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



1 a governmental plan exempt from ERISA, the legislative intent is
2 that the trust must comply with the standards and requirements
3 of ERISA as a matter of state law and that such shall be
4 enforced by the attorney general as well as participants,
5 beneficiaries, and fiduciaries of the plan or plans established
6 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 be
19 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.

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. (SD1)

