

STAND. COM. REP. NO. **1328**

Honolulu, Hawaii

MAR 23 2007

RE: H.B. No. 1746
S.D. 1

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fourth State Legislature
Regular Session of 2007
State of Hawaii

Madam:

Your Committee on Judiciary and Labor, to which was referred
H.B. No. 1746 entitled:

"A BILL FOR AN ACT RELATING TO VOLUNTARY EMPLOYEES'
BENEFICIARY ASSOCIATION TRUSTS,"

begs leave to report as follows:

The purpose of this measure by the House of Representatives is to extend the sunset date of Act 245, SLH 2005, to 2013. The measure also requires employee organizations that establish VEBA trusts to report to the legislature after two full years of implementation and annually thereafter.

Testimony in support of this measure was received from the Hawaii State Teachers Association, Hawaii State Teachers Association - Retired and numerous teachers. Opposing testimony was received from the Attorney General and the HGEA - Retirees.

Moreover, the Hawaii Employer-Union Health Trust Fund (EUTF) testified against the measure because it asserts that VEBA has cost the EUTF actives over 4% or approximately 8.5 million dollars.

The Hawaii State Teachers' Association (HSTA) stated that VEBA has saved money for its teachers and have also provided new benefits that have been adopted by the EUTF. HSTA further asserts that the extension will provide a truer picture of the savings of the VEBA plan established in March, 2006. HSTA also stated that



having another health plan provides competition in prices and benefits that help all public employees.

Your Committee has amended this measure by changing the proposed extension of the repeal of Section 8 of Act 245, Session Laws of Hawaii 2005 from 2013 to 2009. Your Committee also amended this measure by limiting VEBA to only those plans that began in March, 2006.

The following concerns were raised by:

1. the Attorney General that the bill in its present form would create a legal ambiguity whether there will be a thorough evaluation of the costs and benefits of a VEBA trust compared to the Hawaii Employer-Union Health Benefits trust Fund as provided for in section 1 of Act 245, 2005 Session Laws of Hawaii;
2. the HGEA - Retirees that the loss of HSTA retirees would have a negative impact on the remaining EUTF retirees' cost for health benefits; and
3. the Hawaii Employer-Union Health Trust Fund also testified in writing that the HSTA VEBA has resulted in an increase to the actives of over 4% or approximately 8.5 million dollars.

Further discussion with the House of Representatives is necessary regarding this measure and moving it forward would achieve this end.

As affirmed by the record of votes of the members of your Committee on Judiciary and Labor that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1746, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1746, S.D. 1, and be referred to the Committee on Ways and Means.

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



CLAYTON HEE, Chair



