



EXECUTIVE CHAMBERS
HONOLULU

LINDA LINGLE
GOVERNOR

GOV. MSG NO. **583**

May 1, 2006

The Honorable Robert Bunda, President
and Members of the Senate
Twenty-Third State Legislature
State Capitol, Room 003
Honolulu, Hawaii 96813

Dear Mr. President and Members of the Senate:

This is to inform you that on May 1, 2006, the following bill was signed into law:

HB3018 HD1 SD1

A BILL FOR AN ACT RELATING TO
GOVERNMENT EMPLOYEES.
(ACT 57)

Sincerely,

A handwritten signature in black ink, appearing to read "Linda Lingle".

LINDA LINGLE

A BILL FOR AN ACT

RELATING TO GOVERNMENT EMPLOYEES.

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

1 SECTION 1. In 2004, the Government Accounting Standards
2 Board issued statement numbers 43 and 45. These new statements
3 establish uniform financial reporting standards for the
4 reporting of retiree health and other post-employment benefits
5 by state and local governments. Statement number 43 (plan for
6 reporting) is effective for the fiscal year ending June 30,
7 2007. Statement number 45 (for employers) is effective for the
8 fiscal year ending June 30, 2008. Statement numbers 43 and 45
9 will require, among other things, that the State's financial
10 statements show:

- 11 (1) The actuarial present value of the total future cost
12 of providing retiree health benefits to the State's
13 employees, retirees, and their beneficiaries under the
14 terms of the State's retiree health benefits plans;
- 15 (2) The annual contributions that would be required for
16 the State to amortize that total future cost over a
17 thirty-year period; and



1 (3) The State's status and progress in funding or
2 amortizing that total future cost.

3 One of the underlying purposes of statement numbers 43 and 45 is
4 to have public employers report their liability for retiree
5 health benefits and other post-employment benefits on an accrual
6 rather than pay-as-you-go basis.

7 Under statement numbers 43 and 45, a retiree health
8 benefits or other post-employment benefits plan that is
9 administered as a trust or equivalent arrangement may perform
10 most of the work that these new statements require with respect
11 to a public employer's reporting of retiree health and other
12 post-employment benefits. In addition, statement numbers 43 and
13 45 provide that a public employer's contributions to a retiree
14 health benefits plan or other post-employment benefits plan will
15 reduce its total liability for retiree health benefits or other
16 post-employment benefits only if those contributions are made to
17 a plan that is administered as a trust or equivalent
18 arrangement.

19 The purpose of this Act is to amend chapter 87A, Hawaii
20 Revised Statutes, to clarify that the Hawaii employer-union
21 health benefits trust fund is administered as a trust or
22 equivalent arrangement as that term is used in statement numbers



1 43 and 45. This will simplify the burdens placed on the State
2 and counties regarding compliance with the financial reporting
3 standards of statement numbers 43 and 45. In addition, it will
4 ensure that all contributions made by the State and counties to
5 the Hawaii employer-union health benefits trust fund for retiree
6 health benefits plans will be credited against the State's and
7 counties' liabilities for the cost of such plans in their
8 financial statements.

9 One of the conditions that other post-employment benefits
10 plans must meet in order to be administered as a trust or
11 equivalent arrangement is that the employer's contributions to
12 the plan are irrevocable. This Act clarifies that the State's
13 and counties' contributions to the Hawaii employer-union health
14 benefits trust fund, as well as all resulting assets therein,
15 are irrevocably dedicated to the purposes stated in section
16 87A-31, Hawaii Revised Statutes, and shall not be subject to
17 future appropriation for other purposes. This Act is not meant
18 to bind or require the State or counties to make any particular
19 level of contributions to the Hawaii employer-union health
20 benefits trust fund now or in the future, but only to ensure
21 that contributions actually made are irrevocable.



1 SECTION 2. Chapter 87A, Hawaii Revised Statutes, is
2 amended by adding a new section to be appropriately designated
3 and to read as follows:

4 "§87A- Employer contributions irrevocable.
5 Notwithstanding any law to the contrary, all of the monthly
6 contributions that the State and counties make to the fund under
7 sections 87A-32, 87A-33, 87A-34, 87A-35, 87A-36, and 87A-37, and
8 all other contributions that the State and counties may make to
9 the fund, shall be irrevocable; provided that this shall not
10 preclude the fund from returning contributions or payments made
11 by the State or any county under a mistake of fact within one
12 year after the payment of the contributions or payments."

