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# 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. This Act shall be known and may be referred to  
2 as the "Health Unfunded Liability Action or HULA Plan".

3           SECTION 2. The legislature finds that the State is facing  
4 a potential fiscal crisis due to unfunded liabilities for public  
5 employee health benefits. Currently, the unfunded liabilities  
6 for the Hawaii employer-union health benefits trust fund is  
7 between \$15,000,000,000 and \$17,000,000,000. These unfunded  
8 liabilities can potentially drive the State into bankruptcy. To  
9 pay down this liability would require the State to put down  
10 \$500,000,000 per year for the next thirty years. In 2001, the  
11 total amount of premiums for public employee health benefits was  
12 approximately \$218,000,000. Currently, the total amount of  
13 premiums for public employee health benefits is approximately  
14 \$800,000,000 and the amount is increasing yearly. In order to  
15 prevent bankruptcy, protect the State's bond rating, and protect  
16 the State's reputation with investors, proactive measures to  
17 deal with the unfunded liabilities need to occur.



1           Recently, other states have attempted to address their  
2 unfunded liability concerns. Wisconsin passed legislation to  
3 curtail collective bargaining rights of public employees and is  
4 currently in a legal battle over the legislation. California  
5 decreased public-sector employee pensions and increased employee  
6 contributions to pension funds. In Hawaii, common proposed  
7 solutions include an increase in the general excise tax, a  
8 decrease in health benefits, or an increase in employee  
9 contributions to the Hawaii employer-union health benefits trust  
10 fund. The easiest way to address the unfunded liabilities for  
11 public employee health benefits is to increase the general  
12 excise tax by over one per cent. However, an increase of the  
13 general excise tax will essentially place the burden of funding  
14 on the private sector and the State at large. Further, a  
15 decrease in health benefits or an increase in employee  
16 contribution will not be acceptable because public employees  
17 deserve to maintain the benefits they have been promised.

18           The State needs a more affordable and less painful  
19 solution. Therefore, the legislature finds that it is in the  
20 best interest of the State to establish a captive insurance  
21 company that contains the provisions of the current Hawaii  
22 employer-union health benefits trust fund (EUTF) in a captive



1 insurance company to effectively manage the administration and  
2 financing of the current and potential future employee health  
3 benefit obligations of the State and the counties.

4 Subsequently, a member representing the counties shall be  
5 appointed to the board of the captive insurance company through  
6 the recommendation of the Hawaii state association of counties  
7 to represent the significant number of county public employees.

8 The captive insurance company will not compete with the private  
9 sector because it will only manage the administration and

10 financing of the current and potential future employee health  
11 benefit obligations of the State and the counties. Further, a  
12 captive insurance company will address the necessary premium  
13 contributions for public employee health benefits because there  
14 would be a commitment from the board of directors, composed of  
15 members from the public employers and employees, to fund the  
16 employees' health benefits going forward. This would improve  
17 the financial well being of the State by, among other things:

18 (1) Reducing operating costs by eliminating agents'  
19 commissions, insurer profit margins, and stockholder  
20 dividends;

21 (2) Retaining investment income and underwriting profits;

- 1           (3)   Establishing reserves to pre-fund the unfunded public  
2           employee health benefit liabilities;
- 3           (4)   Establishing a board for transparency purposes so that  
4           the public can be informed and involved;
- 5           (5)   Contracting out health plans using the request for  
6           proposal procedure under the Hawaii public procurement  
7           code;
- 8           (6)   Increasing the probability of price stability; and
- 9           (7)   Allowing the State to deal directly with reinsurers  
10          because a captive is a licensed insurer and typical  
11          insureds can only approach the wholesale market if  
12          they own an insurance company.

13          The goal of the captive insurance company is to slow the  
14 growth of unfunded liabilities for public employee health  
15 benefits, stabilize the liabilities, reduce the unfunded  
16 liabilities, and restore the confidence of the investing public.  
17 Therefore, the legislature finds that the understanding and  
18 support of the people of Hawaii is necessary to prevent a fiscal  
19 crisis that could ultimately bankrupt the State on paper. The  
20 State must take control of its destiny because its fiscal  
21 survival is at stake.



1           The legislature, in the regular session of 2013, examined  
2 three important measures relating to resolving the unfunded  
3 liability of the Hawaii employer-union health benefits trust  
4 fund. House Bill No. 546, H.D.1 established a task force to  
5 examine the unfunded liability of the Hawaii employer-union  
6 health benefits trust fund. Senate Bill No. 946 established an  
7 annual required contribution for the public employers of the  
8 State and counties to fund the unfunded liability of the Hawaii  
9 employer-union health benefits trust fund. House Bill No. 1459  
10 established a captive insurance company in order to reduce and  
11 fund the unfunded liability of the Hawaii employer-union health  
12 benefits trust fund. The legislature finds that all of these  
13 ideas can be incorporated into a single measure authorizing the  
14 State to form a captive insurance company to more effectively  
15 manage the administration and financing of the current and  
16 potential future employee health benefit obligations of the  
17 State and county governments.

18           Accordingly, the purpose of this Act is to:

- 19           (1) Establish a task force to examine the unfunded
- 20                        liability of the Hawaii employer-union health benefits
- 21                        trust fund;



1 (2) Authorize the State to form a captive insurance  
2 company to more effectively manage the administration  
3 and financing of the current and potential future  
4 employee health benefit obligations of the State and  
5 county governments; and

6 (3) Require the public employers of state and county  
7 employees to contribute money annually, beginning with  
8 \$100,000,000 and \$117,000,000 for fiscal years 2013-  
9 2014 and 2014-2015 respectively, to address the  
10 unfunded liability of the State's public employee  
11 health benefits.

12 SECTION 3. The Hawaii Revised Statutes, is amended by  
13 adding a new chapter to be appropriately designated and to read  
14 as follows:

15 "CHAPTER

16 HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

17 CAPTIVE INSURANCE COMPANY

18 ARTICLE 1: GENERAL PROVISIONS

19 § -1:101 Establishment of the Hawaii employer-union  
20 health benefits trust fund captive insurance company. (a)

21 There shall be a captive insurance company, established pursuant  
22 to article 19 of chapter 431, to be known as the "Hawaii



1 Employer-Union Health Benefits Trust Fund Captive Insurance  
2 Company".

3 (b) The captive insurance company shall be funded by  
4 surplus contributions, premiums, interest and investment income,  
5 refunds, rate credits, legislative initiatives, and other  
6 returns, and shall consist of a board and an administrator.

7 (c) The captive insurance company shall be under the  
8 control of the board pursuant to part III of article 2.

9 § -1:102 Purposes. (a) The primary purpose of the  
10 captive insurance company shall be to:

11 (1) Provide the various employers with an effective means  
12 of financing and managing their current and potential  
13 future liabilities arising from contractual and or  
14 other obligations to provide health insurance, group  
15 life insurance, and other benefits to the employers'  
16 respective employees; and

17 (2) Provide other insurance coverage and other risk  
18 financing plans as may be determined by the board.

