
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:

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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, including:



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



1 SECTION 4. The director of finance, in consultation with
2 the task force, shall submit a report to the legislature,
3 including findings, recommendations, and proposed legislation,
4 no later than twenty days prior to the convening of the regular
5 session of 2014.

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

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

15 PART II

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

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



1 §87A-B Payment of public employer contributions to the
2 other post-employment benefits trust. (a) Commencing with
3 fiscal year 2018-2019, each of the counties and all other public
4 employers shall make annual required contributions in accordance
5 with section 87A-42 for the benefit of their retirees and
6 beneficiaries.

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

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

12 "§87A-24 Other powers. In addition to the power to
13 administer the fund, the board may:

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



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



1 (9) Require any department, agency, or employee of the
2 State or counties to furnish information to the board
3 to carry out the purposes of this chapter."

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

6 "[+]§87A-42[+] **Other post-employment benefits trust.** (a)
7 Notwithstanding sections 87A-31 and 87A-31.5, the board, upon
8 terms and conditions set by the board, [~~may~~] shall establish and
9 administer a separate trust fund for the purpose of receiving
10 employer contributions that will prefund other post-employment
11 health and other benefit plan costs for retirees and their
12 beneficiaries. [~~If a fund is established, it]~~ The separate
13 trust fund shall meet the requirements of the Government
14 Accounting Standards Board regarding other post-employment
15 benefits trusts. The board shall establish and maintain a
16 separate account for each public employer within the separate
17 trust fund to accept and account for each public employer's
18 contributions. Employer contributions to the separate trust
19 fund shall be irrevocable, all assets of the fund shall be
20 dedicated exclusively to providing health and other benefits to
21 retirees and their beneficiaries, and assets of the fund shall
22 not be subject to appropriation for any other purpose and shall



1 not be subject to claims by creditors of the employers or the
2 board or plan administrator. The board's powers under section
3 87A-24 shall also apply to [any] the fund established pursuant
4 to this section.

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

10 (c) In any fiscal year subsequent to the 2017-2018 fiscal
11 year in which the state public employer's contributions into the
12 fund are less than the amount of the annual required
13 contribution, the amount that represents the excess of the
14 annual required contribution over the state public employer's
15 contributions shall be deposited into the appropriate account of
16 the separate trust fund from a portion of all general excise tax
17 revenues collected by the department of taxation under section
18 237-31.

19 If any general excise tax revenues are deposited into the
20 separate trust fund in any fiscal year as a result of this
21 subsection, the director of finance shall notify the legislature
22 and governor whether the general fund expenditure ceiling for



1 that fiscal year would have been exceeded if those revenues had
2 been legislatively appropriated instead of deposited without
3 appropriation into the trust fund. The notification shall be
4 submitted within thirty days following the end of the applicable
5 fiscal year.

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

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



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

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

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

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

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



1 "§237-31 **Remittances.** All remittances of taxes imposed by
2 this chapter shall be made by money, bank draft, check,
3 cashier's check, money order, or certificate of deposit to the
4 office of the department of taxation to which the return was
5 transmitted. The department shall issue its receipts therefor
6 to the taxpayer and shall pay the moneys into the state treasury
7 as a state realization, to be kept and accounted for as provided
8 by law; provided that:

9 (1) The sum from all general excise tax revenues realized
10 by the State that represents the difference between
11 \$45,000,000 and the proceeds from the sale of any
12 general obligation bonds authorized for that fiscal
13 year for the purposes of the state educational
14 facilities improvement special fund shall be deposited
15 in the state treasury in each fiscal year to the
16 credit of the state educational facilities improvement
17 special fund;

18 (2) A sum, not to exceed \$5,000,000, from all general
19 excise tax revenues realized by the State shall be
20 deposited in the state treasury in each fiscal year to
21 the credit of the compound interest bond reserve fund;

22 [and]



1 (3) A sum from all general excise tax revenues realized by
2 the State that is equal to one-half of the total
3 amount of funds appropriated or transferred out of the
4 hurricane reserve trust fund under sections 4 and 5 of
5 Act 62, Session Laws of Hawaii 2011, shall be
6 deposited into the hurricane reserve trust fund in
7 fiscal year 2013-2014 and in fiscal year 2014-2015;
8 provided that the deposit required in each fiscal year
9 shall be made by October 1 of that fiscal year[-]; and

10 (4) Commencing with fiscal year 2018-2019, a sum from all
11 general excise tax revenues realized by the State that
12 represents the difference between the state public
13 employer's annual required contribution for the
14 separate trust fund established under section 87A-42
15 and the amount of the state public employer's
16 contributions into that trust fund shall be deposited
17 to the credit of the State's annual required
18 contribution into that trust fund in each fiscal year,
19 as provided in section 87A-42."

