

Honolulu, Hawaii

MAR 17 2006

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

Honorable Robert Bunda
President of the Senate
Twenty-Third State Legislature
Regular Session of 2006
State of Hawaii

Sir:

Your Committee on Labor, 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 measure is to establish a public
employees' trust fund (PETF) for offsetting the State's funding
liability for contributions for retired employees to the Hawaii
employer-union health benefits trust fund (EUTF) under chapter
87A, Hawaii Revised Statutes.

This measure also:

- (1) Establishes a PETF board of trustees for the
administration of the PETF;
- (2) Appropriates funds in the sum of \$1,500,000 to the
public employees' trust fund (PETF); and
- (3) Prohibits the use of monies in PETF until the PETF 's
principal reaches the sum of \$1,000,000,000.

Testimony in support of this measure was submitted by the
Hawaii Government Employees Association, AFSCME Local 152, AFL-
CIO. Testimony in opposition to this measure was submitted by the
EUTF. Comments on the measure were submitted by the Department of



Budget and Finance and the Department of Accounting and General Services.

Your Committee finds that the Government Accounting Standards Board (GASB) recently issued statement numbers 43, regarding accounting by plans that administer post-employment retirement benefit plans other than pensions, and 45, regarding accounting and reporting requirements for state and local government employers that provide post-employment retirement benefit plans other than pensions. Your Committee further finds that implementation of statement numbers 43 and 45 will be done in stages. The provisions of statements 43 and 45 will require the State's financial statements to contain specific information regarding the State's provision of retiree health benefits or other post-employment benefits plans. Your Committee determines that changes to the current law regarding the EUTF are necessary to allow the State to comply with the financial reporting requirements of statement numbers 43 and 45 and to clarify the law to allow the EUTF to benefit from future strategies to reduce the EUTF's liability.

Accordingly, your Committee has amended this measure by:

- (1) Deleting the contents creating a new chapter that establishes the PETF; and
- (2) Inserting provisions to:
 - (A) Amend chapter 87A, HRS, to establish that the EUTF is administered as a trust as used in GASB statements 43 and 45;
 - (B) Clarify that the State and county contributions to the EUTF are irrevocable;
 - (C) Specify that EUTF moneys and assets shall only be used for the exclusive benefit of the employee-beneficiaries and dependent beneficiaries;
 - (D) Authorize the EUTF board to use funds for the future provision of health and other benefits plans for retirees and their beneficiaries;
 - (E) Allow the EUTF board to create separate funds for the future provision of health and other benefits



plans for retirees and their beneficiaries, subject to chapter 87A; and

(F) Make the Act effective on July 1, 2006.

As affirmed by the record of votes of the members of your Committee on Labor that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 3089, H.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 3089, H.D. 1, S.D. 1, and be referred to the Committee on Ways and Means.

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



BRIAN KANNO, Chair



The Senate
Twenty-Third Legislature
State of Hawaii

Record of Votes of the
Committee on Labor
(Bills and Resolutions)

Measure:* HB 3089 HDI	Committee Referral: LBR, WAM	Date: 3-13-06		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is to: <input type="checkbox"/> Pass, unamended (2312) <input checked="" type="checkbox"/> Pass, with amendments (2311) <input type="checkbox"/> Hold (2310) <input type="checkbox"/> Recommit (2313)				
Members	Ayes	Ayes(WR)	Nays	Excused
KANNO, Brian (C)	✓			
IHARA, Jr., Les (VC)				✓
TANIGUCHI, Brian T.	✓			
SLOM, Sam	✓			
TOTAL	3			1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Do not list more than one measure per Record of Votes.