19 (b) The captive insurance company may implement other  
20 plans or programs as may be allowed, pursuant to article 19 of  
21 chapter 431, for the benefit of the employers.

22 § -1:103 Definitions. For the purposes of this chapter:



1 "Attorney-in-fact" means the attorney-in-fact of the Hawaii  
2 employer-union health benefits trust fund captive insurance  
3 company appointed by the board or the attorney-in-fact's duly  
4 authorized representative.

5 "Board" means the board of trustees of the Hawaii employer-  
6 union health benefits trust fund captive insurance company.

7 "Captive insurance company" means the Hawaii employer-union  
8 health benefits trust fund captive insurance company described  
9 in section -1:101.

10 "Carrier" means a voluntary association, corporation,  
11 partnership, or organization engaged in providing, paying for,  
12 arranging for, or reimbursing the cost of health benefits or  
13 long-term care benefits under group insurance contracts.

14 "Commissioner" means the insurance commissioner of the  
15 State of Hawaii.

16 "Contribution" means monetary payments made to the fund,  
17 rate stabilization reserves, or other post employment benefit  
18 reserve fund by the State, the counties, an employee-  
19 beneficiary, or a qualified-beneficiary.

20 "County" means the counties of Hawaii, Kauai, and Maui and  
21 the city and county of Honolulu, including their respective





1 boards of water supply and other quasi-independent boards,  
2 commissions, and agencies.

3 "Credited service" means service as an officer or employee  
4 paid by the State or county, service during the period of leave  
5 of absence or exchange if the individual is paid by the State or  
6 county during the leave of absence or exchange, and service  
7 during the period of unpaid leave of absence or exchange if the  
8 individual is engaged in the performance of a governmental  
9 function or if the unpaid leave of absence is an approved leave  
10 of absence for professional improvement.

11 "Dependent-beneficiary" means an employee-beneficiary's:

- 12 (1) Spouse;
- 13 (2) Unmarried child deemed eligible by the board,  
14 including a legally adopted child, stepchild, foster  
15 child, or recognized natural child who lives with the  
16 employee-beneficiary; and
- 17 (3) Unmarried child regardless of age who is incapable of  
18 self-support because of a mental or physical  
19 incapacity, which existed prior to the unmarried  
20 child's reaching the age of nineteen years.

21 "Employee" means an employee or officer of the State,  
22 county, or legislature,



- 1 (1) Including:
- 2 (A) An elective officer;
- 3 (B) An officer or employee under an authorized leave
- 4 of absence;
- 5 (C) An employee of the Hawaii national guard although
- 6 paid from federal funds;
- 7 (D) A retired member of the employees' retirement
- 8 system; the county pension system; or the police,
- 9 firefighters, or bandsmen pension system of the
- 10 State or a county;
- 11 (E) A salaried and full-time member of a board,
- 12 commission, or agency appointed by the governor
- 13 or the mayor of a county; and
- 14 (F) A person employed by contract for a period not
- 15 exceeding one year, where the director of human
- 16 resources development, personnel services, or
- 17 civil service has certified that the service is
- 18 essential or needed in the public interest and
- 19 that, because of circumstances surrounding its
- 20 fulfillment, personnel to perform the service
- 21 cannot be obtained through normal civil service
- 22 recruitment procedures,

- 1           (2) But excluding:
- 2            (A) A designated beneficiary of a retired member of
- 3                the employees' retirement system; a county
- 4                pension system; or a police, firefighters, or
- 5                bandsmen pension system of the State or a county;
- 6            (B) Except as allowed under paragraph (1)(F), a
- 7                person employed temporarily on a fee or contract
- 8                basis; and
- 9            (C) A part-time, temporary, and seasonal or casual
- 10               employee.

11           "Employee-beneficiary" means:

- 12           (1) An employee;
- 13           (2) The beneficiary of an employee who was killed in the
- 14                performance of the employee's duty;
- 15           (3) An employee who retired prior to 1961;
- 16           (4) The beneficiary of a retired member of the employees'
- 17                retirement system; a county pension system; or a
- 18                police, firefighters, or bandsmen pension system of
- 19                the State or a county, upon the death of the retired
- 20                member;



1 (5) The surviving child of a deceased retired employee, if  
2 the child is unmarried and under the age of nineteen;  
3 or

4 (6) The surviving spouse of a deceased retired employee,  
5 if the surviving spouse does not subsequently remarry;  
6 provided that the employee, the employee's beneficiary, or the  
7 beneficiary of the deceased retired employee is deemed eligible  
8 by the board to participate in a health benefits plan or long-  
9 term care benefits plan under this chapter.

10 "Employer" means the State; the judiciary; the respective  
11 counties of Hawaii, Maui, Kauai, and the city and county of  
12 Honolulu; the department of education; the University of Hawaii;  
13 the Honolulu authority for rapid transportation, and any  
14 instrumentality of the State or its political subdivisions.

15 "Fund" means the Hawaii employer-union health benefits  
16 trust fund captive insurance company fund pursuant to part I of  
17 article 3.

18 "Health benefits plan" means:

19 (1) A group insurance contract or service agreement that  
20 may include medical, hospital, surgical, prescribed  
21 drugs, vision, and dental services, in which a carrier  
22 agrees to provide, pay for, arrange for, or reimburse



1 the cost of the services as determined by the board;

2 or

3 (2) A similar schedule of benefits established by the  
4 board and provided through the fund on a self-insured  
5 basis.

6 "Long-term care benefits plan" means:

7 (1) A group insurance contract or service agreement in  
8 which a carrier agrees to provide, pay for, arrange  
9 for, or reimburse the cost of long-term care benefits  
10 as determined by the board; or

11 (2) A similar schedule of benefits established by the  
12 board and provided through the fund on a self-insured  
13 basis.

14 "Other post employment benefits reserve fund" means the  
15 Hawaii employer-union health benefits trust fund captive  
16 insurance company other post employment benefits reserve fund  
17 established pursuant to section -3:301.

18 "Part-time, temporary, and seasonal or casual employee"  
19 means a person employed for fewer than three months or whose  
20 employment is less than one-half of a full-time equivalent  
21 position.

1 "Periodic charge" means the periodic payment by the board  
2 to a carrier for any health benefits plan or long-term care  
3 benefits plan.

4 "Qualified-beneficiary" means, for purposes of the long-  
5 term care benefits plan, a former employee or an employee who is  
6 not eligible for benefits due to a reduction in work hours,  
7 including the spouse, divorced spouse, parents, grandparents,  
8 in-law parents, and in-law grandparents of an employee or  
9 retiree; provided that the beneficiary was enrolled in the plan  
10 before the employee or former employee became ineligible for  
11 benefits.

12 "Rate stabilization reserves" means the Hawaii employer-  
13 union health benefits trust fund captive insurance company rate  
14 stabilization reserves established pursuant to section -3:201.

