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**TESTIMONY ON HOUSE BILL 1041, HOUSE DRAFT 1, RELATING TO THE HAWAII EMPLOYER-UNION
HEALTH BENEFITS TRUST FUND**

House Committee on Finance
Hon. Marcus R. Oshiro, Chair
Hon. Marilyn B. Lee, Vice Chair

LATE

Friday, February 25, 2011, 10:00 AM
State Capitol, Conference Room 308

Honorable Chair Oshiro and committee members:

I am Kris Coffield, legislative director of Imua Alliance, a nonpartisan political advocacy organization that currently boasts over 60 local members. On behalf of our members, we offer this testimony in support of HB 1041, HD1.

Currently, the state of Hawaii is experiencing a crisis in how to pay for underfunded future liabilities, including the Employer-Union Health Benefits Trust Fund (EUTF). Unlike the Employee Retirement System, EUTF has no money set aside in advance to subsidize its annual disbursement. At the same time, payments from the fund are expected to rise sharply over the next few years, from \$421 million in 2010, to \$479 million in 2011, \$487 million in 2012, and \$528 billion in 2013. Medicare Part B reimbursements are a large percentage of allocated resources and projected increases, set to cost the state an estimated \$41.7 million in fiscal year 2012 and \$46.8 million in fiscal year 2013, according to Department of Budget and Finance Director Kalbert Young.

While the governor has called for the elimination of Medicare Part B reimbursements for all state employees, any cuts to reimbursements for today's workers would clearly violate Article XVI, Section 2 of the Hawaii State Constitution, which states, "Membership in any employees' retirement system of the State or any political subdivision thereof shall be a contractual relationship, the accrued benefits of which shall not be diminished or impaired." Since EUTF projections assume no variance in employee population and the ratio of payers to payees is dropping rapidly, and because the state is buckling under an anticipated \$700-844 million biennium budget shortfall, it is imperative that lawmakers restructure local entitlements to ensure their existence for future generations. Abolishing prospective reimbursements—which, as Gov. Abercrombie has indicated, are duplicated under social security—saves revenue and, thus, reduces the possibility of having to increase property, excise, or other taxes at a later date, when the road to recovery becomes a one-way street.

Earlier this month, Imua Alliance conducted a poll of its members to determine their feelings with regard to the eradication of state-supported Medicare Part B payments for future employees. Though the group contains too few members to be considered representative of greater demographics, its respondents are unique in their youth, averaging 29 years in age. Out of 47 respondents, 34, or 72 percent, indicated support or strong support for the measure, while only 3 respondents, or 6 percent, indicated strong opposition to the proposal. Results of the survey can be made available upon request, but what is clear is that our members, many of whom are preparing for careers in public service, understand that the extension of benefits, as well as the job market, is dependent upon fiscal strength, and would rather sacrifice unnecessary benefits than suffer service shutdowns, furloughs, fee increases, or unemployment.

Imua Alliance also urges the committee to consider additional ideas for revenue generation should they arise, such as limiting general excise tax exemptions and taxing pension plans. And again, we do not condone slashing accrued benefits for existing employees or retirees, which we would consider a breach of contractual obligations, unconstitutional, and overly austere. We do, on the other hand, fully support the fiscally prudent steps outlined in HB 1041, HD1 that will save our state millions, if not billions, of dollars that have yet to be earned.

Mahalo for the opportunity to testify in support of this bill.

Sincerely,
Kris Coffield
Legislative Director
Imua Alliance

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Friday, February 25, 2011 9:31 AM
To: FINTestimony
Cc: swartzg001@hawaii.rr.com
Subject: Testimony for HB1041 on 2/25/2011 10:00:00 AM

LATE

Testimony for FIN 2/25/2011 10:00:00 AM HB1041

Conference room: 308
Testifier position: support
Testifier will be present: No
Submitted by: gregory swartz
Organization: Individual
Address:
Phone:
E-mail: swartzg001@hawaii.rr.com
Submitted on: 2/25/2011

Comments:

I support this bill to the extent that it does not apply to current retirees (which would be unconstitutional). I do have to note that, as a retiree receiving Medicare, the amount the state picks up for Medicare Part B Premiums is a godsend and that it is difficult for many old and disabled retirees to make ends meet. With the proposed tax on pensions and other tax and fee increases, many senior and disabled retirees will find their finances failing. This is disastrous. Active employees are facing a bleak future.

LATE TESTIMONY

House of Representatives
The Twenty-Sixth Legislature, State of Hawaii
Regular Session of 2011
Committee on Labor and Public Employment

February 11, 2011

H.B. 1041 – RELATING TO
THE HAWAII EMPLOYER-UNION
HEALTH BENEFITS TRUST FUND

Chair Rhoads, Vice-Chair Yamashita, and members of the Committee on Labor and Public Employment:

My name is **Ronald Kodama**, and I have worked as a **horticulturist** for the **Honolulu Zoo/C&C of Honolulu for 20 years**. As a government employee, I dedicated my career to public service. I chose to work for less pay than my private-sector counterparts for ensured health benefits upon retirement. By eliminating the Medicare Part B reimbursements, I will be forced to pay an additional \$1,385 per year. Including my spouse, our household would expend approximately \$2,770 annually on doctor's fees and medical expenses. I am saddened to say that my family cannot afford this additional financial burden. It deeply troubles me that the Legislature is considering changing my benefits. Retirement promises that were made upon accepting employment **27 years** ago should not be broken today.

