



EXECUTIVE CHAMBERS
HONOLULU

NEIL ABERCROMBIE
GOVERNOR

July 3, 2013

GOV. MSG. NO. 1371

The Honorable Donna Mercado Kim,
President
and Members of the Senate
Twenty-Seventh State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

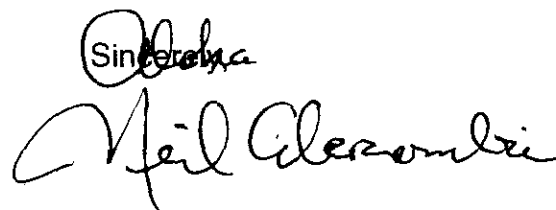
The Honorable Joseph M. Souki,
Speaker and Members of the
House of Representatives
Twenty-Seventh State Legislature
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear President Kim, Speaker Souki, and Members of the Legislature:

This is to inform you that on July 3, 2013, the following bill was signed into law:

HB546 HD2 SD2 CD1

RELATING TO THE HAWAII EMPLOYER-UNION
HEALTH BENEFITS TRUST FUND
ACT 268 (13)

Sincerely,


NEIL ABERCROMBIE
Governor, State of Hawaii

Approved by the Governor
on JUL 3 2013

ACT 268

HOUSE OF REPRESENTATIVES
TWENTY-SEVENTH LEGISLATURE, 2013
STATE OF HAWAII

H.B. NO. 546
H.D. 2
S.D. 2
C.D. 1

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:

PART I

SECTION 1. The purpose of this part is to convene a task force in the department of budget and finance to examine the unfunded liability of the Hawaii employer-union health benefits trust fund.

SECTION 2. (a) There is established a Hawaii employer-union health benefits trust fund task force within the department of budget and finance for administrative purposes to consist of the following members:

- (1) Two members from the house of representatives selected by the speaker of the house of representatives;
- (2) Two members from the senate selected by the senate president;
- (3) The director of finance, or the director's designee;
- (4) One member from the Hawaii Council of Mayors;
- (5) One member from the Hawaii State Association of Counties;



- 1 (6) Four members representing public sector unions who
2 shall be invited to participate by the director of
3 finance;
- 4 (7) One member representing public employee retirees who
5 shall be invited to participate by the director of
6 finance; and
- 7 (8) Four members representing the respective interests of
8 the four counties who shall be selected by the
9 governor.

10 The director of finance, or the director's designee, shall
11 serve as the chairperson of the task force. The task force
12 shall cease to exist on June 30, 2014.

13 (b) The members of the task force shall serve without
14 compensation, but shall be reimbursed for expenses, including
15 travel expenses, necessary for the performance of their duties.
16 No member shall be made subject to chapter 84, Hawaii Revised
17 Statutes, solely because of that member's participation as a
18 member of that task force.

19 SECTION 3. The Hawaii employer-union health benefits trust
20 fund task force shall examine the unfunded liability of the
21 Hawaii employer-union health benefits trust fund (trust fund),
22 including:



- 1 (1) The current and projected unfunded actuarial accrued
2 liability of the trust fund;
- 3 (2) The availability of medical benefits plans other than
4 plans that pay or reimburse medical services providers
5 under a fee-for-service model;
- 6 (3) The costs and benefits of alternative medical benefits
7 plans in relation to the medical benefits plans
8 currently offered by the trust fund;
- 9 (4) An evaluation of the costs and process of
10 transitioning from the current medical benefits plans
11 to an alternative medical benefits plan, including
12 recommended proposed legislation;
- 13 (5) An evaluation of the current structure of state and
14 county public employers paying a percentage of health
15 insurance policy premiums and providing
16 recommendations for a benefits plan for prospective
17 employees; and
- 18 (6) Any other matters that are relevant to gaining a full
19 and meaningful understanding of the circumstance of
20 the trust fund.

21 SECTION 4. The director of finance, in consultation with
22 the task force, shall submit a report to the legislature,



1 including findings, recommendations, and proposed legislation,
2 no later than twenty days prior to the convening of the regular
3 session of 2014.

