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# 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:**

1 PART I

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

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

- 10 (1) Two members from the house of representatives selected  
11 by the speaker of the house of representatives;
- 12 (2) Two members from the senate selected by the senate  
13 president;
- 14 (3) The director of finance, or the director's designee;
- 15 (4) One member from the Hawaii Council of Mayors;
- 16 (5) One member from the Hawaii State Association of  
17 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; provided that the task  
7           force shall explore alternative medical benefits  
8           plans;
- 9           (3) The costs and benefits of alternative medical benefits  
10          plans in relation to the medical benefits plans  
11          currently offered by the trust fund;
- 12          (4) An evaluation of the costs and process of  
13          transitioning from the current medical benefits plans  
14          to an alternative medical benefits plan, including  
15          recommended proposed legislation; and
- 16          (5) Any other matters that are relevant to gaining a full  
17          and meaningful understanding of the circumstance of  
18          the trust fund.

19           SECTION 4. The director of finance, in consultation with  
20 the task force, shall submit a report to the legislature,  
21 including findings, recommendations, and proposed legislation,



1 no later than twenty days prior to the convening of the regular  
2 session of 2014.

3 SECTION 5. 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 to  
6 support the work of the Hawaii employer-union health benefits  
7 trust fund task force, including necessary travel expenses for  
8 task force members who reside outside of Oahu and consulting  
9 services of persons knowledgeable in relevant issues.

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

12 PART II

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

16 "§87A- Public employers; defined. For the purposes of  
17 this part, "public employer" means a governmental entity whose  
18 employees', beneficiaries', and retirees' health benefits  
19 coverage is provided through the fund.

20 §87A- Payment of public employer contributions to the  
21 other post-employment benefits trust. (a) Commencing with  
22 fiscal year 2018-2019, each of the counties and all other public



1 employers shall make annual required contributions in accordance  
2 with section 87A-42 for the benefit of its retirees and  
3 beneficiaries.

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

7 (c) If the amount or any portion of the annual required  
8 contribution is not paid by a county, the director of finance  
9 shall retain a sum, out of the transient accommodations tax  
10 revenue collected, that is equal to the amount or portion that  
11 is not paid. All the moneys retained and collected by the  
12 director of finance shall be deposited in the appropriate  
13 account of the separate trust fund under section 87A-42.

14 (d) If the amount or any portion of the annual required  
15 contribution is not paid by a public employer that either does  
16 not receive transient accommodations tax revenues or is not  
17 entitled to sufficient transient accommodations tax revenues to  
18 fund the amount of the annual required contribution, the  
19 director of finance may retain any portion of the owed amount  
20 from any other revenues collected on behalf of that public  
21 employer or held by the State."



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

3 "**§87A-24 Other powers.** In addition to the power to  
4 administer the fund, the board may:

- 5 (1) Collect, receive, deposit, and withdraw money on  
6 behalf of the fund;
- 7 (2) Invest moneys in the same manner specified in section  
8 88-119(1)(A), (1)(B), (1)(C), (2), (3), (4), (5), (6),  
9 and (7);
- 10 (3) Hold, purchase, sell, assign, transfer, or dispose of  
11 any securities or other investments of the fund, as  
12 well as the proceeds of those investments and any  
13 money belonging to the fund;
- 14 (4) Appoint, and at pleasure dismiss, an administrator and  
15 other fund staff. The administrator and staff shall  
16 be exempt from chapter 76 and shall serve under and at  
17 the pleasure of the board;
- 18 (5) Make payments of periodic charges and pay for  
19 reasonable expenses incurred in carrying out the  
20 purposes of the fund;
- 21 (6) Contract for the performance of financial audits of  
22 the fund and claims audits of its insurance carriers;



- 1 (7) Retain auditors, actuaries, investment firms and  
2 managers, benefit plan consultants, or other  
3 professional advisors to carry out the purposes of  
4 this chapter[+], including the retaining of an actuary  
5 to determine the annual required public employer  
6 contribution for the separate trust fund established  
7 under section 87A-42;
- 8 (8) Establish health benefits plan and long-term care  
9 benefits plan rates that include administrative and  
10 other expenses necessary to effectuate the purposes of  
11 the fund; and
- 12 (9) Require any department, agency, or employee of the  
13 State or counties to furnish information to the board  
14 to carry out the purposes of this chapter."