Many of us will soon be joining the ranks of the retirees and will be facing the same financial challenges. Please don't discriminate against active workers who have made retirement plans based upon the terms in force when we were hired.

I oppose H.B. 1041, H.D. 1 as proposed, and request that it be amended to apply to new hires only or that those already fully vested in the retirement health fund be exempted. Thank you for the opportunity to provide testimony.

Respectfully submitted,

Ronald Kodama

DEPARTMENT OF BUDGET & FISCAL SERVICES
CITY AND COUNTY OF HONOLULU

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PETER B. CARLISLE
MAYOR



MICHAEL R. HANSEN
DIRECTOR

February 25, 2011

LATE

The Honorable Marcus R. Oshiro, Chair
and Members of the Committee on Finance
The House of Representatives
State Capitol
Honolulu, Hawaii 96813

Dear Chair Oshiro and Members:

Subject: House Bill Nos. 1041 H.D.1, 1035 H.D.1, 1037, 1038 H.D.1,
1142 and 1143
Relating to the Hawaii Employer-Union Health Benefits Trust Fund

The City and County of Honolulu (City) is well aware of the serious challenges the Retirement System is facing and recognizes the need for significant course corrections. The City views House Bills 1035, 1037, 1038, 1041, 1142 and 1143 as part of a package of bills proposing changes aimed at addressing the Retirement System's unfunded liability. The City only supports these bills as a collective package designed to address the unfunded liability issue in a comprehensive manner—with reasonable changes to benefits as well as increases in the Employer contribution rate.

The increases in the Employer contribution provided in HB 1037 will have a severe negative impact on our budget going forward. House Bill 1143 may also negatively affect our budget. However, this is balanced by the provisions included in HB 1038, HB 1041 and HB 1142 that update the benefits making them more realistic and sustainable. This comprehensive approach will, we hope, ultimately result in a system that is more stable and Employer costs that are more predictable.

The Honorable Marcus R. Oshiro, Chair
and Members of the Committee on Finance
The House of Representatives
February 25, 2011
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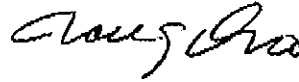
We realize this Committee is facing very difficult decisions on many matters, including this one. We urge the Committee to take the comprehensive approach needed to set the Retirement System and the Employer-Union Trust Fund on a sustainable path.

Thank you for the opportunity to testify on these measures.

Yours truly,



Michael R. Hansen, Director
Department of Budget & Fiscal Services



Noel T. Ono, Director
Department of Human Resources



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

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The Twenty-sixth Legislature, State of Hawaii
Hawaii State House of Representatives
Committee on Labor & Public Employment

Testimony by
Hawaii Government Employees Association
February 25, 2011

H.B. 1041, HD1, (HSCR472) – RELATING TO THE
HAWAII EMPLOYER-UNION HEALTH BENEFITS
TRUST FUND

The over 9,500 members of the Hawaii Government Employees Association (HGEA) Retirees Unit, AFSCME Local 152, AFL-CIO strongly opposes H.B. 1041, HD1, (HSCR472). We strongly oppose this bill because it ends the reimbursement of Medicare Part B premiums for those government employee's hired after June 30, 2011 and their spouses. It also eliminates the Part B reimbursement premiums to spouses while apportioning Medicare Part B reimbursements to employees who were hired before June 30, 2011, according to the years of service they have as of June 30, 2011.

While the legislature may legally eliminate the reimbursement of Medicare Part B premiums for any employees hired after June 30, 2011, we oppose any change to the reimbursement of Part B premiums as a matter of policy. The employees who are hired after June 30, 2011 will, in all likelihood, still be mandated by State law to enroll in the Medicare Part B program once they reach the age of eligibility for Medicare at 65 years of age. Until such time the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) remove the mandatory requirement to enroll in the Medicare Part B plan, the employees and their spouses will still be required to make monthly payments to continue being covered under the EUTF and will in effect, be assuming virtually all of the responsibility the State now has to provide any medical health coverage for retirees. While we understand the financial difficulties the State now faces, we do not believe the proper way of addressing those difficulties is to shift those burdens to retirees and allow the State, which is better able to deal with that burden, to renege on its long-standing policy to provide medical health care coverage to its retirees and spouses.

We also oppose that part of H.B. 1041, HD1, (HSCR472), which would eliminate all Medicare Part B reimbursements to spouses and reduce reimbursement for Medicare Part B premiums to employees hired before June 30, 2011, based on their years of service as of June 30, 2011. We see those provisions as unconstitutional. Section 2, Article XVI of the Hawaii Constitution prohibits any accrued benefit due to a government employee from being diminished or impaired. Current state law, section 87A-23 of the Hawaii Revised Statutes (HRS), provides that the State "shall" pay an amount at least equal to the Medicare Part B premium paid by the retiree while he or she is alive, his or her spouse is alive, and his or her surviving spouse during the spouse's lifetime. The rights under HRS section 87A-23 accrue to all employees who are on State or county government payrolls as of June 30, 2011. Therefore, Section 2, Article XVI of the Hawaii Constitution, prohibits the right to reimbursement of Part B

premiums accorded to employees, and their spouses by HRS section 87A-23 from being diminished or impaired. A reduction of the reimbursement of Part B premiums based on years of service, and preventing spouses from receiving reimbursement of Part B premiums is a unconstitutional whether diminishing or impairing of an accrued right not permissible under the Hawaii Constitution. For those reasons, we strongly oppose H.B. 1041, HD1, (HSCR472).

Respectfully submitted,



Randy Ferreira
Executive Director

