

**SB 881**

TESTIMONY BY GEORGINA K. KAWAMURA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE SENATE COMMITTEE ON WAYS AND MEANS  
ON  
SENATE BILL NO. 881

March 4, 2009

RELATING TO VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION TRUSTS

Senate Bill No. 881 amends Act 245, Session Laws of Hawaii (SLH) 2005, to change the sunset date for the Voluntary Employees' Beneficiary Association Trust, (VEBA Trust) from July 1, 2010 to July 1, 2009 and eliminate financial audits that were to be conducted in FY 2010.

The Department of Budget and Finance strongly supports this Administration measure.

The Department has long held that a single health benefit delivery system provides State and County government employers, employee-beneficiaries and ultimately the taxpayer with the most cost effective and long-term sustainable alternative for health benefits. We are increasingly steadfast in this position given current financial conditions, the significant portion of the executive general fund request required to meet employer health benefit contributions, and State unfunded liabilities totaling \$7.19 billion for these benefits as of the July 1, 2007 valuation.

Under a VEBA Trust, costs may be reduced and benefits improved for a **select** group as would be expected if the group has better utilization experience. Our focus however, has been with the cost as a whole. The Hawaii Employer-Union Health Benefits Trust Fund's (EUTF) benefit consultant determined that total premium costs for the self-funded PPO plan would have been 4.3% lower or a savings of \$8.6 million in plan year 2008, had the teachers remained with the EUTF. Separate benefit delivery

systems further contribute to higher costs at a time when expenditures need to be contained.

Permanent establishment of VEBA Trusts as an option for all employee organizations ultimately negates a major portion of the Health Fund reforms enacted by Act 88, SLH 2001. It re-establishes adverse selection and its associated cost increases. It reinstates duplication of effort and additional administrative costs. Each bargaining unit will seek "favored nation" status to obtain the highest negotiated employer contributions which in turn will increase the pressure to amend established contribution limits for retirees.

LINDA LINGLE  
GOVERNOR OF HAWAII



MARIE C. LADERTA  
DIRECTOR

CINDY S. INOUE  
DEPUTY DIRECTOR

STATE OF HAWAII  
DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT  
235 S. BERETANIA STREET  
HONOLULU, HAWAII 96813-2437

March 3, 2009

TESTIMONY TO THE  
SENATE COMMITTEE ON WAYS AND MEANS  
For Hearing on Wednesday, March 4, 2009  
9:30 a.m., Conference Room 211  
BY

MARIE C. LADERTA, DIRECTOR

**Senate Bill No. 881  
Relating to the Voluntary Employees' Beneficiary Association Trusts**

**AMENDED**

TO CHAIRPERSON DONNA MERCADO KIM AND MEMBERS OF THE COMMITTEE:

The purpose of this bill is to lower the cost of health benefits for public employers and employees by ensuring all health benefits are administered under one system through the repeal of Voluntary Employees' Beneficiary Association (VEBA) Trusts.

The Department of Human Resources Development **strongly supports and urges the passage of this administration bill.**

As the Employer, we need to look out for the best interests and well-being of all employees, as a whole, to ensure that they are afforded health benefits coverage in the most efficient and cost-effective manner, and that their benefit plans are properly managed. Although a VEBA Trust may reduce costs for just a select group of employees, we need to look out for the greater good of **all** employees.

Given the State's current financial condition and the rising cost of health care, it is imperative that the VEBA trust pilot program be terminated so that all public employees can be re-consolidated under a single health benefit delivery system – the Hawaii Employer-Union Health Benefits Trust Fund (EUTF). With all employees under

the EUTF, the State would have better leverage in negotiating health benefit contracts to decrease health plan premium costs.

