

OTHER FUNDS: None.

PPBS PROGRAM
DESIGNATION: None.

OTHER AFFECTED
AGENCIES: None.

EFFECTIVE DATE: Upon approval.