HOUSE OF REPRESENTATIVES
TWENTY-FOURTH LEGISLATURE, 2007
STATE OF HAWAII

H.B. NO. 1746

A BILL FOR AN ACT

RELATING TO VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION TRUSTS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. Act 245, Session Laws of Hawaii 2005, is amended by amending section 1 to read as follows:

"SECTION 1. The purpose of this Act is to allow for the temporary establishment of an employee organization sponsored trust that would provide health benefits for state and county employees of a particular bargaining unit, as well as future retirees of that bargaining unit and existing retirees who wish to participate in such a trust. The trust would be established as a voluntary employees' beneficiary association (VEBA) trust pursuant to section 501(c)(9) of the Internal Revenue Code of 1986, as amended. The trust would be funded by employer contributions negotiated pursuant to a collective bargaining agreement and employee contributions to be determined by the trust's board of trustees for active employees. The Act imposes on the trust all of the standards and requirements of the Employee Retirement Income Security Act of 1974, as amended (ERISA). Even if the trust is deemed to be a governmental plan exempt from ERISA, the legislative intent is that the trust must comply with the standards and requirements of ERISA as a matter of state law and that such shall be enforced by the attorney general as well as participants, beneficiaries, and fiduciaries of the plan or plans established by the trust.

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

The requirement of establishing a VEBA trust in order to be exempt from participation in the Hawaii employer-union health benefits trust fund is intended to be a cost containment measure in response to the ever-increasing costs of health care throughout the [~~state.~~] State. However, because of the lack of data available on the impact of a VEBA trust on the Hawaii employer-union health benefits trust fund, this Act would allow the establishment of a VEBA trust pilot program for a period of [~~three~~] eight years. During this period, a thorough analysis of the costs and benefits of a VEBA trust can be evaluated against the Hawaii employer-union health benefits trust fund to determine what actual savings could be realized by the State through this mechanism."

SECTION 2. Act 245, Session Laws of Hawaii 2005, is amended by amending section 8 to read as follows:

"SECTION 8. This Act shall take effect upon its approval, for the purpose of establishing a voluntary [~~employees~~] employees' beneficiary association trust pilot program and shall be repealed on July 1, [~~2008;~~] 2013; provided that sections 89-2, 89-3, 89-6, and 89-9, Hawaii Revised Statutes, are reenacted in the form in which they read on the day before the effective date of this Act."

SECTION 3. Act 245, Session Laws of Hawaii 2005, is amended by adding a new section to read as follows:

"SECTION 7A. Any employee organization that establishes a voluntary employees' beneficiary association trust pursuant to this Act shall submit a report to the legislature on the status of the trust no later than one hundred fifty days after two full plan years of the trust's implementation, and annually thereafter. A plan year is defined as the twelve-month period from July 1 through June 30."

SECTION 4. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 5. This Act shall take effect upon its approval.

INTRODUCED BY: ______________________________

JAN 24 2007

Report Title:
VEBA Trusts

Description:
Extends the sunset date of Act 245, SLH 2005, to 2013. Requires employee organizations that establish VEBA trusts to report to the legislature after two full years of implementation and annually thereafter.