

# H.B. NO. 831

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## A BILL FOR AN ACT

RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
HEALTH REIMBURSEMENT ARRANGEMENT.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that the cost of health  
2 insurance policy premiums has been increasing over time.  
3 Because future costs of health insurance policy premiums are  
4 difficult to predict, the legislature finds that changing the  
5 current structure of state and county employers paying a  
6 percentage of health insurance policy premiums for retired  
7 employee-beneficiaries of the Hawaii employer-union health  
8 benefits trust fund in favor of a health reimbursement  
9 arrangement for such retired employee-beneficiaries is fiscally  
10 responsible and prudent.

11           The purpose of this Act is to provide for the establishment  
12 of a defined contribution plan or health reimbursement  
13 arrangement, as qualified under sections 105 and 106 of the  
14 Internal Revenue Code, for retired employee-beneficiaries of the  
15 Hawaii employer-union health benefits trust fund who were hired  
16 on or after July 1, 2013.

1 SECTION 2. Chapter 87A, Hawaii Revised Statutes, is  
2 amended by adding to part VI a new section to be appropriately  
3 designated and to read as follows:

4 "87A- Health reimbursement arrangement. (a)

5 Notwithstanding any law to the contrary, this section shall apply  
6 to employee-beneficiaries who were hired on or after July 1,  
7 2013, and who retire from state or county government employment.

8 (b) If the board establishes a separate trust fund for  
9 purposes of receiving employer contributions that will prefund  
10 other post-employment health and other benefit plan costs for  
11 retired employee-beneficiaries and their beneficiaries, as set  
12 forth in section 87A-42, the health reimbursement arrangement  
13 described in subsection (c) shall be paid solely from such  
14 separate trust fund.

15 (c) The separate trust fund shall establish and administer  
16 health reimbursement arrangement individual accounts for  
17 employee-beneficiaries hired on or after July 1, 2013, as  
18 qualified under sections 105 and 106, Internal Revenue Service.  
19 The health reimbursement arrangement accounts shall not have any  
20 associated liability for purposes of accounting statement 43 or  
21 45, Governmental Accounting Standards Board.

22 (1) The fund may hire an administrator to manage and  
23 invest health reimbursement arrangement accounts on  
24 behalf of the separate trust fund. Except as herein  
25 set forth, all interest earned from such investments

1 will inure to the individual health reimbursement  
2 arrangement accounts. All expenses of administering  
3 health reimbursement accounts will be debited  
4 primarily from separate trust fund investment earnings  
5 and secondarily from health reimbursement arrangement  
6 account balances.

7 (2) For all employee-beneficiaries hired on or after July  
8 1, 2013, and who have achieved ten years of credited  
9 service, excluding sick leave, the separate trust fund  
10 shall contribute \$0.58 per hour worked or \$100.00  
11 monthly, whichever is greater, per employee-  
12 beneficiary. The separate trust fund shall deposit  
13 this amount into employee-beneficiaries' individual  
14 health reimbursement arrangement accounts beginning  
15 the month immediately following an employee-  
16 beneficiary achieving ten years of credited service,  
17 excluding sick leave.

18 (d) Employee-beneficiaries hired on or after July 1, 2013,  
19 shall vest in their health reimbursement arrangement accounts  
20 upon achievement of ten consecutive uninterrupted years of  
21 credited service, excluding breaks in service, as defined in,  
22 sections 87A-35 and 87A-36, and sick leave. Once employee-  
23 beneficiaries vest in their health reimbursement arrangement

1 accounts, account balances shall not be subject to forfeiture by  
2 the employee-beneficiaries.