15 "State agency" includes the office of Hawaiian affairs.

16 "Trustee" means a trustee of the board of the Hawaii  
17 employer-union health benefits trust fund captive insurance  
18 company, as described in part II of article 2.

19 § -1:104 **Conflicts with insurance code.** Where the  
20 provisions of this chapter and those of chapter 431 conflict,  
21 the provisions of chapter 431 are controlling.



1 § -1:105 Exemptions. (a) The board and the attorney-  
2 in-fact shall be exempt:

- 3 (1) From chapters 37, 46, 76, 78, 92, and 235; and
- 4 (2) From any requirement of law for competitive bidding
- 5 for agreements or contracts for goods or services,
- 6 including lease and sublease agreements.

7 (b) The board shall prepare reports as required by section  
8 37-47, but shall be otherwise exempt from the requirements of  
9 chapter 37.

10 ARTICLE 2: ADMINISTRATION OF THE CAPTIVE INSURANCE COMPANY

11 PART I. ADMINISTRATION OF THE CAPTIVE INSURANCE COMPANY

12 GENERALLY

13 § -2:101 Administration of the captive insurance  
14 company. (a) The board shall be the governing body of the  
15 captive insurance company.

16 (b) The attorney-in-fact shall be the administrator of the  
17 captive insurance company and shall be appointed by the board.

18 § -2:102 Fiscal year. The captive insurance company's  
19 accounting shall be conducted on a fiscal year beginning July 1  
20 of each year and ending the following June 30.

21 § -2:103 Reports to the legislature. The board shall  
22 prepare reports in accordance with the requirements of section



1 37-47, but shall be otherwise exempt from the requirements of  
2 chapter 37.

3 **PART II. THE BOARD**

4 § -2:201 **Composition of board.** The board of trustees of  
5 the Hawaii employer-union health benefits trust fund captive  
6 insurance company shall consist of eleven trustees appointed by  
7 the governor in accordance with the following procedure:

8 (1) Five trustees, one of whom shall represent retirees,  
9 to represent employee-beneficiaries, to be appointed  
10 as follows:

11 (A) Three trustees shall be appointed from a list of  
12 two nominees per trustee selected by each of the  
13 three exclusive representatives that have the  
14 largest number of employee-beneficiaries;

15 (B) One trustee shall be appointed from a list of two  
16 nominees selected by mutual agreement of the  
17 remaining exclusive representatives; and

18 (C) One trustee representing retirees shall be  
19 appointed from a list of two nominees selected by  
20 mutual agreement of all eligible exclusive  
21 representatives;

22 (2) Five trustees to represent employers; and





1 (3) One trustee to represent the counties appointed  
2 through the recommendation of the Hawaii association  
3 of counties.

4 Section 26-34 shall not apply to board member selection and  
5 terms.

6 As used in this section, the term "exclusive  
7 representative" shall have the same meaning as in section 89-2.

8 § -2:202 **Term of a trustee; vacancy.** The term of office  
9 of each trustee shall be four years; provided that a trustee may  
10 be reappointed for one additional consecutive four-year term.

11 A vacancy on the board shall be filled in the same manner  
12 as the trustee who vacated that position was nominated and  
13 appointed; provided that the criteria used for nominating and  
14 appointing the successor shall be the same criteria used for  
15 nominating and appointing the trustee who vacated the position;  
16 provided further that vacancies on the board for each trustee  
17 position representing retirees and employee-beneficiaries  
18 appointed under section -2:201(1)(A) and (B), or (C) shall be  
19 filled by appointment of the governor as follows:

20 (1) If a vacancy occurs in one of the trustee positions  
21 described in section -2:201(1)(A), then the vacancy  
22 shall be filled by appointment from a list of two



1 nominees submitted by the exclusive representative  
2 from among the three largest exclusive employee  
3 representatives that does not have a trustee among the  
4 three trustee positions;

5 (2) If a vacancy occurs in a trustee position described in  
6 section -2:201(1)(B), then the vacancy shall be  
7 filled by appointment from a list of two nominees  
8 submitted by mutual agreement of the exclusive  
9 employee representatives described in section  
10 -2:201(1)(B); and

11 (3) If a vacancy occurs in the retiree position described  
12 in section -2:201(1)(C), then the vacancy shall be  
13 filled by appointment from a list of two nominees  
14 submitted by mutual agreement of all eligible  
15 exclusive employee representatives.

16 If by the end of a trustee's term the trustee is not  
17 reappointed or the trustee's successor is not appointed, the  
18 trustee shall serve until the trustee's successor is appointed.

19 § -2:203 **Decisions of board binding.** The decisions of  
20 the board shall be binding upon all as-is employers except where  
21 applicable law or rules adopted by the captive insurance company  
22 requires a vote by all as-is employers.



1           §    -2:204   **Chair, vice-chair, and secretary-treasurer.**

2   The trustees shall elect from among themselves a chair, a vice-  
3   chair, and a secretary-treasurer.

4           §    -2:205   **Compensation and expenses.**   Each trustee shall  
5   serve without compensation, but the trustees may be reimbursed  
6   from the fund for any reasonable expenses incurred in carrying  
7   out the purposes of the fund.

8           §    -2:206   **Meetings; notice.**   Meetings may be scheduled,  
9   and notice of meetings shall be provided as follows:

10           (1)   The chair may call a meeting of the board at any time  
11                by giving at least six calendar days' written notice  
12                of the time and place of the meeting to all other  
13                trustees; and

14           (2)   A majority of the trustees may call a meeting of the  
15                board by giving at least ten calendar days' written  
16                notice of the time and place to all other trustees.

17           §    -2:207   **Quorum; board actions; voting.**   (a)   Seven  
18   trustees, three of whom represent employers, three of whom  
19   represent employee-beneficiaries, and one who represents the  
20   counties shall constitute a quorum for the transaction of  
21   business.



1 (b) Any action taken by the board shall be by a majority  
2 vote of a quorum of the trustees.

3 § -2:208 **Records and minutes.** The board shall keep  
4 records and minutes of all meetings of the board.

5 § -2:209 **Legal advisor.** The attorney general shall  
6 serve as legal advisor to the board and shall provide legal  
7 representation for the Hawaii employer-union health benefits  
8 trust fund captive insurance company.

9 **PART III. BOARD POWERS AND DUTIES**

10 § -2:301 **Powers and duties of the board.** The board  
11 shall:

- 12 (1) Establish a captive insurance company pursuant to  
13 article 19 of chapter 431, and the provisions of this  
14 chapter to administer and carryout the purposes of  
15 this chapter;
- 16 (2) Appoint an attorney-in-fact who shall be placed within  
17 the department of budget and finance for  
18 administrative purposes to carry out the day-to-day  
19 administration of the fund, rate stabilization  
20 reserves, other post employment benefits reserve fund,  
21 and captive insurance company;



- 1           (3) Supervise the finances of the captive insurance  
2           company;
- 3           (4) Supervise the captive insurance company's operations  
4           to assure conformity with the insurance and  
5           reinsurance policies issued through the captive  
6           insurance company and with the standards established  
7           by this chapter;
- 8           (5) Procure the audit of accounts and records of the  
9           captive insurance company, at the captive insurance  
10          company's expense;
- 11          (6) Adopt rules as may be necessary for the purpose of  
12          this chapter pursuant to chapter 91;
- 13          (7) Approve the selection of the third party  
14          administrators to which certain duties of the  
15          attorney-in-fact may be delegated; and
- 16          (8) Have such additional powers and functions as provided  
17          by this article or rules adopted by the captive  
18          insurance company.