4 SECTION 5. There is appropriated out of the general
5 revenues of the State of Hawaii the sum of \$185,750 or so much
6 thereof as may be necessary for fiscal year 2013-2014 to support
7 the work of the Hawaii employer-union health benefits trust fund
8 task force, including necessary travel expenses for task force
9 members who reside outside of Oahu and consulting services of
10 persons knowledgeable in relevant issues.

11 The sum appropriated shall be expended by the department of
12 budget and finance for the purposes of this part.

13 PART II

14 SECTION 6. Chapter 87A, Hawaii Revised Statutes, is
15 amended by adding two new sections to part IV to be
16 appropriately designated and to read as follows:

17 "§87A-A Public employers; defined. For the purposes of
18 this part, "public employer" means a governmental entity whose
19 employees', beneficiaries', and retirees' health benefits
20 coverage is provided through the fund.

21 §87A-B Payment of public employer contributions to the
22 other post-employment benefits trust. (a) Commencing with



1 fiscal year 2018-2019, each of the counties and all other public
2 employers shall make annual required contributions in accordance
3 with section 87A-42 for the benefit of their retirees and
4 beneficiaries.

5 (b) The board shall determine the annual required
6 contribution owed by each public employer under this part for
7 each fiscal year, beginning with fiscal year 2018-2019."

8 SECTION 7. Section 87A-24, Hawaii Revised Statutes, is
9 amended to read as follows:

10 "§87A-24 Other powers. In addition to the power to
11 administer the fund, the board may:

- 12 (1) Collect, receive, deposit, and withdraw money on
13 behalf of the fund;
- 14 (2) Invest moneys in the same manner specified in section
15 88-119(1)(A), (1)(B), (1)(C), (2), (3), (4), (5), (6),
16 and (7);
- 17 (3) Hold, purchase, sell, assign, transfer, or dispose of
18 any securities or other investments of the fund, as
19 well as the proceeds of those investments and any
20 money belonging to the fund;
- 21 (4) Appoint, and at pleasure dismiss, an administrator and
22 other fund staff. The administrator and staff shall



- 1 be exempt from chapter 76 and shall serve under and at
2 the pleasure of the board;
- 3 (5) Make payments of periodic charges and pay for
4 reasonable expenses incurred in carrying out the
5 purposes of the fund;
- 6 (6) Contract for the performance of financial audits of
7 the fund and claims audits of its insurance carriers;
- 8 (7) Retain auditors, actuaries, investment firms and
9 managers, benefit plan consultants, or other
10 professional advisors to carry out the purposes of
11 this chapter[→], including the retaining of an actuary
12 to determine the annual required public employer
13 contribution for the separate trust fund established
14 under section 87A-42;
- 15 (8) Establish health benefits plan and long-term care
16 benefits plan rates that include administrative and
17 other expenses necessary to effectuate the purposes of
18 the fund; and
- 19 (9) Require any department, agency, or employee of the
20 State or counties to furnish information to the board
21 to carry out the purposes of this chapter."



1 SECTION 8. Section 87A-42, Hawaii Revised Statutes, is
2 amended to read as follows:

3 "[~~§~~87A-42~~§~~] Other post-employment benefits trust. (a)

4 Notwithstanding sections 87A-31 and 87A-31.5, the board, upon
5 terms and conditions set by the board, [~~may~~] shall establish and
6 administer a separate trust fund for the purpose of receiving
7 employer contributions that will prefund other post-employment
8 health and other benefit plan costs for retirees and their
9 beneficiaries. [~~If a fund is established, it~~] The separate
10 trust fund shall meet the requirements of the Government
11 Accounting Standards Board regarding other post-employment
12 benefits trusts. The board shall establish and maintain a
13 separate account for each public employer within the separate
14 trust fund to accept and account for each public employer's
15 contributions. Employer contributions to the separate trust
16 fund shall be irrevocable, all assets of the fund shall be
17 dedicated exclusively to providing health and other benefits to
18 retirees and their beneficiaries, and assets of the fund shall
19 not be subject to appropriation for any other purpose and shall
20 not be subject to claims by creditors of the employers or the
21 board or plan administrator. The board's powers under section



1 87A-24 shall also apply to ~~any~~ the fund established pursuant
2 to this section.