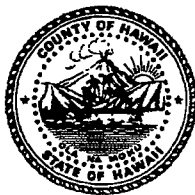
Further, employees with health benefit coverage under the VEBA trust are not directly under the oversight/protection of the State and EUTF, and so may be at greater risk of losing their health benefits coverage if their plans are mismanaged. This concern became apparent with the news of the filing for bankruptcy protection by HSTA Member Benefits Corporation (MBC), the administrator of the HSTA VEBA Trust. According to an informational advisory issued by HSTA, a "team of attorneys and certified public accountants found that MBC financials had been grossly mismanaged." "Funds received by MBC were not entered on the balance sheet. MBC did not pay any taxes on these off-the-balance-sheet funds. This failure to report and pay tax on revenue resulted in a tremendous liability to MBC, including unpaid taxes, extensive penalties, and interest."

I understand that this development has alarmed many teachers. Clearly, there is an urgent need to pass this bill and terminate the VEBA Trust pilot to protect the interests of the teachers enrolled in the HSTA VEBA Trust. This measure will ensure that teachers will have the opportunity to return to the EUTF effective July 1, 2009 and continue their health care coverage.

Now is the time to do the right thing and take immediate action to pass this bill, for the greater good of all employees.

Thank you for the opportunity to testify on this matter.

William P. Kenoi  
Mayor



Nancy E. Crawford  
Director

Deanna S. Sako  
Deputy Director

## County of Hawaii

### Finance Department

25 Aupuni Street, Room 118 • Hilo, Hawaii 96720  
(808) 961-8234 • Fax (808) 961-8248

March 3, 2009

The Honorable Donna Mercado Kim, Chair  
and Members of the Senate Committee on Ways and Means  
Hawai'i State Capitol  
415 South Beretania Street  
Honolulu, Hawai'i 96813

RE: Testimony in Support of Senate Bill No. 881  
Hearing Wednesday, March 4, 2009, at 9:30 a.m., Conference Room 211

Honorable Chair Kim and Members of the Committee:

Hawai'i County supports S.B. 881, which seeks to lower the cost of health benefits for public employers and public employees by ensuring all health benefits are administered under one system through the repeal of Voluntary Employees' Beneficiary Association Trusts. As health care costs continue to rise, we support this measure to help keep our costs down.

Fringe benefits for our employees, which includes health benefits, is one of our largest expenditures each year. We are anticipating a 29.4% increase in health care costs for active employees next fiscal year. We concur that every effort should be made to consolidate plans to ensure the lowest possible premiums for not only the State and Counties, but for all of employees as well.

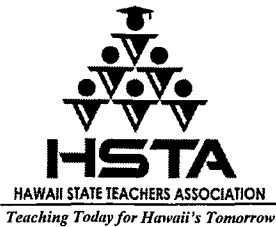
During these tough economic conditions, every effort should be made to keep costs down whenever possible.

Thank you for your attention to our concerns.

Sincerely,

A handwritten signature in cursive script that reads "Nancy Crawford".

Nancy Crawford  
Director of Finance



1200 Ala Kapuna Street λ Honolulu, Hawaii 96819  
Tel: (808) 833-2711 λ Fax: (808) 839-7106 λ Web: www.hsta.org

**Roger K. Takabayashi**  
President

**Wil Okabe**  
Vice President

**Karolyn Mossman**  
Secretary-Treasurer

**Mike McCartney**  
Executive Director

## TESTIMONY BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS

RE: SB 881 – RELATING TO VOLUNTARY EMPLOYEES' BENEFICIARY  
ASSOCIATION TRUSTS.

March 4, 2009

ROGER TAKABAYASHI, PRESIDENT  
HAWAII STATE TEACHERS ASSOCIATION

Chair Kim and Members of the Committee:

The Hawaii State Teachers Association opposes SB 881 which lowers the cost of health benefits for the public employers and public employees by ensuring all health benefits are administered under one system through the repeal of Voluntary Employees' Beneficiary Association (VEBA) Trusts.

The intent of the VEBA trust is to provide a cost effective alternative to participation in the Hawaii Employer-Union Health Benefits Trust Fund for employees of a particular bargaining unit. The Hawaii State Teachers Association believes that the VEBA trust has provided effective means of containing healthcare costs for its members and the State of Hawaii.