19          §   -2:302   **Administration of the fund.** The board shall  
20   administer and carry out the purpose of the fund established  
21   pursuant to section    -3:101. Health and other benefits plans



1 shall be provided at a cost affordable to both employers and  
2 public employees.

3 § -2:303 **Health benefits plan; carriers.** (a) The board  
4 shall establish the health benefits plan or plans, which shall  
5 be exempt from the minimum group requirements of chapter 431.

6 (b) The board may contract for health benefits plans or  
7 provide health benefits through a noninsured schedule of  
8 benefits.

9 § -2:304 **Group life insurance benefits or group life**  
10 **insurance program.** The board may provide benefits under a group  
11 life insurance benefits program or group life insurance program  
12 to employees.

13 § -2:305 **Long-term care benefits plan; carrier or third-**  
14 **party administrator.** (a) The board may establish a long-term  
15 care benefits plan or plans for employee-beneficiaries; the  
16 spouses, parents, grandparents, in-law parents, and in-law  
17 grandparents of employee-beneficiaries; and qualified-  
18 beneficiaries. The plan or plans shall be at no cost to  
19 employers and shall comply with article 10H of chapter 431.

20 (b) Notwithstanding any other law to the contrary, long-  
21 term care benefits shall be available only to:



1 (1) Employee-beneficiaries and their spouses, parents, and  
2 grandparents;

3 (2) Employee-beneficiary in-law parents and grandparents;  
4 and

5 (3) Qualified-beneficiaries who enroll between the ages of  
6 twenty and eighty-five,  
7 who comply with the plan's age, enrollment, medical  
8 underwriting, and contribution requirements.

9 (c) The board may contract with a carrier to provide fully  
10 insured benefits or with a third-party administrator to  
11 administer self-insured benefits.

12 § -2:306 Plans for part-time, temporary, and seasonal or  
13 casual employees. (a) The board may offer medical, hospital,  
14 or surgical benefits plans to part-time, temporary, and seasonal  
15 or casual employees at no cost to the employers. The board may  
16 determine eligibility for part-time, temporary, and seasonal or  
17 casual employees by rules exempt from chapter 91 as provided in  
18 section -2:312.

19 (b) The board shall establish the medical, hospital, or  
20 surgical benefits plan or plans, which shall be exempt from the  
21 minimum group requirements of article 10A of chapter 431. The  
22 medical, hospital, or surgical benefits plan or plans shall



1 provide, pay for, arrange for, or reimburse the cost of medical,  
2 hospital, or surgical services, and may include prescribed  
3 hospital in-patient and out-patient service and medical  
4 benefits.

5 (c) The board may contract for the medical, hospital, or  
6 surgical benefits plan or plans. Each part-time, temporary, and  
7 seasonal or casual employee enrolled for medical, hospital, or  
8 surgical benefits shall pay monthly contributions directly to  
9 the board's designated carriers. The monthly contributions may  
10 include the carrier's administrative costs.

11 § -2:307 Eligibility. (a) The board shall establish  
12 eligibility criteria to determine who can qualify as an  
13 employee-beneficiary, dependent-beneficiary, or qualified-  
14 beneficiary, consistent with the provisions of this chapter.

15 (b) A retired member of the employees' retirement system;  
16 a county pension system; or a police, firefighters, and bandsmen  
17 pension system of the State or county, shall be eligible to  
18 qualify as an employee-beneficiary:

19 (1) Regardless of whether the retired member was actively  
20 employed by the State or county at the time of the  
21 retired employee's retirement; and





1 (2) Without regard to the date of the retired member's  
2 retirement.

3 (c) A dependent of a retired member shall be eligible to  
4 qualify as an employee-beneficiary or dependent-beneficiary:

5 (1) Regardless of whether the retired member was actively  
6 employed by the State or county at the time of the  
7 retired employee's retirement; and

8 (2) Without regard to the date of the retired member's  
9 retirement.

10 § -2:308 **Benefits plan information and enrollment.** (a)

11 The board shall make information summarizing approved benefits  
12 plans available to each employee-beneficiary. The information  
13 shall, to the extent reasonably possible, be distributed to each  
14 employee-beneficiary at the same time and in the same manner.

15 (b) The board shall establish conditions and procedures  
16 for benefits plan enrollment.

17 § -2:309 **Health benefits plan supplemental to medicare.**

18 The board shall establish a health benefits plan, which takes  
19 into account benefits available to an employee-beneficiary and  
20 spouse under medicare, subject to the following conditions:

21 (1) There shall be no duplication of benefits payable  
22 under medicare. The plan under this section, which



1 shall be secondary to medicare, when combined with  
2 medicare and any other plan to which the health  
3 benefits plan is subordinate under the National  
4 Association of Insurance Commissioners' coordination  
5 of benefit rules, shall provide benefits that  
6 approximate those provided to a similarly situated  
7 beneficiary not eligible for medicare;

- 8 (2) The State, through the department of budget and  
9 finance, and the counties, through their respective  
10 departments of finance, shall pay to the fund a  
11 contribution equal to an amount not less than the  
12 medicare part B premium, for each of the following who  
13 are enrolled in the medicare part B medical insurance  
14 plan: (A) an employee-beneficiary who is a retired  
15 employee, (B) an employee-beneficiary's spouse while  
16 the employee-beneficiary is living, and (C) an  
17 employee-beneficiary's spouse, after the death of the  
18 employee-beneficiary, if the spouse qualifies as an  
19 employee-beneficiary. For purposes of this section, a  
20 "retired employee" means retired members of the  
21 employees' retirement system; county pension system;  
22 or a police, firefighters, or bandsmen pension system



1 of the State or a county as set forth in chapter 88.  
2 If the amount reimbursed by the fund under this  
3 section is less than the actual cost of the medicare  
4 part B medical insurance plan due to an increase in  
5 the medicare part B medical insurance plan rate, the  
6 fund shall reimburse each employee-beneficiary and  
7 employee-beneficiary's spouse for the cost increase  
8 within thirty days of the rate change. Each employee-  
9 beneficiary and employee-beneficiary's spouse who  
10 becomes entitled to reimbursement from the fund for  
11 medicare part B premiums after July 1, 2006, shall  
12 designate a financial institution account into which  
13 the fund shall be authorized to deposit  
14 reimbursements. This method of payment may be waived  
15 by the fund if another method is determined to be more  
16 appropriate;

