



**GOV. MSG. NO. 1335**

EXECUTIVE CHAMBERS  
HONOLULU

DAVID Y. IGE  
GOVERNOR

July 11, 2016

The Honorable Ronald D. Kouchi,  
President  
and Members of the Senate  
Twenty-Eighth State Legislature  
State Capitol, Room 409  
Honolulu, Hawaii 96813

The Honorable Joseph M. Souki,  
Speaker  
and Members of the House  
Twenty-Eighth State Legislature  
State Capitol, Room 431  
Honolulu, Hawaii 96813

Dear President Kouchi, Speaker Souki, and Members of the Legislature:

I am transmitting herewith HB2016 HD1 SD1 CD1, without my approval, and with the statement of objections relating to the measure.

HB2016 HD1 SD1 CD1

RELATING TO PUBLIC EMPLOYEES

Sincerely,

A handwritten signature in black ink that reads "David Y. Ige".

DAVID Y. IGE  
Governor, State of Hawaii

EXECUTIVE CHAMBERS

HONOLULU

July 11, 2016

STATEMENT OF OBJECTIONS TO HOUSE BILL NO. 2016

Honorable Members  
Twenty-Eighth Legislature  
State of Hawai'i

Pursuant to Section 16 of Article III of the Constitution of the State of Hawai'i, I am returning herewith, without my approval, House Bill No. 2016, entitled "A Bill for an Act Relating to Public Employees."

The bill requires public retiree contributions to the Employer-Union Health Benefits Trust Fund (EUTF) to be paid through withholding of retirement benefit amounts from the Employees' Retirement System (ERS). Beginning after January 1, 2017, the EUTF would be required to authorize automatic electronic payments to EUTF in lieu of withholdings.

This bill is objectionable because implementation of the provisions set forth in this bill would require information system modifications and process development procedures that will take longer than the January 1, 2017 deadline. Furthermore, the ERS Board of Directors has expressed concerns about the lack of authorization to expend funds from the ERS Trust Fund to make these necessary information system modifications required to implement this bill.

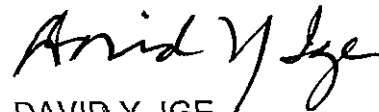
Notwithstanding the provisions set forth in Section 1, page 2, lines 9-13, the ERS administration has also expressed concerns that this measure will subject them to provisions of the federal Health Insurance Portability and Accountability Act (HIPAA).

Despite these concerns, I am in agreement with the concept proposed in this measure and will request appropriate departments to work with the ERS administration and Board of Directors to develop an administration measure for consideration by the legislature during the 2017 regular session.

STATEMENT OF OBJECTIONS  
HOUSE BILL NO. 2016  
Page 2

For the foregoing reasons, I am returning House Bill No. 2016 without my approval.

Respectfully,

A handwritten signature in black ink, appearing to read "David Y. Ige". The signature is fluid and cursive, with a large, sweeping flourish at the end.

DAVID Y. IGE  
Governor of Hawai'i

ORIGINAL

VETO

HOUSE OF REPRESENTATIVES  
TWENTY-EIGHTH LEGISLATURE, 2016  
STATE OF HAWAII

H.B. NO.

2016  
H.D. 1  
S.D. 1  
C.D. 1

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# A BILL FOR AN ACT

RELATING TO PUBLIC EMPLOYEES.

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

1           SECTION 1. Section 87A-30, Hawaii Revised Statutes, is  
2 amended to read as follows:  
3           "§87A-30 Hawaii employer-union health benefits trust fund;  
4 establishment. (a) There is established outside the state  
5 treasury, a trust fund to be known as the "Hawaii Employer-Union  
6 Health Benefits Trust Fund". The fund shall consist of  
7 contributions, interest, income, dividends, refunds, rate  
8 credits, and other returns. It is hereby declared that any and  
9 all sums contributed or paid from any source to the fund created  
10 by this part, and all assets of the fund including any and all  
11 interest and earnings on the same, are and shall be held in  
12 trust by the board for the exclusive use and benefit of the  
13 employee-beneficiaries and dependent-beneficiaries and shall not  
14 be subject to appropriation for any other purpose whatsoever.  
15 The fund shall be under the control of the board and placed  
16 under the department of budget and finance for administrative  
17 purposes.