HSTA would like to see VEBA continue for two reasons:

1. It has been an effective tool in retaining teachers as it provides medical coverage at a lower cost to our members.
2. There is an audit to be conducted in the section to be repealed. HSTA would like to see the audit proceed as it will show how VEBA has positively worked.

The section to be repealed also states that VEBA will sunset in 2010. If this bill passes, the sunset will return to June 2009. We feel that at this time it would be difficult for the Hawaii Employer-Union Health Benefits Trust Fund to accommodate the 13,000+ teachers in an open enrollment as the open enrollment period would have closed by this time.

Thank you for the opportunity to testify.

TESTIMONY BY JIM WILLIAMS  
ADMINISTRATOR, HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST  
FUND, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE SENATE COMMITTEE ON WAYS AND MEANS  
ON  
SENATE BILL 881

9:30 A.M., March 4, 2009

RELATING TO VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION  
TRUSTS

Chairperson Kim and Members of the Committee:

My name is Jim Williams, and I am Administrator of the Hawaii Employer-Union Health Benefits Trust Fund (also known as the EUTF). Thank you for this opportunity to present this testimony in support of Senate Bill 881.

The EUTF provides health and life insurance benefits to approximately 92,000 public employees and retirees (55,000 actives and 37,000 retirees). EUTF is governed by a ten-member Board of Trustees.

The purpose of this bill is to ensure that all public employee health benefits are administered under one system through the repeal of Voluntary Employees' Beneficiary Association Trusts. The EUTF Board of Trustees, at its meeting of February 10, 2009, voted unanimously to support this bill.

The EUTF supports this bill because the Trustees believe that the EUTF can best provide health benefits for public employees and retirees and that VEBAs adversely affect the EUTF. Attached is testimony presented by the Chair of the Board of Trustees to the Senate Committee on Judiciary and Labor at an informational briefing on February 27, 2007 that summarizes the accomplishments of the EUTF since it began



providing benefits on July 1, 2003. In 2007, the EUTF consultant calculated that the EUTF budget for the PPO plan would have been lower by about 4.3% if bargaining unit 5 members had remained in the EUTF rather than transferring to the HSTA VEBT. Also, the EUTF administrative fees are higher on a per capita basis than they would be if bargaining unit 5 members were part of the EUTF. Under current collective bargaining agreements, the employers pay the EUTF administrative fees.

Thank you for this opportunity to present this testimony in support of SB 881. I will be pleased to answer any questions from members of the Committee.

"ATTACHMENT TO SB881 - EUTF TESTIMONY"

TESTIMONY BY MARK RECKTENWALD  
CHAIR, BOARD OF TRUSTEES  
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE SENATE COMMITTEE ON JUDICIARY AND LABOR  
INFORMATIONAL BRIEFING - ISSUES AND CHALLENGES RELATED TO  
THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND (EUTF)

FEBRUARY 27, 2007

INTRODUCTORY REMARKS ON PROGRESS OF EUTF

Good morning Chair Hee, Vice-Chair Kokubun, and  
Members of the Committee.

My name is Mark Recktenwald, and I am Chair of the  
Board of Trustees of the Hawaii Employer-Union Health  
Benefits Trust Fund(also known as the EUTF). Thank you for  
providing this opportunity to present this briefing on the  
progress of the EUTF to date.

Before proceeding and with your permission, I would  
like to introduce members of our Board of Trustees who were  
able to be here for this briefing: George Kahoochanohano,  
Liz Ho, and John Radcliffe represent employees and  
Marie Laderta, Stan Shiraki and I represent public  
employers. The position of chair (and other officers)  
rotates annually between the two groups of Trustees. I  
became chair in July 2006, and John Radcliffe preceded me  
as chair. Any action of the Board of Trustees requires two  
affirmative votes, with one vote being cast by at least

three employee Trustees and one vote being cast by at least three public employer Trustees. All Trustees are appointed by the Governor, with the employee Trustees being appointed from a list of nominees submitted by the exclusive representatives (public employee unions).