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

17 "[+]§87A-42[+] **Other post-employment benefits trust.** (a)  
18 Notwithstanding sections 87A-31 and 87A-31.5, the board, upon  
19 terms and conditions set by the board, [~~may~~] shall establish and  
20 administer a separate trust fund for the purpose of receiving  
21 employer contributions that will prefund other post-employment  
22 health and other benefit plan costs for retirees and their



1 beneficiaries. [~~If a fund is established, it~~] The separate  
2 trust fund shall meet the requirements of the Government  
3 Accounting Standards Board regarding other post-employment  
4 benefits trusts. The board shall establish and maintain a  
5 separate account for each public employer within the separate  
6 trust fund to accept and account for each public employer's  
7 contributions. Employer contributions to the separate trust  
8 fund shall be irrevocable, all assets of the fund shall be  
9 dedicated exclusively to providing health and other benefits to  
10 retirees and their beneficiaries, and assets of the fund shall  
11 not be subject to appropriation for any other purpose and shall  
12 not be subject to claims by creditors of the employers or the  
13 board or plan administrator. The board's powers under section  
14 87A-24 shall also apply to [~~any~~] the fund established pursuant  
15 to this section.

16 (b) Public employer contributions shall be paid into the  
17 fund in each fiscal year, and commencing with the 2018-2019  
18 fiscal year, the amount of the annual public employer  
19 contribution shall be equal to the amount of the annual required  
20 contribution, as determined by an actuary retained by the board.

21 (c) In any fiscal year subsequent to the 2017-2018 fiscal  
22 year in which the state public employer contributions into the





1 fund are less than the amount of the annual required  
2 contribution, the amount that represents the excess of the  
3 annual required contribution over the state public employer  
4 contributions shall be deposited into the separate trust fund  
5 from a portion of all general excise tax revenues collected by  
6 the department of taxation under section 237-31.

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

20 (e) In any fiscal year subsequent to fiscal year 2017-2018  
21 in which the public employer contributions into the fund are  
22 less than the amount of the annual required contribution and the



1 public employer is not entitled to transient accommodations tax  
 2 sufficient to satisfy the total amount of the annual required  
 3 contribution, the public employer contributions shall be  
 4 deposited into the fund from portions of any other revenues  
 5 collected on behalf of the public employer or held by the State.  
 6 The director of finance shall deduct the amount necessary to  
 7 meet the public employer's annual required contribution from any  
 8 revenues collected on behalf of the public employer held by the  
 9 State and transfer the amount to the board for deposit into the  
 10 separate trust fund.

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

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

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

21 SECTION 9. Section 237-31, Hawaii Revised Statutes, is  
 22 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  
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  
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- .

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 such 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 2014, 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. Statutory material to be repealed is bracketed  
4 and stricken. New statutory material is underscored.

5 SECTION 14. This Act shall take effect on July 1, 2013;  
6 provided that the amendments made to section 237D-6.5, Hawaii  
7 Revised Statutes, in section 10 of this Act shall not be  
8 repealed when section 237D-6.5, Hawaii Revised Statutes, is  
9 repealed and reenacted on June 30, 2015, pursuant to Act 61,  
10 Session Laws of Hawaii 2009, and Act 103, Session Laws of Hawaii  
11 2011.



**Report Title:**

Hawaii Employer-union Health Benefits Trust Fund; Task Force;  
Appropriation

**Description:**

Establishes the Hawaii employer-union health benefits trust fund task force within the department of budget and finance to examine the unfunded liability of the Hawaii employer-union health benefits trust fund. Makes an appropriation for the task force. Defines "public employer". 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 annual required public employer contribution, to be 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. (SD2 Proposed)

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

