

S.B. NO. 2687

JAN 25 2010

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A BILL FOR AN ACT

RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST  
FUND.

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

1 SECTION 1. Section 87A-17, Hawaii Revised Statutes, is  
2 amended to read as follows:

3 " ~~[+]~~ §87A-17 ~~[+]~~ Group life insurance benefits or group life  
4 insurance program. The board may provide benefits under a group  
5 life insurance benefits program or group life insurance program  
6 to employees ~~[-]~~; provided that the program is at no cost to the  
7 employers and the State and counties shall not make any  
8 contributions for the program."

9 SECTION 2. Section 87A-31, Hawaii Revised Statutes, is  
10 amended to read as follows:

11 "§87A-31 Trust fund; purpose. (a) The fund shall be used  
12 to provide employee-beneficiaries and dependent-beneficiaries  
13 with health and other benefit plans, and to pay administrative  
14 and other expenses of the fund. All assets of the fund are and  
15 shall be dedicated to providing health and other benefits plans  
16 to the employee-beneficiaries and dependent-beneficiaries in  
17 accordance with the terms of those plans and to pay

1 administrative and other expenses of the fund, and shall be used  
2 for no other purposes except for those set forth in this  
3 section.

4 (b) The fund, including any earnings on investments, and  
5 rate credits or reimbursements from any carrier or self-insured  
6 plan and any earning or interest derived therefrom, may be used  
7 to stabilize health and other benefit plan rates; provided that  
8 the approval of the governor and the legislature shall be  
9 necessary to fund administrative and other expenses necessary to  
10 effectuate these purposes.

11 (c) The fund may be used to provide group life insurance  
12 benefits to employees [~~to the extent that contributions are~~  
13 ~~provided for group life insurance benefits in sections 87A-32~~  
14 ~~and 87A-37.~~]; provided that the group life insurance program  
15 shall be at no cost to the employers and the State and counties  
16 shall make no contributions for the program.

17 (d) The fund may assist the State and the counties to  
18 implement and administer cafeteria plans authorized under Title  
19 26 United States Code section 125, the Internal Revenue Code of  
20 1986, as amended, and part II of chapter 78.

21 (e) At the discretion of the board, some or all of the  
22 fund may be used as a reserve against or to pay the fund's

1 future costs of providing health and other benefits plans  
2 established under sections 87A-23 and 87A-37 and any other  
3 benefits plans the board establishes for retired employees and  
4 their beneficiaries. The board may create separate funds within  
5 the fund for this purpose. Each separate fund shall be subject  
6 to all of the provisions of this chapter."

7 SECTION 3. Section 87A-32, Hawaii Revised Statutes, is  
8 amended to read as follows:

9 "[+]§87A-32[+] State and county contributions; active  
10 employees. (a) The State, through the department of budget and  
11 finance, and the counties, through their respective departments  
12 of finance, shall pay to the fund a monthly contribution equal  
13 to the amount established under chapter 89C or specified in the  
14 applicable public sector collective bargaining agreements,  
15 whichever is appropriate, for each of their respective employee-  
16 beneficiaries and employee-beneficiaries with dependent-  
17 beneficiaries, which shall be used toward the payment of costs  
18 of a health benefits plan; provided that:

- 19 (1) The monthly contribution shall be a specified dollar  
20 amount;
- 21 (2) The monthly contribution shall not exceed the actual  
22 cost of a health benefits plan;

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1           (3) If both husband and wife are employee-beneficiaries,  
2           the total contribution by the State or the county  
3           shall not exceed the monthly contribution for a family  
4           plan; and

5           (4) If the State or any of the counties establish  
6           cafeteria plans in accordance with Title 26, United  
7           States Code section 125, the Internal Revenue Code of  
8           1986, as amended, and part II of chapter 78, the  
9           monthly contribution for those employee-beneficiaries  
10          who participate in a cafeteria plan shall be made  
11          through the cafeteria plan, and the payments made by  
12          the State or counties shall include their respective  
13          contributions to the fund and their employee-  
14          beneficiary's share of the cost of the employee-  
15          beneficiary's health benefits plan.

16          ~~[(b) The State, through the department of budget and~~  
17          ~~finance, and the counties, through their respective departments~~  
18          ~~of finance, shall pay to the fund a monthly contribution equal~~  
19          ~~to the amount established under chapter 89C or specified in the~~  
20          ~~applicable public sector collective bargaining agreement,~~  
21          ~~whichever is applicable, for each of their respective employees,~~

1 ~~to be used toward the payment of group life insurance benefits~~  
2 ~~for each employee.] "~~

3 SECTION 4. Section 87A-37, Hawaii Revised Statutes, is  
4 amended to read as follows:

5 " ~~[†]~~ §87A-37 ~~[†]~~ [Group] Employee contributions; group life  
6 insurance benefits plans ~~[for retired employees; contributions]~~.

