

S.B. NO. 2753

JAN 25 2012

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. Chapter 87A, Hawaii Revised Statutes, is amended by
2 adding to part IV a new section to be appropriately designated
3 and to read as follows:

4 "§87A- Other post-employment benefits trust.

5 Notwithstanding sections 87A-31 and 87A-31.5, the board may,
6 upon terms and conditions set by the board, establish and
7 administer a separate trust fund for the purpose of receiving
8 employer contributions that will prefund other post-employment
9 health and other benefit plan costs for retirees and their
10 beneficiaries. If such a fund is established, it shall meet the
11 requirements of the Government Accounting Standards Board
12 regarding other post-employment benefits trusts. Employer
13 contributions to the separate trust fund shall be irrevocable;
14 all assets of the fund shall be dedicated exclusively to
15 providing health and other benefits to retirees and their
16 beneficiaries; and assets of the fund shall not be subject to
17 appropriation for any other purpose and shall not be subject to

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1 claims by creditors of the employers or the board or plan
2 administrator. The board's powers under section 87A-24 shall
3 also apply to any fund established pursuant to this section."

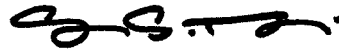
4 SECTION 2. New statutory material is underscored.

5 SECTION 3. This Act shall take effect upon its approval.

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INTRODUCED BY:



8

BY REQUEST

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Report Title:

Employer-Union Health Benefits Trust Fund; Other Post-employment
Benefits Trust.

Description:

Authorizes the board of the Employer-Union Health Benefits Trust Fund to create a trust fund for the purpose of receiving employer contributions that will prefund post-employment health and other benefit costs for retirees and their beneficiaries.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

JUSTIFICATION SHEET

DEPARTMENT: Budget and Finance

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

PURPOSE: To authorize the board of the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) to create a trust fund for the purpose of receiving employer contributions that will prefund post-employment health and other benefit costs for retirees and their beneficiaries.

MEANS: Add a new section to part IV of chapter 87A, Hawaii Revised Statutes.

JUSTIFICATION: An audit of the EUTF concluded that the EUTF currently does not have a trust fund that meets the requirements of the Government Accounting Standards Board (GASB) regarding other post-employment benefits (OPEB) trusts. Specifically, an OPEB trust must have the specific criteria of irrevocability of contributions, dedication of plan assets to paying benefits in accordance with the plan, and legal protection of the plan assets from creditors.

OPEB benefits include various non-pension benefits, such as health care, which are provided to retirees. There is no obligation to pre-fund OPEB benefits; however, pre-funding OPEB benefits liability through a trust meeting the GASB requirements allows a public employer to use a higher discount rate in calculating its unfunded liability, which results in a reduction in the amount reported as the OPEB benefits liability in its financial statements. Currently, several counties have made pre-funded contributions toward OPEB benefits, but are unable to receive credit for the contributions because there

is no trust established that meets the GASB requirements for OPEB plans.

Impact on the public: Impact on the public should be minimal.

Impact on the department and other agencies:
A fund would be under the Department of Budget and Finance for administrative purposes. An OPEB plan allows a public employer to use a higher discount rate in calculating its unfunded liability, which results in a reduction in the amount reported as the OPEB benefits liability in its financial statements.

GENERAL FUND: None.

OTHER FUNDS: None.

PPBS PROGRAM
DESIGNATION: None.

OTHER AFFECTED
AGENCIES: Department of Budget and Finance; the State and the counties, as public employers.

EFFECTIVE DATE: Upon approval.