17 (3) The benefits available under this plan, when combined  
18 with benefits available under medicare or any other  
19 coverage or plan to which this plan is subordinate  
20 under the National Association of Insurance  
21 Commissioners' coordination of benefit rules, shall  
22 approximate the benefits that would be provided to a



1 similarly situated employee-beneficiary not eligible  
2 for medicare;

3 (4) All employee-beneficiaries or dependent-beneficiaries  
4 who are eligible to enroll in the medicare part B  
5 medical insurance plan shall enroll in that plan as a  
6 condition of receiving contributions and participating  
7 in benefits plans under this chapter. This paragraph  
8 shall apply to retired employees, their spouses, and  
9 the surviving spouses of deceased retirees and  
10 employees killed in the performance of duty; and

11 (5) The board shall determine which of the employee-  
12 beneficiaries and dependent-beneficiaries, who are not  
13 enrolled in the medicare part B medical insurance  
14 plan, may participate in the plans offered by the  
15 fund.

16 § -2:310 **Other powers.** In addition to the power to  
17 administer the fund, the board may:

18 (1) Collect, receive, deposit, and withdraw money on  
19 behalf of the fund;

20 (2) Invest moneys in the same manner specified in section  
21 88-119(1)(A), (1)(B), (1)(C), (2), (3), (4), (5), (6),  
22 and (7);



- 1 (3) Hold, purchase, sell, assign, transfer, or dispose of  
2 any securities or other investments of the fund, as  
3 well as the proceeds of those investments and any  
4 money belonging to the fund;
- 5 (4) Make payments of periodic charges and pay for  
6 reasonable expenses incurred in carrying out the  
7 purposes of the fund;
- 8 (5) Contract for work to carry out the purpose of this  
9 part, including the performance of financial audits of  
10 the fund and claims audits of its as-is carriers;
- 11 (6) Retain auditors, actuaries, investment firms and  
12 managers, benefit plan consultants, or other  
13 professional advisors to carry out the purposes of  
14 this part;
- 15 (7) 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 (8) 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 part.
- 22 § -2:311 **Other duties.** The board shall:



1 (1) Maintain accurate records and accounts of all  
2 financial transactions of the fund that shall be  
3 audited annually and summarized in an annual report to  
4 the governor and legislature;

5 (2) Maintain suitable and adequate records and provide  
6 information requested by State and county employers as  
7 necessary to carry out the purpose of the fund; and

8 (3) Procure fiduciary liability insurance and error and  
9 omissions coverage and any other appropriate  
10 liability, casualty, and property insurance as may be  
11 necessary to protect the interests of the captive  
12 insurance company.

13 § -2:312 Rules; policies, standards, and procedures.

14 (a) The board may adopt rules for the purposes of this chapter.  
15 Rules shall be adopted without regard to chapter 91. Rulemaking  
16 procedures shall be adopted by the board and shall minimally  
17 provide for:

18 (1) Consultation with employers and affected employee  
19 organizations with regard to proposed rules;

20 (2) Adoption of rules at open meetings that permit the  
21 attendance of any interested persons;

22 (3) Approval of rules by the governor; and



1 (4) Filing of rules with the lieutenant governor.

2 (b) The board may also issue policies, standards, and  
3 procedures consistent with its rules.

4 (c) The board may adopt rules, without regard to chapter  
5 91, governing dispute resolution procedures if impasse in  
6 decision-making occurs; provided that the rules shall be adopted  
7 with the concurrence of a majority vote, as provided in section  
8 -2:207(b).

9 **ARTICLE 3: HAWAII EMPLOYER-UNION HEALTH BENEFITS**

10 **CAPTIVE INSURANCE FUND, RATE STABILIZATION RESERVES, AND**

11 **OTHER POST EMPLOYMENT BENEFITS RESERVE FUND**

12 **PART I. HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND**

13 **CAPTIVE INSURANCE COMPANY FUND**

14 § -3:101 Establishment of the Hawaii employer-union  
15 health benefits fund captive insurance company fund. There  
16 shall be a Hawaii employer-union health benefits trust fund  
17 captive insurance company fund to be placed within the  
18 department of budget and finance for administrative purposes.  
19 The fund shall consist of contributions, interest, income,  
20 dividends, refunds, rate credits, legislative initiatives, and  
21 other returns. It is hereby declared that any and all sums  
22 contributed or paid from any source to the fund created by this



1 part, and all assets of the fund including any and all interest  
2 and earnings on the same, are and shall be held in trust by the  
3 board for the exclusive use and benefit of the employee-  
4 beneficiaries, dependent-beneficiaries, and qualified  
5 beneficiaries and shall not be subject to appropriation for any  
6 other purpose whatsoever. The fund shall be under the control  
7 of the board.

8 § -3:102 **Trust fund; purpose.** (a) The fund shall be  
9 used to provide employee-beneficiaries, dependent-beneficiaries,  
10 and qualified-beneficiaries with health and other benefit plans,  
11 and to pay administrative and other expenses of the fund. All  
12 assets of the fund are and shall be dedicated to providing  
13 health and other benefits plans to the employee-beneficiaries,  
14 dependent-beneficiaries, and qualified-beneficiaries in  
15 accordance with the terms of those plans and to pay  
16 administrative and other expenses of the fund, and shall be used  
17 for no other purposes except for those set forth in this  
18 section.

19 (b) The fund, including any earnings on investments, and  
20 rate credits or reimbursements from any carrier or self-insured  
21 plan and any earning or interest derived therefrom, may be used  
22 to stabilize health and other benefit plan rates; provided that





1 the approval of the governor and the legislature shall be  
2 necessary to fund administrative and other expenses necessary to  
3 effectuate these purposes.

4 (c) The fund may be used to provide group life insurance  
5 benefits to employees to the extent that contributions are  
6 provided for group life insurance benefits in sections -  
7 3:104(b) and -3:110.

8 (d) The fund may assist the State and the counties to  
9 implement and administer cafeteria plans authorized under Title  
10 26 United States Code section 125, the Internal Revenue Code of  
11 1986, as amended, and section 78-30.

12 (e) At the discretion of the board, some or all of the  
13 fund may be used as a reserve against or to pay the fund's  
14 future costs of providing health and other benefits plans  
15 established under sections -2:309 and -3:110 and any other  
16 benefits plans the board establishes for retired employees and  
17 their beneficiaries. Such funds shall be deposited into the  
18 rate stabilization reserves.

19 § -3:103 **Employer contributions irrevocable.**

20 Notwithstanding any law to the contrary, all of the monthly  
21 contributions that the State and counties make to the fund under  
22 sections -3:104, -3:105, -3:106, -3:107, -3:108,



1 and -3:109, and all other contributions that the State and  
2 counties may make to the fund, shall be irrevocable; provided  
3 that this shall not preclude the fund from returning  
4 contributions or payments made by the State or any county under  
5 a mistake of fact within one year after the payment of the  
6 contributions or payments.

