

WRITTEN ONLY

TESTIMONY BY KALBERT K. YOUNG  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT  
ON  
HOUSE CONCURRENT RESOLUTION NO. 146

March 22, 2011

REQUESTING AN AUDIT OF THE EMPLOYER-UNION HEALTH BENEFITS  
TRUST FUND

House Concurrent Resolution No. 146, requests the auditor to conduct a management audit of the Employer-Union Health Benefits Trust Fund (EUTF) and recommend changes for effectiveness, efficiency, or clarity; and recommend methods to gradually decrease the EUTF's unfunded actuarial accrued liability.

The Department of Budget and Finance supports the concept of an audit of the EUTF to address the unfunded actuarial accrued liability and perform an overall review of the operations. With a new Board and new Administrator, an audit of the EUTF would be a first step in addressing the unfunded liability and identifying processes that could be changed to improve the efficiency of the operations. We also concur that the cost of providing employee benefits is significant and is expected to increase over time as medical costs increase and the population ages.



## HAWAII GOVERNMENT EMPLOYEES ASSOCIATION

AFSCME Local 152, AFL-CIO

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**LATE TESTIMONY**

The Twenty-Sixth Legislature, State of Hawaii  
Hawaii State House of Representatives  
Committee on Labor and Public Employment

Testimony by  
Hawaii Government Employees Association  
March 22, 2011

H.C. R. 146 – REQUESTING AN AUDIT  
OF THE EMPLOYER-UNION HEALTH  
BENEFITS TRUST FUND

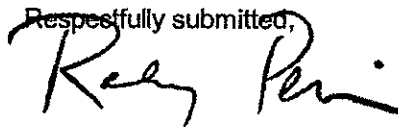
The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO is offering comments and concerns on H.C.R. 146, which requests the Auditor to review the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) in order to fairly moderate contribution increases, study the EUTF structure and fiduciary duties of the Board of Trustees, decrease the unfunded actuarial accrued liability, and to recommend changes to increase efficiency and effectiveness.

There is widespread agreement that the EUTF is not operating as originally intended and has become a serious problem for employees and employers within the state and counties. We share similar concerns as addressed in the findings of H.C.R. 146. In both the 2010 and 2011 Legislative Sessions, together with other public sector unions, we proposed a package of bills to significantly reform the EUTF by changing the composition of the board, imposing stricter requirements on board members, and permitting the negotiation of benefit plans, in addition to contributions.

The language in H.C.R. 146 provides that the Auditor make recommendations to change the benefits for employees who retire after July 1, 2011. However, in *Everson v. State*, the Hawaii Supreme Court holds that health benefits for retired state and county employees constitute accrued benefits that cannot be diminished or impaired pursuant to article XVI, Section 2 of the Hawai'i Constitution. We respectfully request that this section of H.C.R. 146 be amended by deleting the specified date of retirement and the elimination of EUTF benefits duplicative of Medicare. Recommendations to change retirement benefits should affect prospective employees; not prospective retiree beneficiaries.

Further, we question if auditing the EUTF immediately is premature, as we are hopeful that the combination of a new Administrator, recently appointed Trustees, and pending legislation to reform the EUTF, the EUTF will be more efficient. If the Legislature determines that an immediate audit is necessary, perhaps it may be in the best interest of all parties to have an independent third-party review, composed of experts who can compare the EUTF to that of private-sector Taft-Hartley trust plans.

Thank you for the opportunity to submit comments on auditing the EUTF.

Respectfully submitted,  
  
Randy Perreira  
Executive Director