Also with me today are Jim Williams, the EUTF Administrator and John Garner of Garner Consulting, the benefit plan consultant retained to advise the Board of Trustees. Mr. Williams and Mr. Garner are prepared to address the details of the items on today's agenda.

EUTF was established with the passage of Act 88 (SLH 2001). Conference Committee Report No. 124 on SB 1044 that became Act 88 states that its purpose was "to establish a single health benefits delivery system for State and county employees, retirees, and their dependents." It further indicates that the Legislature wanted to ensure the solvency of the predecessor Public Employees Health Fund and the new EUTF and to address the spiraling cost of health benefits for public employees and retirees. Act 88 (codified as chapter 87A HRS) itself mandates the Board to carry out several specific purposes and states that "health and other benefit plans shall be provided at a cost that is affordable to both public employers and the public employees."

I would respectfully suggest that the EUTF has achieved the vision set forth by the Legislature. From the effective date of the first EUTF plans on July 1, 2003 until today, the EUTF has succeeded in providing health benefits to public employees and retirees through a single delivery system. The only exception is that HSTA implemented its VEBA plans in March 2006, as authorized under Act 245 (SLH 2005) enacted by this Legislature. The EUTF has met its mandate of keeping costs affordable for both employees and employers. Let me note that cost control and cost containment is a dynamic and ongoing effort, and our Board of Trustees constantly seeks additional strategies and methods to stabilize benefit costs. The EUTF began in a solvent position and has steadily improved its financial position. Today, the EUTF has cash and short-term investments totaling over \$94 million and net assets of approximately \$50 million.

Let me take a few moments to highlight the accomplishments of the EUTF:

- 1) Meeting the July 1, 2003 start up date set forth in Act 88 was a major achievement. Although I did not join the board until July 2003, my understanding is some observers had doubted that the EUTF would be able meet that deadline, given

the many tasks that had to be completed in a very short timeframe. The original Board of Trustees met for the first time in January 2002. By April 2003 they had hired an administrator and consultant, adopted administrative rules and awarded contracts for benefit plans. That spring, the first open enrollment was conducted, and the new benefits plans were implemented effective July 1, 2003.

- 2) In January 2004 EUTF held a special open enrollment offering two new supplementary (dual coverage) plans to meet the needs of employees who are covered by their spouses through non-public employers.
- 3) In June 2005 the Board of Trustees announced a rate rollback for retirees enrolled in HMSA effective immediately (July 1) with the coming plan year. Estimated savings from that rollback was \$5.2 million.
- 4) A one-month premium holiday for active employees enrolled in the HMSA plan also was negotiated with HMSA and announced in June 2005, and then implemented in December 2005. Neither employers nor employees paid premiums that month. The

premium holiday amounted to an 8% reduction in the annual premium, with savings amounting to about \$8 million for employees and \$12 million for employers.

- 5) Effective July 1, 2006 lower retiree rates again were negotiated. Even though retiree rates will be increased effective July 1, 2007, they will remain below the level of July 1, 2004.
- 6) Effective July 1, 2007 the EUTF PPO medical plans and bundled prescription drug plan will be offered through self-funded contracts, rather than insured contracts. Through the self-funded approach the Board of Trustees now has direct control of both rates and benefits. Initially, this has enabled the Board to keep rates lower, as reflected in an overall 4% - 6% reduction in PPO medical/drug rates for active employees amounting to savings of about \$8 million.
- 7) Also effective July 1, 2007 the EUTF will offer two new HMO plans, an additional PPO medical plan option, and a High Deductible Health Plan (HDHP). HMO enrollees now can choose between two Kaiser plans and an HMSA plan. PPO enrollees will be able to get the same benefits from either of two

plan administrators, HMSA or HMA. The high deductible health plan will have a lower premium than the PPO plans and will enable enrollees who meet federal requirements to establish Health Savings Accounts (HSA).

In its short history, the EUTF has made great strides toward realizing the potential its creators envisioned. With the continuing support of this Legislature, the current Board of Trustees is committed to continuing that progress. Again, I want to thank the Chair and the members of the Committee for this opportunity.