1        (b) The fund shall also consist of contributions received  
2 on behalf of retirees and beneficiaries from the board of  
3 trustees of the employees' retirement system that represent the  
4 difference between the monthly contributions by the State or  
5 county to the fund and the actual costs of health benefits  
6 plans, under sections 87A-33, 87A-34, 87A-35, and 87A-36. The  
7 amounts shall be based upon copayment billing information  
8 submitted by the board to the board of trustees of the  
9 employees' retirement system. The board shall ensure that the  
10 employees' retirement system is not subject to the federal  
11 Health Insurance Portability and Accountability Act of 1996, as  
12 a result of the receipt and possession of copayment billing  
13 information."

14        SECTION 2. Section 88-6, Hawaii Revised Statutes, is  
15 amended to read as follows:

16        "§88-6 Payment of refunds [and], retirement benefits [-],  
17 and Hawaii employer-union health benefits trust fund  
18 contributions. (a) Notwithstanding any other provision of this  
19 chapter:



- 1 (1) All retirees and beneficiaries of the state retirement  
2 system or county pension funds shall be paid  
3 semimonthly; provided that:
- 4 (A) All retirees and beneficiaries of the state  
5 retirement system who either retire or become  
6 beneficiaries after January 1, 2003, shall be  
7 paid monthly; and
- 8 (B) Effective July 1, 2011, all retirees and  
9 beneficiaries of the state retirement system  
10 shall be paid monthly; provided that this  
11 subparagraph shall not apply to any retiree or  
12 beneficiary who:
- 13 (i) Became a retiree or beneficiary prior to  
14 January 1, 2003;
- 15 (ii) Is eighty years of age or older on January  
16 1, 2011; and
- 17 (iii) Receives \$800 or less of pension benefits  
18 each month; and
- 19 (2) Any retiree or beneficiary of the state retirement  
20 system whose benefit commences after June 30, 2001,  
21 shall designate a financial institution account into



1           which the system shall be authorized to deposit their  
2           retirement benefit; and effective April 1, 2011, all  
3           retirees and beneficiaries of the state retirement  
4           system shall designate a financial institution account  
5           into which the system shall be authorized to deposit  
6           their state retirement system benefits. This method  
7           of payment may be waived by the system.

8           (b) Any member, former employee, retirant, or beneficiary  
9           to whom accumulated contributions or a hypothetical account  
10          balance, as defined in section 88-311, is payable after June 30,  
11          2008, shall, if the payment will be greater than \$250 and the  
12          member, former employee, retirant, or beneficiary does not elect  
13          to rollover the payment into an eligible retirement plan,  
14          designate a financial institution account into which the system  
15          shall be authorized to deposit the payment. This method of  
16          payment may be waived by the system if another method is  
17          determined to be more appropriate.

18          (c) Contributions by retirees and beneficiaries to the  
19          Hawaii employer-union health benefits trust fund that represent  
20          the difference between the monthly contributions by the State or  
21          county to the Hawaii employer-union health benefits trust fund



1 and the actual costs of health benefits plans, under sections  
2 87A-33, 87A-34, 87A-35, and 87A-36, shall be paid by the board  
3 of trustees of the employees' retirement system through the  
4 withholding of the payment amounts to which retirees and  
5 beneficiaries would otherwise be entitled to receive under this  
6 section; provided that beginning after January 1, 2017, the  
7 Hawaii employer-union health benefits trust fund shall authorize  
8 automatic electronic payment in lieu of withholdings. The  
9 amounts shall be based upon copayment billing information  
10 received from the board of trustees of the Hawaii employer-union  
11 health benefits trust fund."

12 SECTION 3. The board of trustees of the Hawaii employer-  
13 union health benefits trust fund shall submit a report to the  
14 legislature by January 15, 2017, on the status of the automatic  
15 electronic deductions.

16 SECTION 4. This Act does not affect rights and duties that  
17 matured, penalties that were incurred, and proceedings that were  
18 begun before its effective date.

19 SECTION 5. Statutory material to be repealed is bracketed  
20 and stricken. New statutory material is underscored.

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





H.B. NO.

2016  
H.D. 1  
S.D. 1  
C.D. 1

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APPROVED this      day of                      , 2016

GOVERNOR OF THE STATE OF HAWAII