3 (b) Public employer contributions shall be paid into the
4 fund in each fiscal year, and commencing with the 2018-2019
5 fiscal year, the amount of the annual public employer
6 contribution shall be equal to the amount of the annual required
7 contribution, as determined by an actuary retained by the board.

8 (c) In any fiscal year subsequent to the 2017-2018 fiscal
9 year in which the state public employer's contributions into the
10 fund are less than the amount of the annual required
11 contribution, the amount that represents the excess of the
12 annual required contribution over the state public employer's
13 contributions shall be deposited into the appropriate account of
14 the separate trust fund from a portion of all general excise tax
15 revenues collected by the department of taxation under section
16 237-31.

17 If any general excise tax revenues are deposited into the
18 separate trust fund in any fiscal year as a result of this
19 subsection, the director of finance shall notify the legislature
20 and governor whether the general fund expenditure ceiling for
21 that fiscal year would have been exceeded if those revenues had
22 been legislatively appropriated instead of deposited without .



1 appropriation into the trust fund. The notification shall be
2 submitted within thirty days following the end of the applicable
3 fiscal year.

4 (d) In any fiscal year subsequent to the 2017-2018 fiscal
5 year in which a county public employer's contributions into the
6 fund are less than the amount of the annual required
7 contribution, the amount that represents the excess of the
8 annual required contribution over the county public employer's
9 contributions shall be deposited into the fund from a portion of
10 all transient accommodations tax revenues collected by the
11 department of taxation under section 237D-6.5(b)(3). The
12 director of finance shall deduct the amount necessary to meet
13 the county public employer's annual required contribution from
14 the revenues derived under section 237D-6.5(b)(3) and transfer
15 the amount to the board for deposit into the appropriate account
16 of the separate trust fund.

17 (e) In any fiscal year subsequent to fiscal year 2017-2018
18 in which a public employer's contributions into the fund are
19 less than the amount of the annual required contribution and the
20 public employer is not entitled to transient accommodations tax
21 revenues sufficient to satisfy the total amount of the annual
22 required contribution, the public employer's contributions shall



1 be deposited into the fund from portions of any other revenues
2 collected on behalf of the public employer or held by the State.
3 The director of finance shall deduct the amount necessary to
4 meet the public employer's annual required contribution from any
5 revenues collected on behalf of the public employer held by the
6 State and transfer the amount to the board for deposit into the
7 appropriate account of the separate trust fund.

8 (f) For the purposes of this section, "annual required
9 contribution" means a public employer's required contribution to
10 the trust fund established in this section that is sufficient to
11 cover:

12 (1) The normal cost, which is the cost of other post-
13 employment benefits attributable to the current year
14 of service; and

15 (2) An amortization payment, which is a catch-up payment
16 for past service costs to fund the unfunded actuarial
17 accrued liability over the next thirty years."

18 SECTION 9. Section 237-31, Hawaii Revised Statutes, is
19 amended to read as follows:

20 "§237-31 Remittances. All remittances of taxes imposed by
21 this chapter shall be made by money, bank draft, check,
22 cashier's check, money order, or certificate of deposit to the



1 office of the department of taxation to which the return was
2 transmitted. The department shall issue its receipts therefor
3 to the taxpayer and shall pay the moneys into the state treasury
4 as a state realization, to be kept and accounted for as provided
5 by law; provided that:

