

TESTIMONY BY BARBARA CORIELL
ADMINISTRATOR, HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST
FUND, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 2491, H.D. 1

February 28, 2012, 10:00 a.m.

RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST
FUND

Chairperson Oshiro and Members of the Committee:

As the Administrator of the Hawaii Employer-Union Health Benefits Trust Fund I am testifying in support of House Bill 2491, HD1, which was recommended by the Board of the EUTF.

House Bill 2491, H.D. 1, creates a separate irrevocable Trust for employer funding of the retiree health care liability referred to as the Other Post Employment Benefits or OPEB liability. A separate Trust is a requirement of GASB 43 for funds to be considered OPEB contributions for employers' financial statements.

The Government Accounting Standards Board (GASB) 43 which addresses the issue of funding the OPEB liability requires the entity holding the funds to be an irrevocable trust set up specifically for OPEB contributions. In this way OPEB funding can only be used for its stated purpose – funding retiree health care costs. The EUTF does not currently qualify as a Trust per GASB 43.

Although the EUTF is an irrevocable trust itself, and OPEB contributions are accounted for separately and invested in their own investment accounts,

there is nothing that certifies that these funds cannot be used for active employee plan expenses. Because of this, OPEB funds held by the EUTF are currently being shown in employer financial reports as donations and not as OPEB contributions. The EUTF was made aware of this in our June 30, 2010 financial report which was issued in April 2011.

We need to create a specific irrevocable OPEB trust within the EUTF Trust to correct this situation. This change should have a positive financial impact for employers who fund their OPEB liability allowing them to realize the full benefit of that funding in their financial statements.

**TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE ON
HOUSE BILL NO. 2491, H.D. 1**

February 28, 2012

RELATING TO THE HAWAII EMPLOYER-UNION TRUST FUND

House Bill No. 2491, House Draft 1, authorizes the board of the Employer-Union Health Benefits Trust Fund (EUTF) to create a trust fund for the explicit purpose of receiving employer contributions for post-employment health and other benefit costs for retiree and their beneficiaries.

The Department of Budget and Finance strongly supports this Administration bill which will enable the establishment of a separate irrevocable trust for the other post-Employment benefits (OPEB).

The bill is to ensure that the EUTF meets the Government Accounting Standards Board (GASB) definition of an irrevocable trust for the purpose of meeting its OPEB obligation and participants of a multi-employer plan are able to appropriately account for the contribution in their respective financial statements. The GASB requirements for a qualified OPEB trust are: 1) it must have the specific criteria of irrevocability of contributions; 2) dedication of plan assets to paying benefits in accordance with the plan; and 3) legal protection of the plan assets from creditors. Several counties have made pre-funded contributions toward their OPEB liabilities but have not been able to account for the contributions because there is no trust established that meets the GASB requirements.

The Administration believes that this measure is necessary to ensure that pre-funded contributions which are made by the public employers are used for its intended purpose and also to ensure that public employers who make these contributions receive the proper credit for the OPEB contributions on their financial statements.

COUNTY COUNCIL

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February 27, 2012

**TESTIMONY OF JAY FURFARO
COUNCIL CHAIR, KAUAI COUNTY COUNCIL**

ON

H.B. No. 2491, H.D. 1

RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Committee on Finance

Tuesday, February 28, 2012

10:00 A.M.

Conference Room 308

Dear Chair Oshiro and Committee Members:

Thank you for this opportunity to submit testimony in strong support of H.B. No. 2491, H.D. 1, relating to the Hawaii Employer-Union Health Benefits Trust Fund (EUTF). My testimony is submitted in my capacity as the Chair of the Kauai County Council.

H.B. No. 2491, H.D. 1, authorizes the EUTF Board to establish a trust fund through employer contributions to pre-fund post-employment benefit costs for retirees and their beneficiaries.

The County of Kauai currently makes pre-funded contributions towards other post-employment benefits (OPEB), but is unable to receive credit. By having an irrevocable trust fund that ensures OPEB contributions are used solely for providing health and other benefits to retirees and their beneficiaries and also complies with the requirements of the Government Accounting Standards Board (GASB), it creates a safety net and enables the county to receive credit for OPEB costs.

For the reason stated above, the Kauai County Council is in strong support of H.B. No. 2491, H.D. 1, and asks for your favorable support.

Thank you for this opportunity to submit testimony.

Sincerely,

JAY FURFARO
Council Chair, Kauai County Council

AB_ds

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PETER B. CARLISLE
MAYOR



MICHAEL R. HANSEN
DIRECTOR

February 28, 2012

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

Dear Chair Oshiro and Members:

Subject: House Bill 2491, House Draft 1
Relating to the Hawaii Employer-Union Health Benefits Trust Fund

The City and County of Honolulu strongly supports House Bill 2491, House Draft 1 which will authorize the Employer-Union Trust Fund (EUTF) Board to create a separate trust fund to receive employer contributions to prefund other post-employment benefits (OPEB).

We understand that the creation of this trust fund will ensure that the City's OPEB contributions will be used exclusively for providing health and other non-pension benefits to City retirees. In addition, the City would be able to receive credit for its OPEB contributions because the trust would meet Government Accounting Standards Board (GASB) requirements for OPEB plans.

The City has already contributed \$40 million in FY 2009, and plans to add another \$40 million this fiscal year to EUTF for the City's OPEB obligations. We believe it is essential to secure these funds for the purpose in which they were intended and ask for your favorable consideration of House Bill 2491.

Thank you for the opportunity to testify on this matter.

Yours truly,

Handwritten signature of Michael R. Hansen in black ink.

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

Handwritten signature of Noel T. Ono in black ink.

Noel T. Ono, Director
Department of Human Resources