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



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

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

13 (2) 34.2 per cent of the revenues collected under this
14 chapter shall be deposited into the tourism special
15 fund established under section 201B-11 for tourism
16 promotion and visitor industry research; provided that
17 for any period beginning on July 1, 2012, and ending
18 on June 30, 2015, no more than \$71,000,000 per fiscal
19 year shall be deposited into the tourism special fund
20 established under section 201B-11; provided further
21 that beginning on July 1, 2012, and ending on June 30,
22 2015, \$2,000,000 shall be expended from the tourism



1 special fund for development and implementation of
2 initiatives to take advantage of expanded visa
3 programs and increased travel opportunities for
4 international visitors to Hawaii; and provided further
5 that beginning on July 1, 2002, of the first
6 \$1,000,000 in revenues deposited:

7 (A) Ninety per cent shall be deposited into the state
8 parks special fund established in section
9 184-3.4; and

10 (B) Ten per cent shall be deposited into the special
11 land and development fund established in section
12 171-19 for the Hawaii statewide trail and access
13 program;

14 provided that of the 34.2 per cent, 0.5 per cent shall
15 be transferred to a sub-account in the tourism special
16 fund to provide funding for a safety and security
17 budget, in accordance with the Hawaii tourism
18 strategic plan 2005-2015; provided further that of the
19 revenues remaining in the tourism special fund after
20 revenues have been deposited as provided in this
21 paragraph and except for any sum authorized by the
22 legislature for expenditure from revenues subject to



1 this paragraph, beginning July 1, 2007, funds shall be
2 deposited into the tourism emergency trust fund,
3 established in section 201B-10, in a manner sufficient
4 to maintain a fund balance of \$5,000,000 in the
5 tourism emergency trust fund; and

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



1 contribution into that trust fund in each fiscal year,
2 as provided in section 87A-42, if the respective
3 county fails to remit the total amount of the county's
4 required annual contributions, as required under
5 section 87A-B.

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

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

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



	<u>Fiscal Year</u>	<u>Annual Required Contribution</u>
1		
2	(1) 2014-2015	Twenty per cent;
3	(2) 2015-2016	Forty per cent;
4	(3) 2016-2017	Sixty per cent;
5	(4) 2017-2018	Eighty per cent; and
6	(5) 2018-2019	One hundred per cent.

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

13 (1) Joint use of any investment information, advice, and
14 services provided by fund managers retained by the
15 board of trustees of the employees' retirement system
16 with the board of trustees of the employer-union
17 health benefits trust fund for the purpose of
18 investing moneys contained in the separate trust fund
19 established under section 87A-42, Hawaii Revised
20 Statutes; and

21 (2) Procedures to accept and deposit employer
22 contributions from county public employers into the



1 separate trust fund established under section 87A-42,
2 Hawaii Revised Statutes.

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

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

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

18 SECTION 15. Statutory material to be repealed is bracketed
19 and stricken. New statutory material is underscored.

20 SECTION 16. This Act shall take effect on July 1, 2050;
21 provided that the amendments made to section 237D-6.5, Hawaii
22 Revised Statutes, in section 10 of this Act shall not be



1 repealed when section 237D-6.5, Hawaii Revised Statutes, is
2 repealed and reenacted on June 30, 2015, pursuant to Act 61,
3 Session Laws of Hawaii 2009, and Act 103, Session Laws of Hawaii
4 2011.



Report Title:

Hawaii Employer-union Health Benefits Trust Fund; Task Force;
Annual Required Contribution; OPEB

Description:

Establishes the Hawaii employer-union health benefits trust fund (EUTF) task force to examine the unfunded liability of the EUTF. Makes an appropriation for the task force. Requires the EUTF to establish a separate trust fund for public employer contributions with separate accounts for each public employer. Requires the annual public employer contribution to be equal to the amount determined by an actuary commencing with FY 2018-2019. Requires the use of a portion of the general excise tax revenues to supplement deficient state public employer contribution amounts commencing with FY 2018-2019. Requires the use of a portion of the transient accommodations tax revenues to supplement deficient county public employer contribution amounts commencing with FY 2018-2019. Establishes a schedule to phase-in the annual required state public employer contribution requirement. Requires the director of finance to report to the legislature on an implementation plan to have both the EUTF and the ERS jointly sharing investment information and services for the benefit of the trust fund and to establish disbursement channels for county public employer contributions into the trust fund. Makes appropriations. Effective 7/1/2050. (SD2)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

