

JAN 25 2006

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 would provide health benefits for state and county
6 employees [~~of a particular bargaining unit~~], as well as future
7 retirees of [~~that~~] any bargaining unit or units for which a
8 trust has been established and existing retirees who wish to
9 participate in such a trust. The trust would be established as
10 a voluntary employees' beneficiary association (VEBA) trust
11 pursuant to section 501(c)(9) of the Internal Revenue Code of
12 1986, as amended. The trust would be funded by employer
13 contributions negotiated pursuant to a collective bargaining
14 agreement and employee contributions to be determined by the
15 trust's board of trustees for active employees. The Act imposes
16 on the trust all of the standards and requirements of the
17 Employee Retirement Income Security Act of 1974, as amended
18 (ERISA). Even if the trust is deemed to be a governmental plan



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

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

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

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

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

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

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SB. NO. 2640

Report Title:

VEBA Trusts

Description:

Clarifies that VEBA trusts can be established by an employee organization for all state and county employees represented by that employee organization.

