

Honolulu, Hawaii

Feb 14 , 2012

RE: H.B. No. 2491
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Sixth State Legislature
Regular Session of 2012
State of Hawaii

Sir:

Your Committee on Labor & Public Employment, to which was referred H.B. No. 2491 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 measure is to ensure that the Hawaii Employer-Union Health Benefits Trust Fund meets the requirements of the Government Accounting Standards Board regarding other post employment benefits trusts. Specifically, this measure authorizes the Board of Trustees of the Hawaii 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 Department of the Attorney General, Department of Budget and Finance, Administrator of the Hawaii Employer-Union Health Benefits Trust Fund, Department of Budget and Fiscal Services of the City and County of Honolulu, Department of Human Resources of the City and County of Honolulu, and Hawaii State Teachers Association testified in support of this measure.

A recent audit of the Hawaii Employer-Union Health Benefits Trust Fund found that the Trust Fund does not currently meet the requirements of the Government Accounting Standards Board regarding other post-employment benefits trusts. Other post employment benefits include various non-pension benefits, such as



health care, which are provided to retirees. According to the Government Accounting Standards Board, other post employment benefits trusts 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. While the State has taken the position that there is no requirement or obligation to pre-fund retiree health and other post-employment benefits, pre-funding these benefit liabilities through a trust meeting the Government Accounting Standards Board requirements allows a public employer to use a higher discount rate when calculating its unfunded liability, which results in a reduction in the amount of other post-employment benefits liability in the employer's financial statements.

However, it is not the intent of your Committee that this measure be construed to require public employers to make any particular level of contributions to pre-fund other post-employment benefits. As such, your Committee has amended this measure by explicitly stating that this measure is not meant to bind or require the State or counties to make any particular level of contributions to the Hawaii Employer-Union Health Benefits Trust Fund now or in the future, but only to authorize the Trust Fund to create a separate trust fund for the purpose of receiving such contributions that meets the requirements of the Government Accounting Standards Board regarding health and other post-employment benefits trusts.

Technical, nonsubstantive amendments have also been made for clarity, consistency, and style.

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 H.B. No. 2491, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2491, H.D. 1, and be referred to the Committee on Finance.



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

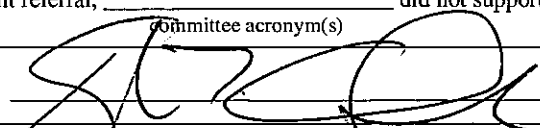
Karl Rhoads

KARL RHOADS, Chair



HSCR 329-12

Record of Votes of the Committee on Labor & Public Employment

Bill/Resolution No.: HD 2491	Committee Referral: LAB, FIN	Date: 2-7-12		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" 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. CULLEN, Ty	/			
5. ICHIYAMA, Linda	/			
6. LEE, Marilyn B.	/			
7. LUKE, Sylvia	/			
8. OKAMURA, Tom				
9. SAIKI, Scott K.				/
10. SOUKI, Joseph M.				/
11. TAKUMI, Roy M.	-			
12. FONTAINE, George R.	/			
13. JOHANSON, Aaron Ling	/			
TOTAL (13)	10	-	-	2
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. Committee acronym(s)				
Vice Chair's or designee's signature: 				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				