- 6 (1) The sum from all general excise tax revenues realized
7 by the State that represents the difference between
8 \$45,000,000 and the proceeds from the sale of any
9 general obligation bonds authorized for that fiscal
10 year for the purposes of the state educational
11 facilities improvement special fund shall be deposited
12 in the state treasury in each fiscal year to the
13 credit of the state educational facilities improvement
14 special fund;
- 15 (2) A sum, not to exceed \$5,000,000, from all general
16 excise tax revenues realized by the State shall be
17 deposited in the state treasury in each fiscal year to
18 the credit of the compound interest bond reserve fund;
19 [and]
- 20 (3) A sum from all general excise tax revenues realized by
21 the State that is equal to one-half of the total
22 amount of funds appropriated or transferred out of the



1 hurricane reserve trust fund under sections 4 and 5 of
2 Act 62, Session Laws of Hawaii 2011, shall be
3 deposited into the hurricane reserve trust fund in
4 fiscal year 2013-2014 and in fiscal year 2014-2015;
5 provided that the deposit required in each fiscal year
6 shall be made by October 1 of that fiscal year[-]; and
7 (4) Commencing with fiscal year 2018-2019, a sum from all
8 general excise tax revenues realized by the State that
9 represents the difference between the state public
10 employer's annual required contribution for the
11 separate trust fund established under section 87A-42
12 and the amount of the state public employer's
13 contributions into that trust fund shall be deposited
14 to the credit of the State's annual required
15 contribution into that trust fund in each fiscal year,
16 as provided in section 87A-42."

17 SECTION 10. Section 237D-6.5, Hawaii Revised Statutes, is
18 amended by amending subsection (b) to read as follows:

19 "(b) Revenues collected under this chapter, except for
20 revenues collected under section 237D-2(b), shall be distributed
21 as follows, with the excess revenues to be deposited into the
22 general fund:



1 (1) 17.3 per cent of the revenues collected under this
2 chapter shall be deposited into the convention center
3 enterprise special fund established under section
4 201B-8; provided that beginning January 1, 2002, if
5 the amount of the revenue collected under this
6 paragraph exceeds \$33,000,000 in any fiscal year,
7 revenues collected in excess of \$33,000,000 shall be
8 deposited into the general fund;

9 (2) 34.2 per cent of the revenues collected under this
10 chapter shall be deposited into the tourism special
11 fund established under section 201B-11 for tourism
12 promotion and visitor industry research; provided that
13 for any period beginning on July 1, 2012, and ending
14 on June 30, 2015, no more than \$71,000,000 per fiscal
15 year shall be deposited into the tourism special fund
16 established under section 201B-11; provided further
17 that beginning on July 1, 2012, and ending on June 30,
18 2015, \$2,000,000 shall be expended from the tourism
19 special fund for development and implementation of
20 initiatives to take advantage of expanded visa
21 programs and increased travel opportunities for
22 international visitors to Hawaii; and provided further



1 that beginning on July 1, 2002, of the first
2 \$1,000,000 in revenues deposited:

3 (A) Ninety per cent shall be deposited into the state
4 parks special fund established in section
5 184-3.4; and

6 (B) Ten per cent shall be deposited into the special
7 land and development fund established in section
8 171-19 for the Hawaii statewide trail and access
9 program;

10 provided that of the 34.2 per cent, 0.5 per cent shall
11 be transferred to a sub-account in the tourism special
12 fund to provide funding for a safety and security
13 budget, in accordance with the Hawaii tourism
14 strategic plan 2005-2015; provided further that of the
15 revenues remaining in the tourism special fund after
16 revenues have been deposited as provided in this
17 paragraph and except for any sum authorized by the
18 legislature for expenditure from revenues subject to
19 this paragraph, beginning July 1, 2007, funds shall be
20 deposited into the tourism emergency trust fund,
21 established in section 201B-10, in a manner sufficient



