

JAN 24 2013

A BILL FOR AN ACT

RELATING TO RESOLVING THE UNFUNDED LIABILITIES OF THE STATE AND
THE COUNTIES.

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

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

4 "§87A- Payment of county contributions to the other
5 post-employment benefits trust. (a) Commencing with fiscal
6 year 2018-2019, each of the counties shall make annual required
7 contributions in accordance with section 87A-42 for the benefit
8 of its retirees and beneficiaries.

9 (b) The board shall determine the annual required
10 contribution owed by a county under this part for each fiscal
11 year, beginning with fiscal year 2018-2019.

12 (c) If the amount or any portion of the annual required
13 contribution is not paid by the county, the director of finance
14 shall retain out of the transient accommodations tax money
15 collected a sum equal to the amount or portion thereof not so
16 paid. All the moneys retained and collected by the director of



1 finance shall be deposited in the appropriate account of the
2 separate trust fund under section 87A-42."

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

5 "**§87A-24 Other powers.** In addition to the power to
6 administer the fund, the board may:

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



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

17 SECTION 3. Section 87A-42, Hawaii Revised Statutes, is
18 amended to read as follows:

19 "[+]§87A-42[+] **Other post-employment benefits trust.** (a)
20 Notwithstanding sections 87A-31 and 87A-31.5, the board, upon
21 terms and conditions set by the board, [~~may~~] shall establish and
22 administer a separate trust fund for the purpose of receiving



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

19 (b) Public employer contributions shall be made into the
20 fund in each fiscal year, and commencing with the 2018-2019
21 fiscal year, the amount of the annual public employer



1 contribution shall be equal to the amount of the annual required
2 contribution, as determined by an actuary retained by the board.

3 (c) In any fiscal year subsequent to the 2017-2018 fiscal
4 year in which the state public employer contributions into the
5 fund are less than the amount of the annual required
6 contribution, the amount that represents the excess of the
7 annual required contribution over the state public employer
8 contributions shall be deposited into the separate trust fund
9 from a portion of all general excise tax revenues collected by
10 the department of taxation under section 237-31.

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



1 the amount to the board for deposit into the separate trust
2 fund.

3 (e) For the purposes of this section, "annual required
4 contribution" means a public employer's required contribution to
5 the trust fund established in this section that is sufficient to
6 cover:

7 (1) The normal cost, which is the cost of other post-
8 employment benefits attributable to the current year
9 of service; and

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

13 SECTION 4. Section 237-31, Hawaii Revised Statutes, is
14 amended to read as follows:

15 "**§237-31 Remittances.** All remittances of taxes imposed by
16 this chapter shall be made by money, bank draft, check,
17 cashier's check, money order, or certificate of deposit to the
18 office of the department of taxation to which the return was
19 transmitted. The department shall issue its receipts therefor
20 to the taxpayer and shall pay the moneys into the state treasury
21 as a state realization, to be kept and accounted for as provided
22 by law; provided that:

- 1 (1) The sum from all general excise tax revenues realized
2 by the State that represents the difference between
3 \$45,000,000 and the proceeds from the sale of any
4 general obligation bonds authorized for that fiscal
5 year for the purposes of the state educational
6 facilities improvement special fund shall be deposited
7 in the state treasury in each fiscal year to the
8 credit of the state educational facilities improvement
9 special fund;
- 10 (2) A sum, not to exceed \$5,000,000, from all general
11 excise tax revenues realized by the State shall be
12 deposited in the state treasury in each fiscal year to
13 the credit of the compound interest bond reserve fund;
14 [and]
- 15 (3) A sum from all general excise tax revenues realized by
16 the State that is equal to one-half of the total
17 amount of funds appropriated or transferred out of the
18 hurricane reserve trust fund under sections 4 and 5 of
19 Act 62, Session Laws of Hawaii 2011, shall be
20 deposited into the hurricane reserve trust fund in
21 fiscal year 2013-2014 and in fiscal year 2014-2015;



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

13 SECTION 5. Section 237D-6.5, Hawaii Revised Statutes, is
14 amended by amending subsection (b) to read as follows:

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

19 (1) 17.3 per cent of the revenues collected under this
20 chapter shall be deposited into the convention center
21 enterprise special fund established under section
22 201B-8; provided that beginning January 1, 2002, if



1 the amount of the revenue collected under this
2 paragraph exceeds \$33,000,000 in any fiscal year,
3 revenues collected in excess of \$33,000,000 shall be
4 deposited into the general fund;

- 5 (2) 34.2 per cent of the revenues collected under this
6 chapter shall be deposited into the tourism special
7 fund established under section 201B-11 for tourism
8 promotion and visitor industry research; provided that
9 for any period beginning on July 1, 2012, and ending
10 on June 30, 2015, no more than \$71,000,000 per fiscal
11 year shall be deposited into the tourism special fund
12 established under section 201B-11; provided further
13 that beginning on July 1, 2012, and ending on June 30,
14 2015, \$2,000,000 shall be expended from the tourism
15 special fund for development and implementation of
16 initiatives to take advantage of expanded visa
17 programs and increased travel opportunities for
18 international visitors to Hawaii; and provided further
19 that beginning on July 1, 2002, of the first
20 \$1,000,000 in revenues deposited:



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

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

8 provided that of the 34.2 per cent, 0.5 per cent shall
9 be transferred to a sub-account in the tourism special
10 fund to provide funding for a safety and security
11 budget, in accordance with the Hawaii tourism
12 strategic plan 2005-2015; provided further that of the
13 revenues remaining in the tourism special fund after
14 revenues have been deposited as provided in this
15 paragraph and except for any sum authorized by the
16 legislature for expenditure from revenues subject to
17 this paragraph, beginning July 1, 2007, funds shall be
18 deposited into the tourism emergency trust fund,
19 established in section 201B-10, in a manner sufficient
20 to maintain a fund balance of \$5,000,000 in the
21 tourism emergency trust fund; and



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



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

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

10 SECTION 6. Notwithstanding the amount of a public employer
11 annual required contribution determined in any fiscal year by an
12 actuary retained by the board for such purpose, for the five-
13 year fiscal period from 2014-2015 to 2018-2019, public employer
14 contributions into the separate trust fund established under
15 section 87A-42, Hawaii Revised Statutes, shall be at the
16 specified percentages of the respective annual required
17 contributions, as follows:

	<u>Fiscal Year</u>	<u>Annual Required Contribution</u>
18		
19	(1) 2014-2015	Twenty per cent
20	(2) 2015-2016	Forty per cent
21	(3) 2016-2017	Sixty per cent;
22	(4) 2017-2018	Eighty per cent; and



1 (5) 2018-2019 One hundred per cent.

2 SECTION 7. Not less than twenty days prior to the
3 convening of the regular session of 2014, the director of
4 finance, in order to maximize the efficient use of resources and
5 public funds, shall submit an implementation plan and any
6 proposed legislation to the legislature to execute the
7 following:

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

16 (2) Procedures to accept and deposit employer
17 contributions from county public employers into the
18 separate trust fund established under section 87A-42,
19 Hawaii Revised Statutes.

20 SECTION 8. Statutory material to be repealed is bracketed
21 and stricken. New statutory material is underscored.



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

7

INTRODUCED BY: Amid Y Lye
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S.B. NO. 946

Report Title:

EUTF; Trust Fund; Annual Required Contribution; OPEB

Description:

Requires the EUTF to establish a separate trust fund for public employer contributions with separate accounts for the state public employer and for each county 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.

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