7 § -3:104 **State and county contributions; active**  
8 **employees.** (a) The State, through the department of budget and  
9 finance, and the counties, through their respective departments  
10 of finance, shall pay to the fund a monthly contribution equal  
11 to the amount established under chapter 89C or specified in the  
12 applicable public sector collective bargaining agreements,  
13 whichever is appropriate, for each of their respective employee-  
14 beneficiaries and employee-beneficiaries with dependent-  
15 beneficiaries, which shall be used toward the payment of costs  
16 of a health benefits plan; provided that:

17 (1) The monthly contribution shall be a specified dollar  
18 amount;

19 (2) The monthly contribution shall not exceed the actual  
20 cost of a health benefits plan;

21 (3) If both husband and wife are employee-beneficiaries,  
22 the total contribution by the State or the county



1 shall not exceed the monthly contribution for a family  
2 plan; and

3 (4) If the State or any of the counties establish  
4 cafeteria plans in accordance with Title 26, United  
5 States Code section 125, the Internal Revenue Code of  
6 1986, as amended, and section 78-30, the monthly  
7 contribution for those employee-beneficiaries who  
8 participate in a cafeteria plan shall be made through  
9 the cafeteria plan, and the payments made by the State  
10 or counties shall include their respective  
11 contributions to the fund and their employee-  
12 beneficiary's share of the cost of the employee-  
13 beneficiary's health benefits plan.

14 (b) The State, through the department of budget and  
15 finance, and the counties, through their respective departments  
16 of finance, shall pay to the fund a monthly contribution equal  
17 to the amount established under chapter 89C or specified in the  
18 applicable public sector collective bargaining agreement,  
19 whichever is applicable, for each of their respective employees,  
20 to be used toward the payment of group life insurance benefits  
21 for each employee.



1 (c) All moneys, including state and county contributions  
2 in the Hawaii employer-union health benefits trust fund shall be  
3 transferred and deposited into the Hawaii employer-union health  
4 benefits trust fund captive insurance company fund established  
5 pursuant to this article.

6 § -3:105 State and county contributions; retired  
7 employees. (a) Notwithstanding any law to the contrary, this  
8 section shall apply to state and county contributions to the  
9 fund for:

10 (1) The dependent-beneficiary of an employee who is killed  
11 in the performance of duty;

12 (2) A dependent-beneficiary, upon the death of the  
13 employee-beneficiary, except as provided in section  
14 -3:109;

15 (3) An employee-beneficiary who retired after June 30,  
16 1984, due to a disability falling within sections 88-  
17 79 and 88-285;

18 (4) An employee-beneficiary who retired before July 1,  
19 1984;

20 (5) An employee-beneficiary who:

21 (A) Was hired before July 1, 1996;

22 (B) Retired after June 30, 1984; and



- 1 (C) Who has ten years or more of credited service,
- 2 excluding sick leave;
- 3 (6) An employee-beneficiary who:
  - 4 (A) Was hired after June 30, 1996; and
  - 5 (B) Retired with twenty-five or more years of
  - 6 credited service, excluding sick leave, except as
  - 7 provided in section -3:109; and
- 8 (7) Employees who retired prior to 1961 and their
- 9 dependent-beneficiaries.
- 10 (b) Effective July 1, 2003, there is established a base
- 11 monthly contribution for health benefit plans that the State,
- 12 through the department of budget and finance, and the counties,
- 13 through their respective departments of finance, shall pay to
- 14 the fund, up to the following:
  - 15 (1) \$218 for each employee-beneficiary enrolled in
  - 16 supplemental medicare self plans;
  - 17 (2) \$671 for each employee-beneficiary enrolled in
  - 18 supplemental medicare family plans;
  - 19 (3) \$342 for each employee-beneficiary enrolled in non-
  - 20 medicare self plans; and
  - 21 (4) \$928 for each employee-beneficiary enrolled in non-
  - 22 medicare family plans.



1           The monthly contribution by the State or county shall not  
2 exceed the actual cost of the health benefits plan or plans. If  
3 both husband and wife are employee-beneficiaries, the total  
4 contribution by the State or county shall not exceed the monthly  
5 contribution for a supplemental medicare family or non-medicare  
6 family plan, as appropriate.

7           (c) Effective July 1, 2004, there is established a base  
8 monthly contribution for health benefit plans that the State,  
9 through the department of budget and finance, and the counties,  
10 through their respective departments of finance, shall pay to  
11 the fund, up to the following:

- 12           (1) \$254 for each employee-beneficiary enrolled in  
13 supplemental medicare self plans;
- 14           (2) \$787 for each employee-beneficiary enrolled in  
15 supplemental medicare family plans;
- 16           (3) \$412 for each employee-beneficiary enrolled in non-  
17 medicare self plans; and
- 18           (4) \$1,089 for each employee-beneficiary enrolled in non-  
19 medicare family plans.

20           The monthly contribution by the State or county shall not  
21 exceed the actual cost of the health benefit plan or plans and  
22 shall not be required to cover increased benefits above those



1 initially contracted for by the fund for plan year 2004-2005.  
2 If both husband and wife are employee-beneficiaries, the total  
3 contribution by the State or county shall not exceed the monthly  
4 contribution for a supplemental medicare family or non-medicare  
5 family plan, as appropriate.

6 (d) The base composite monthly contribution shall be  
7 adjusted annually, beginning July 1, 2005. The adjusted base  
8 composite monthly contribution for each new plan year (July 1  
9 until June 30) shall be calculated by increasing or decreasing  
10 the base composite monthly contribution in effect through the  
11 end of the previous plan year by the percentage increase or  
12 decrease in the medicare part B premium rate for those years,  
13 which percentage shall be calculated by dividing the medicare  
14 part B premium rate in effect at the beginning of the new plan  
15 year by the rate in effect at the beginning of the previous plan  
16 year.

17 For the plan year beginning July 1, 2005, the adjusted base  
18 monthly contribution shall be computed using the actual  
19 contracted premium rate as of July 1, 2004, for medicare and  
20 non-medicare, self and family health benefits plans with the  
21 highest actual contracted premium rate as of July 1, 2004.



1 As used in this subsection, "medicare part B premium rate"  
2 means the rate published in the Federal Register each year on  
3 November 1 or on the business day closest to November 1 of each  
4 year after the medicare part B premium rate has been established  
5 by the Secretary of Health and Human Services and approved by  
6 the United States Congress.

7 (e) The base composite monthly contribution shall be  
8 adjusted annually, beginning January 1, 2013. The adjusted base  
9 composite monthly contribution for each new plan year (January 1  
10 until December 31) shall be calculated by increasing or  
11 decreasing the base composite monthly contribution in effect  
12 through the end of the previous plan year by the percentage  
13 increase or decrease in the medicare part B premium rate for  
14 those years, which percentage shall be calculated by dividing  
15 the medicare part B premium rate in effect at the beginning of  
16 the new plan year by the rate in effect at the beginning of the  
17 previous plan year.