13 SECTION 3. Section 87A-30, Hawaii Revised Statutes, is
14 amended to read as follows:

15 "[~~H~~]§87A-30[~~}]~~ Hawaii employer-union health benefits trust
16 fund; establishment. There is established outside the state
17 treasury, a trust fund to be known as the "Hawaii Employer-Union
18 Health Benefits Trust Fund." The fund shall consist of
19 contributions, interest, income, dividends, refunds, rate
20 credits, and other returns. It is hereby declared that any and
21 all sums contributed or paid from any source to the fund created
22 by this part, and all assets of the fund including any and all



1 interest and earnings on the same, are and shall be held in
2 trust by the board for the exclusive use and benefit of the
3 employee-beneficiaries and dependent-beneficiaries and shall not
4 be subject to appropriation for any other purpose whatsoever.

5 The fund shall be under the control of the board and placed
6 under the department of budget and finance for administrative
7 purposes."

8 SECTION 4. Section 87A-31, Hawaii Revised Statutes, is
9 amended to read as follows:

10 "[+]§87A-31[+] **Trust fund; purpose.** (a) The fund shall
11 be used to provide employee-beneficiaries and dependent-
12 beneficiaries with health and other benefit plans, and to pay
13 administrative and other expenses of the fund. All assets of
14 the fund are and shall be dedicated to providing health and
15 other benefits plans to the employee-beneficiaries and
16 dependent-beneficiaries in accordance with the terms of those
17 plans and to pay administrative and other expenses of the fund,
18 and shall be used for no other purposes except for those set
19 forth in this section.

20 (b) The fund, including any earnings on investments, and
21 rate credits or reimbursements from any carrier or self-insured
22 plan and any earning or interest derived therefrom, may be used

1 to stabilize health and other benefit plan rates; provided that
2 the approval of the governor and the legislature shall be
3 necessary to fund administrative and other expenses necessary to
4 effectuate these purposes.

5 (c) The fund may be used to provide group life insurance
6 benefits to employees to the extent that contributions are
7 provided for group life insurance benefits in sections 87A-32
8 and 87A-37.

9 (d) The fund may assist the State and the counties to
10 implement and administer cafeteria plans authorized under Title
11 26 United States Code section 125, the Internal Revenue Code of
12 1986, as amended, and part II of chapter 78.

13 (e) At the discretion of the board, some or all of the
14 fund may be used as a reserve against or to pay the fund's
15 future costs of providing health and other benefits plans
16 established under sections 87A-23 and 87A-37 and any other
17 benefits plans the board establishes for retired employees and
18 their beneficiaries. The board may create separate funds within
19 the fund for this purpose. Each separate fund shall be subject
20 to all of the provisions of this chapter."



1 SECTION 5. Statutory material to be repealed is bracketed
2 and stricken. New statutory material is underscored.

3 SECTION 6. This Act shall take effect on July 1, 2006.

APPROVED this 01 day of MAY, 2006



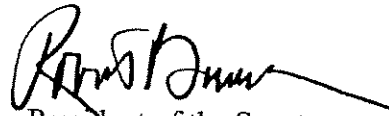
GOVERNOR OF THE STATE OF HAWAII

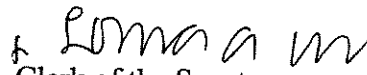
H.B. No. 3018, H.D. 1, S.D. 1

THE SENATE OF THE STATE OF HAWAII

Date: April 11, 2006
Honolulu, Hawaii 96813

We hereby certify that the foregoing Bill this day passed Third Reading in the Senate of the Twenty-third Legislature of the State of Hawaii, Regular Session of 2006.

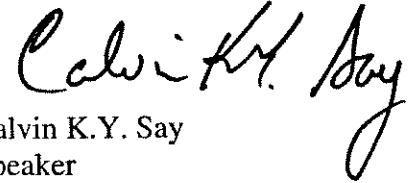

President of the Senate


Clerk of the Senate

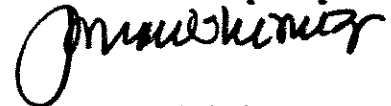
THE HOUSE OF REPRESENTATIVES OF THE STATE OF HAWAII

Date: April 17, 2006
Honolulu, Hawaii 96813

We hereby certify that the foregoing Bill on this day passed Final Reading in the House of Representatives of the Twenty-Third Legislature of the State of Hawaii, Regular Session of 2006.



Calvin K.Y. Say
Speaker
House of Representatives



Patricia Mau-Shimizu
Chief Clerk
House of Representatives