3 (e) All vested health reimbursement arrangement accounts  
4 shall be available to respective employee-beneficiaries upon  
5 retirement from the employees' retirement system of the State of  
6 Hawaii, and be available to eligible dependent-beneficiaries  
7 upon the death of the employee-beneficiary. If a vested  
8 employee-beneficiary should die prior to retirement, the  
9 employee-beneficiary's health reimbursement arrangement account  
10 shall be available to the eligible dependent-beneficiary. Upon  
11 the death of the employee-beneficiary without an eligible  
12 dependent-beneficiary, unused amounts in that employee-  
13 beneficiary's health reimbursement arrangement shall be  
14 distributed to all remaining health reimbursement arrangement  
15 participants in the form of a dividend. Under no circumstances  
16 shall unused amounts be returned to the separate trust fund.

17 (f) Only eligible medical expenses, including the cost of  
18 retiree medical premiums, dental and vision premiums, long-term  
19 care insurance and long-term care expenses, and other expenses  
20 enumerated in section 213(d) of the Internal Revenue Code, as  
21 determined by the fund, may be reimbursed from health  
22 reimbursement arrangement accounts.

1        (g) Health reimbursement arrangement accounts shall be  
2 managed pursuant to the Internal Revenue Code. All  
3 contributions into health reimbursement arrangement accounts  
4 shall be exempt from taxation and shall not be included in the  
5 definition of compensation for purposes of the calculation of  
6 other employee benefits, including the definition of pensionable  
7 compensation.

8        (h) Upon termination of the plan described in this  
9 section, vested health reimbursement arrangement account  
10 balances will continue to be available to employee-beneficiaries  
11 upon their retirement and for current retired employee-  
12 beneficiaries. Termination of the plan described in this  
13 section shall not cause the surrender by employee-beneficiaries  
14 of any vested account balances."

15        SECTION 3. Section 87A-1, Hawaii Revised Statutes, is  
16 amended by adding a new definition to be appropriately inserted  
17 and to read as follows:

18        "Health reimbursement arrangement" means the predetermined  
19 monthly sum of money paid to a retired employee-beneficiary who  
20 was hired on or after July 1, 2013."

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1 SECTION 4. New statutory material is underscored.

2 SECTION 5. This Act shall take effect upon its approval.

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INTRODUCED BY:



BY REQUEST

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JAN 22 2013

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**Report Title:**

Employer-Union Health Benefits Trust Fund; Health Reimbursement Arrangement

**Description:**

Establishes a health reimbursement arrangement for retiree health benefits that will be applied to employees hired on or after July 1, 2013.

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

JUSTIFICATION SHEET

DEPARTMENT: Budget and Finance

TITLE: A BILL FOR AN ACT RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND HEALTH REIMBURSEMENT ARRANGEMENT.

PURPOSE: To amend of chapter 87A, Hawaii Revised Statutes, by adding to part VI a new section to provide for the establishment of a defined contribution plan or health reimbursement arrangements, as qualified under sections 105 and 106 of the Internal Revenue Code, for retired employee-beneficiaries of the Hawaii Employer-Union Health Benefits Trust Fund.

MEANS: Add a new section to part VI of chapter 87A, Hawaii Revised Statutes, and amend section 87A-1, Hawaii Revised Statutes.

JUSTIFICATION: The cost of health insurance policy premiums has been increasing over time. Because future costs of health insurance policy premiums are difficult to predict, changing the current structure of state and county employers paying a percentage of health insurance policy premiums for retired employee-beneficiaries of the Hawaii Employer-Union Health Benefits Trust Fund to a health reimbursement arrangement for such retired employee-beneficiaries is fiscally responsible and prudent.

The purpose of this bill is to provide for the establishment of a defined contribution plan or health reimbursement arrangement, as qualified under sections 105 and 106 of the Internal Revenue Code, for retired employee-beneficiaries of the Hawaii Employer-Union Health Benefits Trust Fund who were hired on or after July 1, 2013.

Impact on the public: None.



Impact on the department and other agencies:  
None.

GENERAL FUND: To be determined.

OTHER FUNDS: To be determined.

PPBS PROGRAM  
DESIGNATION: None.

OTHER AFFECTED  
AGENCIES: Department of Budget and Finance; the State  
and the counties.

EFFECTIVE DATE: Upon approval.