At this time, let me turn the presentation over to our Administrator, Jim Williams and to our benefit consultant, John Garner. We then look forward to answering the Committee's questions.

**kim2 - Arline**

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**From:** Alice Kotake [akotake@hawaii.rr.com]  
**Sent:** Monday, March 02, 2009 12:28 PM  
**To:** WAM Testimony  
**Subject:** FW: SB811 testimony (corrected)

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**From:** Alice Kotake [mailto:akotake@hawaii.rr.com]  
**Sent:** Monday, March 02, 2009 11:39 AM  
**To:** 'WAMTestimony@Capitol.hawaii.gov'  
**Subject:** SB811 testimony

TO: Donna Bercado Kim, Chair  
Shan S. Tsutsui, Vice Chair  
Members of the Senate Ways and Means Committee

From: Alice Kotake  
HSTA-Retired Board of Directors  
26 Kepola Place  
Honolulu, Hawaii 96817  
Phone: 808-595-0370; email [akotake@hawaii.rr.com](mailto:akotake@hawaii.rr.com)

Re: SB881 Relating to Voluntary Employees' Beneficiary Association Trusts  
Hearing Senate Ways and Means Committee, March 4, 2009, Room 211, 9:30 AM

My name is Alice Kotake and I wish to oppose SB881. The Legislature approved the audit of VEBA in 2008 and the Governor has held up the funding for it. Why not answer the question about whether to sunset VEBA until after we have data and research? Why are we rushing to make decisions before the pilot period is over? I have been satisfied with the VEBA's administration of the health plan and wish the legislature will seek valid information on how the VEBA is doing and if it is financially beneficial to the State.

Thank you for the opportunity to testify.

I will not be present at the hearing. Please make as many copies as you deem necessary.  
Thank you,  
A. Kotake



## kim2 - Arline

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**From:** joe gomes [jagomes@juno.com]  
**Sent:** Tuesday, March 03, 2009 2:47 PM  
**To:** Sen. Donna Mercado Kim; Sen. Shan Tsutsui  
**Cc:** jagomes@juno.com  
**Subject:** Testimony in Support of SB 881 (Hearing on 3-4-09 at 9:30 AM)

Dear Chair Kim and Vice-Chair Tsutsui:

Today I read with dismay about the gross financial mismanagement by the Hawaii State Teachers Association's for-profit subsidiary that managed HSTA's VEBA Trust and health insurance funds (3-3-09 SB: *Teachers' union shuts subsidiary handling members' benefits*).

This reeks of another "Madoff" scandal involving large-scale plundering with devastating consequences for the innocent. And there is no comfort in HSTA's self-serving assurance that it members' benefits are not affected by these "problems" and the vast amount of missing funds.

This gross mismanagement is all the more troublesome given HSTA's muscular political effort over the past several years to keep VEBA outside the Employees Union Trust Fund. Shame on HSTA; they have miserably failed their members and the legislators who supported this initiative.

I call for the following immediate actions:

- An investigation by the appropriate Federal and State authorities to determine if criminal conduct has occurred. If so, prosecute every person or entity involved to the fullest extent of the law;
- Prosecute civil claims for fraud, abuse, or breach of trust against every person or entity that benefited and seize their assets to recoup any losses; and
- The Legislature should pass SB 881 which terminates VEBA and restores that funding to the Employees Union Trust Fund, an action that will protect HSTA's members and save taxpayers millions in these tough economic times.

Joe Gomes  
Former State Representative  
780-4179

**kim2 - Arline**

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**From:** Donna Higashi [DHigashi46@hawaii.rr.com]  
**Sent:** Monday, March 02, 2009 5:39 PM  
**To:** WAM Testimony  
**Subject:** SB881 - oppose

TO: COMMITTEE ON WAYS AND MEANS  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

DATE: Wednesday March 4, 2009  
TIME: 9:30 a.m.  
PLACE: Conference Room 211  
State Capitol  
415 South Beretania Street

Re: SB881 RELATING TO VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION TRUSTS  
Lowers the cost of health benefits for public employers and public employees by ensuring all health benefits are administered under one system through the repeal of Voluntary Employees' Beneficiary Association Trusts.

