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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-34, Hawaii Revised Statutes, is  
2 amended to read as follows:

3 "[~~t~~]§87A-34[~~t~~] State and county contributions; retired  
4 employees with fewer than ten years of service. (a) This  
5 section shall apply to state and county contributions to the  
6 fund for employees specified in paragraph (1)(E) of the  
7 definition of "employee" in section 87A-1 who:

8 (1) Were hired on or before June 30, 1996; and

9 (2) Retired after June 30, 1984, with fewer than ten years  
10 of credited service, excluding sick leave.

11 (b) The State, through the department of budget and  
12 finance, and the counties, through their respective departments  
13 of finance, shall pay to the fund a monthly contribution equal  
14 to one-half of the lesser of (1) the base monthly contribution  
15 set forth under section 87A-33[~~(b)~~] for retired employees  
16 enrolled in medicare or non-medicare health benefits plans[~~-~~] or  
17 (2) the actual cost of the plan or plans the retired employee is

1 enrolled in. If both husband and wife are employee-  
2 beneficiaries, the total contribution by the State or county  
3 shall not exceed the monthly contribution for supplemental  
4 medicare family or non-medicare family plan, as appropriate."

5 SECTION 2. Section 87A-35, Hawaii Revised Statutes, is  
6 amended to read as follows:

7 "§87A-35 State and county contributions; employees hired  
8 after June 30, 1996, but before July 1, 2001, and retired with  
9 fewer than twenty-five years of service. (a) This section  
10 shall apply to state and county contributions to the fund for  
11 employees who were hired after June 30, 1996, but before July 1,  
12 2001, and who retire with fewer than twenty-five years of  
13 credited service, excluding sick leave; provided that this  
14 section shall not apply to the following employees, for whom  
15 state and county contributions shall be made as provided by  
16 section 87A-33:

- 17 (1) An employee hired prior to July 1, 1996, who transfers  
18 employment after June 30, 1996, and who cumulatively  
19 accrues at least ten years of credited service; and  
20 (2) An employee hired prior to July 1, 1996, who has at  
21 least ten years of credited service prior to a break  
22 in service.

1 For the purposes of this section:

2 "Break in service" means to leave state or county  
3 employment for more than ninety calendar days before returning  
4 to state or county employment.

5 "Transfer" means to leave state or county employment and  
6 return to state or county employment within ninety calendar  
7 days.

8 (b) For purposes of this section, if an employee leaves  
9 state or county employment and returns to state or county  
10 employment after June 30, 1996, upon retirement, the employee's  
11 years of service shall be computed in the same manner as set  
12 forth in chapter 88.

13 (c) The State, through the department of budget and  
14 finance, and the counties, through their respective departments  
15 of finance, shall pay to the fund:

16 (1) For retired employees enrolled in medicare or  
17 non-medicare health benefit plans with ten or more  
18 years but fewer than fifteen years of service, a  
19 monthly contribution equal to one-half of the lesser  
20 of (A) the base monthly contribution set forth under  
21 section 87A-33 [-(b)-] or (B) the actual cost of the  
22 plan or plans the retired employee is enrolled in; and

1           (2) For retired employees enrolled in medicare or  
2           non-medicare health benefit plans with at least  
3           fifteen but fewer than twenty-five years of service, a  
4           monthly contribution of seventy-five per cent of the  
5           lesser of (A) the base monthly contribution set forth  
6           under section 87A-33[~~(b)-~~] or (B) the actual cost of  
7           the plan or plans the retired employee is enrolled in.

8   If both husband and wife are employee-beneficiaries, the total  
9   contribution by the State or county shall not exceed the monthly  
10   contribution for a supplemental medicare family or non-medicare  
11   family plan, as appropriate."

12           SECTION 3. Section 87A-36, Hawaii Revised Statutes, is  
13   amended to read as follows:

14           "**§87A-36 State and county contributions; employees hired**  
15   **after June 30, 2001, and retired.** (a) This section shall apply  
16   to state and county contributions to the fund for employees  
17   hired after June 30, 2001, and who retired, except that this  
18   section shall not apply to the following employees, for whom  
19   state and county contributions shall be made as provided by  
20   section 87A-35:

21           (1) An employee hired after June 30, 1996, and prior to  
22           July 1, 2001, who transfers employment after June 30,

1           2001, and who cumulatively accrues at least ten years  
2           of credited service; and

3           (2) An employee hired after June 30, 1996, and prior to  
4           July 1, 2001, who has at least ten years of credited  
5           service prior to a break in service.

