

HB 2491,HD1

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

March 14, 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.

Furthermore, the creation of an irrevocable sub-trust fund is an expected accommodation to demonstrate financial accountability for any pre-funding contributions from government employers.

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March 13, 2012

**TESTIMONY OF JAY FURFARO
COUNCIL CHAIR, KAUA'I COUNTY COUNCIL
ON**

**H.B. NO. 2491, H.D. 1
RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Committee on Judiciary and Labor
Wednesday, March 14, 2012
10:00 A.M.
Conference Room 016**

Dear Chair Hee 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 Hawai'i Employer-Union Health Benefits Trust Fund (EUTF). My testimony is submitted in my capacity as the Chair of the Kaua'i 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 Kaua'i currently makes pre-funded contributions towards other post-employment benefits (OPEB), but is unable receive credit. By having an irrevocable 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 Kaua'i County Council is in strong support of H.B. No. 2491, H.D. 1, and ask for your favorable support.

Thank you for this opportunity to submit testimony.

Sincerely,


JAY FURFARO
Council Chair, Kaua'i County Council