1 to maintain a fund balance of \$5,000,000 in the
2 tourism emergency trust fund; and
3 (3) 44.8 per cent of the revenues collected under this
4 chapter shall be transferred as follows: Kauai county
5 shall receive 14.5 per cent, Hawaii county shall
6 receive 18.6 per cent, city and county of Honolulu
7 shall receive 44.1 per cent, and Maui county shall
8 receive 22.8 per cent; provided that for any period
9 beginning on July 1, 2011, and ending on June 30,
10 2015, the total amount transferred to the counties
11 shall not exceed \$93,000,000 per fiscal year[-];
12 provided that commencing with fiscal year 2018-2019, a
13 sum that represents the difference between a county
14 public employer's annual required contribution for the
15 separate trust fund established under section 87A-42
16 and the amount of the county public employer's
17 contributions into that trust fund shall be retained
18 by the state director of finance and deposited to the
19 credit of the county public employer's annual required
20 contribution into that trust fund in each fiscal year,
21 as provided in section 87A-42, if the respective
22 county fails to remit the total amount of the county's



1 required annual contributions, as required under
2 section 87A-B.

3 Revenues collected under section 237D-2(b) shall be
4 deposited into the general fund. All transient accommodations
5 taxes shall be paid into the state treasury each month within
6 ten days after collection and shall be kept by the state
7 director of finance in special accounts for distribution as
8 provided in this subsection.

9 As used in this subsection, "fiscal year" means the twelve-
10 month period beginning on July 1 of a calendar year and ending
11 on June 30 of the following calendar year."

12 SECTION 11. Notwithstanding the amount of a public
13 employer annual required contribution determined in any fiscal
14 year by an actuary retained by the board for this purpose, for
15 the five-year fiscal period from 2014-2015 to 2018-2019, public
16 employer contributions into the separate trust fund established
17 under section 87A-42, Hawaii Revised Statutes, shall be at the
18 specified percentages of the respective annual required
19 contributions, as follows:

	<u>Fiscal Year</u>	<u>Annual Required Contribution</u>
20		
21	(1) 2014-2015	Twenty per cent;
22	(2) 2015-2016	Forty per cent;



- 1 (3) 2016-2017 Sixty per cent;
2 (4) 2017-2018 Eighty per cent; and
3 (5) 2018-2019 One hundred per cent.

4 SECTION 12. Not less than twenty days prior to the
5 convening of the regular session of 2015, the director of
6 finance, in order to maximize the efficient use of resources and
7 public funds, shall submit an implementation plan and any
8 proposed legislation to the legislature to execute the
9 following:

- 10 (1) Joint use of any investment information, advice, and
11 services provided by fund managers retained by the
12 board of trustees of the employees' retirement system
13 with the board of trustees of the employer-union
14 health benefits trust fund for the purpose of
15 investing moneys contained in the separate trust fund
16 established under section 87A-42, Hawaii Revised
17 Statutes; and
18 (2) Procedures to accept and deposit employer
19 contributions from county public employers into the
20 separate trust fund established under section 87A-42,
21 Hawaii Revised Statutes.



1 SECTION 13. There is appropriated out of the general
2 revenues of the State of Hawaii the sum of \$500,000 or so much
3 thereof as may be necessary for fiscal year 2013-2014 and the
4 same sum or so much thereof as may be necessary for fiscal year
5 2014-2015 for the department of budget and finance to conduct a
6 study and develop an implementation plan to have both the
7 employer-union health benefits trust fund and the employees'
8 retirement system jointly share investment information and
9 services.

10 The sums appropriated shall be expended by the department
11 of budget and finance for the purposes of this Act.

12 SECTION 14. In codifying the new sections added by section
13 6 of this Act, the revisor of statutes shall substitute
14 appropriate section numbers for the letters used in designating
15 the new sections in this Act.

16 SECTION 15. Statutory material to be repealed is bracketed
17 and stricken. New statutory material is underscored.

18 SECTION 16. This Act shall take effect on July 1, 2013;
19 provided that the amendments made to section 237D-6.5, Hawaii
20 Revised Statutes, in section 10 of this Act shall not be
21 repealed when section 237D-6.5, Hawaii Revised Statutes, is
22 repealed and reenacted on June 30, 2015, pursuant to Act 61,



1 Session Laws of Hawaii 2009, and Act 103, Session Laws of Hawaii
2 2011.

APPROVED this 3 day of JUL, 2013



GOVERNOR OF THE STATE OF HAWAII