18 For the plan year beginning January 1, 2013, the adjusted  
19 base monthly contribution shall be computed using the base  
20 composite monthly contribution as of July 1, 2012.

21 As used in this subsection, "medicare part B premium rate"  
22 means the rate published in the Federal Register each year on





1 November 1 or on the business day closest to November 1 of each  
2 year after the medicare part B premium rate has been established  
3 by the United States Secretary of Health and Human Services and  
4 approved by the United States Congress.

5 (f) If the board adopts a rate structure that provides for  
6 other than self and family rates for the health benefit plans,  
7 the base monthly contribution for the rate structure adopted by  
8 the board shall be adjusted to provide the equivalent  
9 underwriting cost as the base monthly contribution that is  
10 provided for in this section.

11 § -3:106 State and county contribution; reimbursement  
12 for retired employees. An employee-beneficiary who retires and  
13 relocates outside of the State shall be reimbursed for the  
14 premiums paid by the employee-beneficiary for a personal health  
15 insurance policy; provided that the board shall determine which  
16 employee-beneficiaries and what types of personal health  
17 insurance policies shall be eligible for reimbursement and may  
18 set other conditions that shall be met for the employee-  
19 beneficiary to receive the reimbursements provided under this  
20 section.

21 The reimbursement shall be the lesser of:



- 1 (1) The actual cost of the personal health insurance  
2 policy; or
- 3 (2) The amount of the state or county contribution for the  
4 most comparable health benefits plan.

5 Reimbursements shall be paid by the fund on a quarterly  
6 basis upon the presentation of documentation that the premiums  
7 for the personal health insurance policy have been paid by the  
8 employee-beneficiary. This section shall apply to all employee-  
9 beneficiaries who retire and relocate outside of the State,  
10 regardless of their date of retirement.

11 § -3:107 State and county contributions; retired  
12 employees with fewer than ten years of service. (a) This  
13 section shall apply to state and county contributions to the  
14 fund for employees specified in paragraph (1)(D) of the  
15 definition of "employee" in section -1:103 who:

- 16 (1) Were hired on or before June 30, 1996; and  
17 (2) Retired after June 30, 1984, with fewer than ten years  
18 of credited service, excluding sick leave.

19 (b) The State, through the department of budget and  
20 finance, and the counties, through their respective departments  
21 of finance, shall pay to the fund a monthly contribution equal  
22 to one-half of the base monthly contribution set forth under



1 section -3:105(b) for retired employees enrolled in medicare  
2 or non-medicare health benefits plans. If both husband and wife  
3 are employee-beneficiaries, the total contribution by the State  
4 or county shall not exceed the monthly contribution for  
5 supplemental medicare family or non-medicare family plan, as  
6 appropriate.

7 § -3:108 State and county contributions; employees hired  
8 after June 30, 1996, but before July 1, 2001, and retired with  
9 fewer than twenty-five years of service. (a) This section  
10 shall apply to state and county contributions to the fund for  
11 employees who were hired after June 30, 1996, but before July 1,  
12 2001, and who retire with fewer than twenty-five years of  
13 credited service, excluding sick leave; provided that this  
14 section shall not apply to the following employees, for whom  
15 state and county contributions shall be made as provided by  
16 section -3:105:

- 17 (1) An employee hired prior to July 1, 1996, who transfers  
18 employment after June 30, 1996, and who cumulatively  
19 accrues at least ten years of credited service; and  
20 (2) An employee hired prior to July 1, 1996, who has at  
21 least ten years of credited service prior to a break  
22 in service.



1 For the purposes of this section:

2 "Break in service" means to leave state or county  
3 employment for more than ninety calendar days before returning  
4 to state or county employment.

5 "Transfer" means to leave state or county employment and  
6 return to state or county employment within ninety calendar  
7 days.

8 (b) For purposes of this section, if an employee leaves  
9 state or county employment and returns to state or county  
10 employment after June 30, 1996, upon retirement, the employee's  
11 years of service shall be computed in the same manner as set  
12 forth in chapter 88.

13 (c) The State, through the department of budget and  
14 finance, and the counties, through their respective departments  
15 of finance, shall pay to the fund:

16 (1) For retired employees enrolled in medicare or non-  
17 medicare health benefit plans with ten or more years  
18 but fewer than fifteen years of service, a monthly  
19 contribution equal to one-half of the base monthly  
20 contribution set forth under section -3:105(b); and

21 (2) For retired employees enrolled in medicare or non-  
22 medicare health benefit plans with at least fifteen



1 but fewer than twenty-five years of service, a monthly  
2 contribution of seventy-five per cent of the base  
3 monthly contribution set forth under section  
4 -3:105(b).

5 If both husband and wife are employee-beneficiaries, the total  
6 contribution by the State or county shall not exceed the monthly  
7 contribution for a supplemental medicare family or non-medicare  
8 family plan, as appropriate.

9 § -3:109 **State and county contributions; employees hired**  
10 **after June 30, 2001, and retired.** (a) This section shall apply  
11 to state and county contributions to the fund for employees  
12 hired after June 30, 2001, and who retired, except that this  
13 section shall not apply to the following employees, for whom  
14 state and county contributions shall be made as provided by  
15 section -3:108:

16 (1) An employee hired after June 30, 1996, and prior to  
17 July 1, 2001, who transfers employment after June 30,  
18 2001, and who cumulatively accrues at least ten years  
19 of credited service; and

20 (2) An employee hired after June 30, 1996, and prior to  
21 July 1, 2001, who has at least ten years of credited  
22 service prior to a break in service.



1 For purposes of this section:

2 "Break in service" means to leave state or county  
3 employment for more than ninety calendar days before returning  
4 to state or county employment.

5 "Transfer" means to leave state or county employment and  
6 return to state or county employment within ninety calendar  
7 days.

8 (b) For purposes of this section, if an employee leaves  
9 state or county employment and returns to state or county  
10 employment after July 1, 2001, upon retirement, the employee's  
11 years of service shall be computed in the same manner as set  
12 forth in chapter 88.

13 (c) The State, through the department of budget and  
14 finance, and the counties, through their respective departments  
15 of finance, shall pay to the fund:

16 (1) For retired employees based on the self plan with ten  
17 or more years but fewer than fifteen years of service,  
18 a monthly contribution equal to one-half of the base  
19 medicare or non-medicare monthly contribution set  
20 forth under section -3:105(b);

21 (2) For retired employees based on the self plan with at  
22 least fifteen but fewer than twenty-five years of



- 1 service, a monthly contribution equal to seventy-five  
2 per cent of the base medicare or non-medicare monthly  
3 contribution set forth under section -3:105(b);
- 4 (3) For retired employees based on the self plan with  
5 twenty-five or more years of service, a monthly  
6 contribution equal to one-hundred per cent of the base  
7 medicare or non-medicare monthly contribution set  
8 forth under section -3:105(b); and
- 9 (4) One-half of the monthly contributions for the  
10 employee-beneficiary or employee-beneficiary with  
11 dependent-beneficiaries upon the death of the  
12 employee, as defined in section -1:103.