FROM: Donna Higashi, Vice President  
HSTA - Retired

My name is Donna Higashi, Vice President and member of the Legislative Action Team of HSTA - Retired. We are opposed to this bill.

Back in 2007, an independent auditor/State Auditor was authorized to find out the real effect of the two benefit plans. I'm not positively convinced that HB881's description that it will, "Lowers the cost of health benefits for public employers and public employees by ensuring all health benefits are administered under one system through the repeal of Voluntary Employees' Beneficiary Association Trusts" is very factual if a study has not been fully conducted. I believe legislators also want to know the facts.

Since most of our HSTA - R members are in EUTF, we do monitor monthly EUTF Board meetings. We also are represented as retirees on the HSTA VEBA Trust Board. We want to do what is right for our members, so it is fitting if we find out the real facts about our Health Benefit plans. Can EUTF and VEBA coexist? Please allow an audit to be conducted and hold the various parties accountable according to the original intent by not repealing VEBA effective in 2009.

Thank you for this opportunity to testify.

**kim2 - Arline**

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**From:** Lorraine Hora [lorrainehora@yahoo.com]  
**Sent:** Monday, March 02, 2009 11:30 PM  
**To:** WAM Testimony  
**Subject:** testimonay opposing SB 881

Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan Tsutsui, Vice Chair

Wednesday, March 4, 2009  
9:30 am.  
Conference Room 211  
State Capitol  
415 South Beretania Street

RE: SB 881 Relating to Voluntary Employee Beneficiary Association Trust

I oppose this bill. I am not convinced that reverting all teachers to the EUTF will save the State substantial money. I believe when the Legislature passed the law to have an audit of both VEBA and EUTF, the intent was to verify the cost difference and its effect on the State. Until this data is available, how can you say that sunsetting VEBA will save the State money. Please demand the release of the funds from the Governor for the audit before the sunset date of VEBA in 2010.

Thank you for the opportunity to testify.

Sincerely,  
Lorraine M. Hora  
HSTA-Retired  
Hawaii District President

## kim4 - Elizabeth

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, March 02, 2009 8:51 AM  
**To:** WAM Testimony  
**Cc:** bgotelli@msn.com  
**Subject:** Testimony for SB881 on 3/4/2009 9:30:00 AM

Testimony for WAM 3/4/2009 9:30:00 AM SB881

Conference room: 211  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Beverly Gotelli  
Organization: HSTA-Retired  
Address: 6286 Opaekaa Road Kapaa, HI  
Phone: 808 821 9569  
E-mail: [bgotelli@msn.com](mailto:bgotelli@msn.com)  
Submitted on: 3/2/2009

Comments:  
Beverly Gotelli, HSTA- Retired  
Senate Ways and Means Committee  
March 3, 2009  
Room 211  
9:30 am

Testimony Before the Senate Ways and Means Committee

Regarding: SB 811 RELATING TO VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION TRUSTS.

Chair Kim and members of the Committee my name is Beverly Gotelli a retired teacher and I oppose SB 811. In essence this bill will end the HSTA VEBA pilot that has another year before a decision will be made on whether or not to remove the sunset. During the last session when the VEBA was granted an extension a study on the effectiveness of the VEBA was also included. This study has been funded but the Governor has not released the funds to conduct it.

As a participant of the VEBA first as an active teacher and now as a retiree I can tell you it has been beneficial to me and my fellow participants. Our benefits have been negotiated with the carriers and are in my opinion better than the EUTF.

There is a lot of history that goes with the HSTA VEBA pilot program and I would urge you to let it run its course. HSTA has returned to the State any overage it has received during the operation of the VEBA.

I urge the Committee to hold this legislation and let the HSTA VEBA Pilot have the opportunity to continue and the auditor time to complete the study. It has always been a position of the legislature to want to have valid information on how the VEBA is doing and if it is financially beneficial to the State.

