

Honolulu, Hawaii

March 3, 2006

RE: H.B. No. 3089
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Third State Legislature
Regular Session of 2006
State of Hawaii

Sir:

Your Committee on Finance, to which was referred H.B. No. 3089, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO THE PUBLIC EMPLOYEES' TRUST FUND,"

begs leave to report as follows:

The purpose of this bill is to address costs of post employment benefits other than pensions, such as health care costs, that under the new standards established by the Government Accounting Standards Board (GASB) Statement Nos. 43 and 45, need to be included in employer financial statements.

Specifically, this bill:

- (1) Establishes a Public Employers' Trust Fund (PETF) and a Board of Trustees to offset costs incurred by the State to fund public employee health benefit costs;
- (2) Appropriates monies to the PETF; and
- (3) Prohibits the tapping of monies in the PETF until the PETF's principal reaches \$1,000,000,000.



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The Department of Accounting and General Services (DAGS) supported the intent of this bill and suggested amendments. The Hawaii Government Employees Association supported the intent of this measure. The Department of Budget and Finance and Hawaii Employer-Union Health Benefits Trust Fund (EUTF) offered comments.

Under new uniform financial reporting standards set forth by GASB Statement Nos. 43 and 45, the State's financial statements must show:

- (1) The actuarial present value of the total future cost of providing retiree health benefits (Retiree Benefits Costs) to the State's employees, retirees, and their beneficiaries under the terms of the State's retiree health benefit plans;
- (2) The annual contributions that would be required for the State to amortize Retiree Benefits Costs over a 30-year period; and
- (3) The State's status and progress in funding or amortizing Retiree Benefits Costs.

DAGS brought forth valid concerns about this measure, stating that the establishment of PETF would not meet the standards set by GASB Nos. 43 and 45. To meet these standards, DAGS proposed an amended version of this bill, providing that EUTF would, in addition to its current purpose, hold contributions for the use and benefit of employee beneficiaries and dependent beneficiaries. If amendments were made according to DAGS' recommendations, however, your Committee notes that the bill's title would be inconsistent with its contents and become defective. Your Committee finds that further careful review of this measure is warranted.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 3089, H.D. 1, and recommends that it pass Third Reading.



Respectfully submitted on
behalf of the members of the
Committee on Finance,



DWIGHT TAKAMINE, Chair



