
A BILL FOR AN ACT

RELATING TO VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION TRUSTS.

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

1 SECTION 1. Act 245, Session Laws of Hawaii 2005, is
2 amended by amending section 1 to read as follows:
3 "SECTION 1. The purpose of this Act is to allow for the
4 temporary establishment of an employee organization sponsored
5 trust that ~~will~~ will provide health benefits for all state
6 and county employees ~~[of a particular bargaining unit, as well~~
7 ~~as]~~ and future retirees of ~~[that]~~ the bargaining ~~[unit]~~ units
8 represented by the employee organization, as well as [and]
9 existing retirees who wish to participate in such a trust. The
10 trust ~~will~~ will be established as a voluntary employees'
11 beneficiary association (VEBA) trust pursuant to section
12 501(c)(9) of the Internal Revenue Code of 1986, as amended. The
13 trust ~~will~~ will be funded by employer contributions
14 negotiated pursuant to a collective bargaining agreement and
15 employee contributions to be determined by the trust's board of
16 trustees for active employees. The Act imposes on the trust all
17 of the standards and requirements of the Employee Retirement
18 Income Security Act of 1974, as amended (ERISA). Even if the



1 trust is deemed to be a governmental plan exempt from ERISA, the
2 legislative intent is that the trust must comply with the
3 standards and requirements of ERISA as a matter of state law and
4 that such shall be enforced by the attorney general as well as
5 participants, beneficiaries, and fiduciaries of the plan or
6 plans established by the trust.

7 This Act also provides for retiree coverage for any
8 employee who retires from the State or the counties who was a
9 member of an employee organization that establishes a VEBA trust
10 pursuant to a collective bargaining agreement effective on or
11 after July 1, 2005. Existing retirees who are members of an
12 employee organization and who were previously covered by a
13 collective bargaining agreement will be provided a one-time
14 opportunity to join the VEBA trust once established. Retiree
15 coverage for existing retirees provided by an employee
16 organization's VEBA trust would be funded by employer
17 contributions made directly to the VEBA trust by the employer.

18 The requirement of establishing a VEBA trust [~~in order~~] to
19 be exempt from participation in the Hawaii employer-union health
20 benefits trust fund is intended to be a cost containment measure
21 in response to the ever-increasing costs of health care
22 throughout the [~~state~~] State. However, because of the lack of



1 data available on the impact of a VEBA trust on the Hawaii
2 employer-union health benefits trust fund, this Act would allow
3 the establishment of a VEBA trust pilot program for a period of
4 three years. During this period, a thorough analysis of the
5 costs and benefits of a VEBA trust can be evaluated against the
6 Hawaii employer-union health benefits trust fund to determine
7 what actual savings could be realized by the State through this
8 mechanism."

9 SECTION 2. Statutory material to be repealed is bracketed
10 and stricken. New statutory material is underscored.

11 SECTION 3. This Act shall take effect upon its approval.



SB 2640 SDI

HD1

Report Title:

VEBA Trusts

Description:

Clarifies that VEBA trusts can be established by any employee organization for all state and county employees represented by that employee organization. (SB2640 HD1)