7 ~~[(a) The State, through the department of budget and finance,~~  
8 ~~and the counties, through their respective departments of~~  
9 ~~finance, shall pay to the fund a base monthly contribution as~~  
10 ~~set forth in subsection (b) for each retired employee enrolled~~  
11 ~~in the fund's group life insurance benefits plan under section~~  
12 ~~87A-34, 87A-35, and 87A-36.~~

13 ~~(b) Effective July 1, 2003, there is established a base~~  
14 ~~monthly contribution of \$4.16 for each retired employee enrolled~~  
15 ~~in a group life insurance plan; provided that the monthly~~  
16 ~~contribution shall not exceed the actual cost of the group life~~  
17 ~~insurance benefits plan. The base composite monthly~~  
18 ~~contribution shall be adjusted annually beginning July 1, 2004.~~  
19 ~~The adjusted base composite monthly contribution for each new~~  
20 ~~plan year shall be calculated by increasing or decreasing the~~  
21 ~~base composite monthly contribution in effect through the end of~~  
22 ~~the previous plan year by the percentage increase or decrease in~~

1 ~~the medicare part B premium rate for those years. The~~  
2 ~~percentage shall be calculated by dividing the medicare part B~~  
3 ~~premium rate in effect at the beginning of the new plan year by~~  
4 ~~the rate in effect through the end of the previous plan year.~~

5 ~~As used in this subsection, "medicare part B premium rate"~~  
6 ~~means the rate published in the Federal Register each year on~~  
7 ~~November 1 or on the business day closest to November 1 of each~~  
8 ~~year after the medicare part B premium rate has been established~~  
9 ~~by the Secretary of Health and Human Services and approved by~~  
10 ~~the United States Congress.] During the period the group life~~  
11 ~~insurance benefits plans are in effect, the employee, if allowed~~  
12 ~~by law, shall authorize the employee's contribution to be~~  
13 ~~withheld and transmitted to the fund monthly by the comptroller,~~  
14 ~~employees' retirement system, or finance officer who disburses~~  
15 ~~the employee's compensation, pension, or retirement pay. If an~~  
16 ~~employee-beneficiary's monthly contribution to the fund is not~~  
17 ~~withheld and transmitted to the fund, the employee shall pay the~~  
18 ~~monthly contribution directly to the board's designated carrier~~  
19 ~~or third-party administrator as specified by the board."~~

20 SECTION 5. Statutory material to be repealed is bracketed  
21 and stricken. New statutory material is underscored.

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1 SECTION 6. This Act shall take effect on July 1, 2010.

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INTRODUCED BY:

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BY REQUEST

**Report Title:**

Employer-Union Health Benefits Trust Fund; Group Life Insurance Contributions

**Description:**

Suspends employer contributions for active and retiree life insurance premiums effective July 1, 2010.



JUSTIFICATION SHEET

DEPARTMENT: Budget and Finance

TITLE: A BILL FOR AN ACT RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND.

PURPOSE: To suspend employer contributions for active and retiree life insurance premiums effective July 1, 2010.

MEANS: Amend sections 87A-17, 87A-31, 87A-32, and 87A-37, Hawaii Revised Statutes (HRS).

JUSTIFICATION: State and county employees and retirees are provided with life insurance benefits at no cost to them. Employers currently contribute \$4.16 per month for active and retiree premiums. Employees receive a life insurance benefit of \$36,225 that is reduced on a graduated basis once the employee is 65 years old. The retiree life insurance benefit is \$2,272. The benefit currently also includes certain travel-related medical assistance services, cost for repatriation of remains, etc.

Due to declining general fund revenue collections and an anticipated budget shortfall of \$1,230,000,000 in fiscal biennium 2009-2011, action must be taken to contain costs. Suspension of the State employer contributions is expected to provide the following savings:

FY 2011 and forward

Actives	\$1,400,000
Retirees	<u>\$2,700,000</u>
Total	\$4,100,000

Impact on the public: Life insurance benefits for state and local governments are funded through general fund appropriations.

All cost containment efforts will help to address the budget shortfall, benefit taxpayers, and help alleviate current economic conditions.

Impact on the department and other agencies:  
These changes are expected to contain the cost of employer contributions for health benefits.

GENERAL FUND: Savings of \$4,100,000 per fiscal year.

OTHER FUNDS: None.

PBBS PROGRAM  
DESIGNATION: BUF-761, BUF-765, and BUF-768.

OTHER AFFECTED  
AGENCIES: All State executive agencies, the Office of Hawaiian Affairs, the Judiciary, the Hawaii Health Systems Corporation, the legislative bodies of the State, City and County of Honolulu, County of Maui, County of Hawaii, and County of Kauai.

EFFECTIVE DATE: July 1, 2010.