

STAND. COM. REP. NO. 837-10

Honolulu, Hawaii

March 19, 2010

RE: S.B. No. 2849
S.D. 2

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fifth State Legislature
Regular Session of 2010
State of Hawaii

Sir:

Your Committee on Labor & Public Employment, to which was referred S.B. No. 2849, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO THE HAWAII EMPLOYER-UNION
HEALTH BENEFITS TRUST FUND,"

begs leave to report as follows:

The purpose of this bill, as received by your Committee, is to improve the efficiency and accountability of the Hawaii Employer-Union Health Benefits Trust Fund (EUTF). Among other things, this bill:

- (1) Exempts the procurement of certain services relating to the EUTF from the procurement code;
- (2) Imposes fiduciary duties upon the fiduciaries of the EUTF and establishes liability for breach of fiduciary duty;
- (3) Authorizes the Board of Trustees of the EUTF (Board) to retain independent legal counsel;
- (4) Modifies the size, composition, term limits, and appointment process of the Board;
- (5) Amends the quorum and voting requirements of the Board to reflect changes in the Board's composition;

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- (6) Transfers jurisdiction over the EUTF from the Department of Budget and Finance (B&F) to the Department of Human Resources Development (DHDRD); and
- (7) Requires the Director of DHRD to report to the Legislature prior to the Regular Sessions of 2013 and 2015 on the cost effectiveness of the amendments made to the EUTF by this measure.

Prior to the hearing, your Committee circulated a proposed H.D. 1. for review and consideration and accepted testimony on the proposed H.D. 1. As proposed, the purpose of this bill is to improve the provision of health benefits to public employees and retirees by, among other things:

- (1) Creating separate bargaining unit health benefits trust funds (Trust Funds) for each public employee bargaining unit to provide employee-beneficiaries and dependent-beneficiaries with health and other benefit plans, and to pay administrative and other expenses of the particular fund;
- (2) Establishing employer contribution requirements for the new Trust Funds and stipulating that these contributions are irrevocable and are not considered wages or salaries;
- (3) Establishing the monthly contribution requirements for employee-beneficiaries of the new Trust Funds;
- (4) Setting up eligibility requirements for inclusion in the Trust Funds;
- (5) Subjecting each of the Trust Funds to an independent annual audit that shall be paid for by the Trust Funds;
- (6) Providing for the composition of the Boards of Trustees of the various Trust Funds and establishing their powers and duties including granting the Boards of Trustees rulemaking authority;
- (7) Changing the name of the EUTF to the Hawaii Public Employee Health Benefits Trust Fund (HPEHBTf) and stipulating that this fund will provide health and other



benefits for exempt, part time, temporary, and seasonal or casual employees, and retirees;

- (8) Establishing the appointment and removal requirements, and the term of office, for the administrator of the HPEHBTF;
- (9) Amending the impasse procedures for certain bargaining units by shortening the time frames for arbitration; and
- (10) Making numerous technical statutory changes to reflect the new Trust Funds; name changes of existing trust funds; benefit changes; changes to the composition of, and the powers duties, other requirements of the new and existing boards; changes to the administrators of the new and existing trust funds; and any other changes necessary to reflect the new statutory language.

The Office of Collective Bargaining; B&F; Department of Human Resources of the City and County of Honolulu; University of Hawaii Professional Assembly; Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO; United Public Workers, Local 646; and a concerned individual testified in opposition to the proposed H.D. 1 to this bill. The Hawaii State Teachers Association provided comments.

The EUTF was established to provide a single health benefits delivery system for State and county employees, retirees, and their dependents and was intended to provide quality health insurance that met the needs of all public employees and their dependents. The EUTF was also intended to address the State's concern with rising health care costs and the ability of the State and counties to continue to afford to pay for the health insurance needs of public employees, retirees, and their dependents.

However, since its establishment, the EUTF has faced many issues, and recent events have highlighted some of the difficulties the EUTF faces. Fundamentally and systematically overhauling the entire EUTF as recommended in the Proposed H.D. 1 would appear to be one solution to solving many of these problems.

Nevertheless, your Committee is concerned that a complete revamping of the EUTF and creation of separate Trust Funds for each public employee bargaining unit may not be prudent at this time and that the more measured approached taken by the original



version of this bill would be the more appropriate action to take. Accordingly, your Committee finds that the proposed H.D. 1 should not be passed and is in agreement with the contents of the original bill.

As affirmed by the record of votes of the members of your Committee on Labor & Public Employment that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2849, S.D. 2, and recommends that it pass Second Reading and be referred to the Committee on Finance.

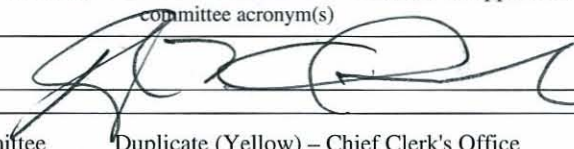
Respectfully submitted on
behalf of the members of the
Committee on Labor & Public
Employment,



KARL RHOADS, Chair



Record of Votes of the Committee on Labor & Public Employment

Bill/Resolution No.: SB2849 SD2		Committee Referral: LAB, FIN		Date: 3-16-10
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input checked="" type="checkbox"/> Pass, unamended (as is) <input type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
LAB Members	Ayes	Ayes (WR)	Nays	Excused
1. RHOADS, Karl (C)	/			
2. YAMASHITA, Kyle T. (VC)	/			
3. AQUINO, Henry J.C.	/			
4. AWANA, Karen Leinani	/			
5. HANOHANO, Faye P.		/		
6. KEITH-AGARAN, Gilbert S.C.	/			
7. LEE, Marilyn B.	/			
8. NAKASHIMA, Mark M.	/			
9. SAIKI, Scott K.	/			
10. SOUKI, Joseph M.		/		
11. TAKUMI, Roy M.				/
12. PINE, Kymberly Marcos				/
TOTAL (12)	8	2	—	2
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. <small>committee acronym(s)</small>				
Vice Chair's or designee's signature: 				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				