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# 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 **"~~[‡]~~§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.

HB3018, SD1

**Report Title:**

Government Employees; EUTF

**Description:**

Clarifies that employer contributions and EUTF assets are irrevocable and may be used only for the benefit of employee-beneficiaries and dependent-beneficiaries. Authorizes the board to use funds and create separate funds as a reserve against or to pay future costs of providing health and other benefits to retired employees and their beneficiaries. (SD1)