6           For purposes of this section:

7           "Break in service" means to leave state or county  
8           employment for more than ninety calendar days before returning  
9           to state or county employment.

10          "Transfer" means to leave state or county employment and  
11          return to state or county employment within ninety calendar  
12          days.

13          (b) For purposes of this section, if an employee leaves  
14          state or county employment and returns to state or county  
15          employment after July 1, 2001, upon retirement, the employee's  
16          years of service shall be computed in the same manner as set  
17          forth in chapter 88.

18          (c) The State, through the department of budget and  
19          finance, and the counties, through their respective departments  
20          of finance, shall pay to the fund:

21          (1) For retired employees based on the self plan with ten  
22          or more years but fewer than fifteen years of service,

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1 a monthly contribution equal to one-half of the lesser  
2 of (A) the base medicare or non-medicare monthly  
3 contribution set forth under section 87A-33 [-(b)-7] or  
4 (B) the actual cost of the plan or plans the retired  
5 employee is enrolled in;

6 (2) For retired employees based on the self plan with at  
7 least fifteen but fewer than twenty-five years of  
8 service, a monthly contribution equal to seventy-five  
9 per cent of the lesser of (A) the base medicare or  
10 non-medicare monthly contribution set forth under  
11 section 87A-33 [-(b)-7] or (B) the actual cost of the  
12 plan or plans the retired employee is enrolled in;

13 (3) For retired employees based on the self plan with  
14 twenty-five or more years of service, a monthly  
15 contribution equal to one-hundred per cent of the  
16 lesser of (A) the base medicare or non-medicare  
17 monthly contribution set forth under section  
18 87A-33 [-(b)-7] or (B) the actual cost of the plan or  
19 plans the retired employee is enrolled in; and

20 (4) One-half of the monthly contributions for the  
21 employee-beneficiary or employee-beneficiary with  
22 dependent-beneficiaries upon the death of the

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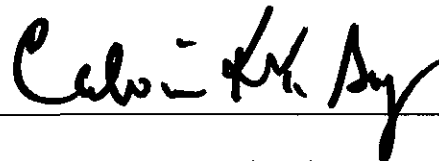
1           employee, as defined in paragraph (1)(E) of the  
2           definition of "employee" in section 87A-1.  
3    If both husband and wife are employee-beneficiaries, the total  
4    contribution by the State or county shall not exceed the monthly  
5    contribution for two supplemental medicare self or non-medicare  
6    self plans, as appropriate."

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

9           SECTION 5. This Act shall take effect on July 1, 2010.

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INTRODUCED BY:



BY REQUEST

JAN 25 2010

**Report Title:**

Employer-Union Health Benefits Trust Fund; Base Monthly Contribution

**Description:**

Requires employer contributions for retiree health benefit plans to be limited to either a percentage of the actual health plan premium or a percentage of the base monthly contribution, whichever is less.



JUSTIFICATION SHEET

DEPARTMENT: Budget and Finance

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

PURPOSE: To require employer contributions for retiree health benefit plans to be limited to either a percentage of the actual health plan premium or a percentage of the base monthly contribution, whichever is less.

MEANS: Amend sections 87A-34, 87A-35, and 87A-36, Hawaii Revised Statutes (HRS).

JUSTIFICATION: Since its inception on July 1, 2003, the base monthly contribution (BMC) has served as a cap on employer contributions for retiree health and life insurance benefits. In an effort to contain costs, specific sections of chapter 87A, HRS, limit employer contributions for employees that are hired on or before certain dates and retired after certain dates. Contributions are limited to specified percentages of the BMC established in statutes. As plan premiums are currently lower than the BMC, the employer contribution can exceed the stated percentage of contribution (e.g., 50 percent or 75 percent) on a plan by plan basis. As more employees hired from 1996 onward retire (the year employer contributions became tied to years of service), cost savings could become substantial if this measure is implemented.

Impact on the public: Health 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:  
The proposed change would require procedural and computer system changes, but are expected to contain employer contributions for retiree health benefits in the long term.

GENERAL FUND: Annual savings are estimated to be \$200,000, based on the July 2008 enrollment of retirees who qualify in the 50 percent and 75 percent categories. Annual savings are expected to increase in the future as more employees retire with less than 100 percent medical benefit coverage.

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.