Thank you for the opportunity to testify.

**kim2 - Arline**

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**From:** Justin Wong [wongj060@hawaii.rr.com]  
**Sent:** Monday, March 02, 2009 10:59 PM  
**To:** WAM Testimony  
**Subject:** TESTIMONY OPPOSING SB 881

**SENATE COMMITTEE ON WAYS AND MEANS**

**Senator Donna Mercado Kim, Chair**  
**Senator Shan Tsutsui, Vice Chair**

**DATE:** Wednesday, March 4, 2009  
**TIME:** 9:30 a.m.  
**PLACE:** Conference Room 211  
State Capitol  
415 South Beretania Street

**RE: SB 881 Relating to Voluntary Employees Beneficiary Association Trusts**

Senator Kim and members of the Committee on Ways and Means the Hawaii State Teachers Association - Retired (HSTA-R), consisting of over 4500 retired educators statewide, strongly opposes SB 881.

Twice in the past, the Legislature has passed bills allowing Voluntary Employees Beneficiary Association Trusts (VEBA) to provide medical benefits in place of the state's Employer-Union Trust Fund (EUTF). In addition, the Legislature twice appropriated funds to have an impartial third party to do a study to determine if HSTA's VEBA could provide plans which were equal or better than those of the EUTF and at the same time not have a negative financial impact on the state. Each time the governor refused to release the money to conduct the studies.

Both times the HSTA VEBA was prepared to cooperate with the Legislative Auditor and independent consultant to provide for an unbiased evaluation of the VEBA Pilot. Apparently, someone doesn't want the study to happen and wants to end the Pilot. Is that fair? Why was the law that was passed by the Legislature ignored?

When the Bargaining Unit V retirees were offered a chance to enroll in the HSTA VEBA Plan beginning January 2007, only 1 in 6 did. The main reason that many gave to not changing was that the Pilot had a 2008 sunset date. Those who did switch are very happy that they did change, and many of those who remained with the EUTF plan are asking if they can switch now.

Please don't blame all of EUTF's problems on the HSTA VEBA. Many, if not all, of EUTF's problems are of its own making. Ending the VEBA Pilot at this time will not solve EUTF's problems.

I suggest that the legislature should demand that the study of the impact of the HSTA VEBA be conducted, so that a fair and unbiased assessment can be done before the VEBA sunsets in 2010.

**Justin Wong, President**  
**Hawaii State Teachers Association - Retired**

To: [HTLTestimony@capitol.hawaii.gov](mailto:HTLTestimony@capitol.hawaii.gov)

Subject: SB881 – Relating to Voluntary Employees' Beneficiary Association Trusts

Senate Committee on Ways and Means (WAM)

Wednesday, May 4, 2009

Conference Room #211

9:30 A.M.

S.B. 881: Relating to Voluntary Employees' Beneficiary Association Trusts

Chairman Donna Mercado-Kim and members of the Senate Ways and Means Committee, my name is Odetta Fujimori and I am testifying in opposition to SB881. I cannot see how this committee can justify wiping out a program without doing its homework and gathering the facts from a fair and independent financial report. Unfortunately, the Administration appears to be playing games with people's livelihood and seeks to rationalize its desire to have all employees under one health benefit plan. Since the administration did not provide the necessary funds to conduct a certified independent audit, how are we to believe EUTF's claims that its budget would have been lowered by 4.3% if Unit 5 members had remained in the EUTF. Neither do I have the dollar amount that HSTA's VEBA was able to save the state, because no one wants to believe their findings, either.

Because the administration did not release the funds to conduct the audit, this committee can direct the Administration or can set aside the necessary funds to do the study. It behooves the legislature to make a fair and accurate assessment before eliminating a program, labeled as a "pilot." As an individual, I can live with the results of the study, can you?

Madam Chair and members of the committee, I ask that this bill be held in committee or amended to **direct** the administration to proceed with the independent study. The committee can also help by providing the dollar amount necessary for the study to occur.

Mahalo for allowing me to share my comments on SB881.