13 If both husband and wife are employee-beneficiaries, the  
14 total contribution by the State or county shall not exceed the  
15 monthly contribution for two supplemental medicare self or non-  
16 medicare self plans, as appropriate.

17 § -3:110 **Group life insurance benefits plans for retired**  
18 **employees; contributions.** (a) The State, through the  
19 department of budget and finance, and the counties, through  
20 their respective departments of finance, shall pay to the fund a  
21 base monthly contribution as set forth in subsection (b) for  
22 each retired employee enrolled in the fund's group life



1 insurance benefits plan under section -3:107, -3:108, and  
2 -3:109.

3 (b) Effective July 1, 2003, there is established a base  
4 monthly contribution of \$4.16 for each retired employee enrolled  
5 in a group life insurance plan; provided that the monthly  
6 contribution shall not exceed the actual cost of the group life  
7 insurance benefits plan. The base composite monthly  
8 contribution shall be adjusted annually beginning July 1, 2004.  
9 The adjusted base composite monthly contribution for each new  
10 plan year shall be calculated by increasing or decreasing the  
11 base composite monthly contribution in effect through the end of  
12 the previous plan year by the percentage increase or decrease in  
13 the medicare part B premium rate for those years. The  
14 percentage shall be calculated by dividing the medicare part B  
15 premium rate in effect at the beginning of the new plan year by  
16 the rate in effect through the end of the previous plan year.

17 As used in this subsection, "medicare part B premium rate"  
18 means the rate published in the Federal Register each year on  
19 November 1 or on the business day closest to November 1 of each  
20 year after the medicare part B premium rate has been established  
21 by the Secretary of Health and Human Services and approved by  
22 the United States Congress.





1           §   -3:111   **State and county contributions not considered**  
2 **wages or salary.** Contributions made by the State or the  
3 counties under this part shall not be considered wages or salary  
4 of an employee-beneficiary. No employee-beneficiary shall have  
5 any vested right in or be entitled to receive any part of any  
6 contribution made to the fund.

7           §   -3:112   **Reimbursement for state contributions.** (a)  
8 All state agencies having control of funds other than the  
9 general fund shall reimburse the State for contributions made by  
10 the State pursuant to sections   -3:104,   -3:105,   -3:106,  
11   -3:107,   -3:108, and   -3-109 on account of agency  
12 employees whose compensation is paid in whole or part from funds  
13 other than the general fund.

14           (b) All state and county agencies receiving federal funds,  
15 which may be expended for the purpose of replacing the  
16 contribution payable by the State to the fund, shall set aside a  
17 portion of the federal funds sufficient to reimburse the State  
18 for contributions made by the State pursuant to sections  
19 sections   -3:104,   -3:105,   -3:106,   -3:107,   -3:108,  
20 and   -3-109, on account of the employees in the agencies whose  
21 compensation is paid in whole or part from federal funds.



1           §   -3:113   **Employee-beneficiary contributions; health**  
2   **benefit plans.** (a) Each employee-beneficiary shall make a  
3   monthly contribution to the fund amounting to the difference  
4   between the monthly charge of the health benefits plan selected  
5   by the employee-beneficiary and the contribution made by the  
6   State or county for the employee-beneficiary to the fund.  
7   Nothing in this section shall prohibit any employee-beneficiary  
8   from participating in a cafeteria plan authorized under Title 26  
9   United States Code section 125, Internal Revenue Code of 1986,  
10   as amended, and section 78-30.

11           (b) During the period the health benefits plan selected by  
12   an employee-beneficiary is in effect, the employee-beneficiary,  
13   if allowed by law, shall authorize the employee-beneficiary's  
14   contribution to be withheld and transmitted to the fund monthly  
15   by the comptroller, employees' retirement system, or finance  
16   officer who disburses the employee-beneficiary's compensation,  
17   pension, or retirement pay. If an employee-beneficiary's  
18   contribution to the fund is not withheld and transmitted to the  
19   fund, the employee-beneficiary shall pay the monthly  
20   contribution:

21           (1) In the case of an employee-beneficiary who normally  
22               receives the employee-beneficiary's compensation from



1 the comptroller or employees' retirement system,  
2 directly to the fund by the first day of each month;  
3 or

4 (2) In the case of all other employee-beneficiaries, to  
5 the respective finance officer from whom the employee-  
6 beneficiary normally receives compensation for  
7 transmittal to the fund by the first day of each  
8 month.

9 (c) Notwithstanding subsection (a), an employee-  
10 beneficiary's monthly contribution to the fund shall include the  
11 amount that would have been the employee-beneficiary's  
12 contribution if the employee-beneficiary had not elected to  
13 participate in the cafeteria plan.

14 § -3:114 **Employee-beneficiary or qualified-beneficiary**  
15 **contributions; long-term care benefits plan.** (a) During the  
16 period the long-term care benefits plan is in effect, the  
17 employee-beneficiary, if allowed by law, shall authorize the  
18 employee-beneficiary's contribution to be withheld and  
19 transmitted to the fund monthly by the comptroller, employees'  
20 retirement system, or finance officer who disburses the  
21 employee-beneficiary's compensation, pension, or retirement pay.  
22 If an employee-beneficiary's monthly contribution to the fund is



1 not withheld and transmitted to the fund, the employee-  
2 beneficiary shall pay the monthly contribution directly to the  
3 board's designated carrier or third-party administrator as  
4 specified by the board.

5 (b) Qualified-beneficiaries shall pay monthly  
6 contributions directly to the board's designated carrier or  
7 third-party administrator as specified by the board.

8 **PART II. RATE STABILIZATION RESERVES**

9 § -3:201 **Establishment of Hawaii employer-union health**  
10 **benefits trust fund captive insurance company rate stabilization**  
11 **reserves.** There is established a Hawaii employer-union health  
12 benefits trust fund captive insurance company rate stabilization  
13 reserves to be placed within the department of budget and  
14 finance for administrative purposes. The rate stabilization  
15 reserves shall consist of required employer contributions,  
16 monies transferred from the fund, and legislative initiatives.  
17 The rate stabilization reserves shall meet the requirements of  
18 the Government Accounting Standards Board regarding employment  
19 benefits trusts.

20 § -3:202 **Rate stabilization reserves; purpose; initial**  
21 **balance.** The rate stabilization reserves shall be used as a  
22 reserve when there is insufficient money in the fund to cover



1 the costs of providing health and other benefits plans  
2 established under sections -2:309 and -3:111 and any other  
3 benefits plans the board establishes for retired employees and  
4 their beneficiaries.

5 § -3:203 **Employer contributions; mandatory.** (a) The  
6 board in its sole discretion shall require each employer to make  
7 a contribution to the rate stabilization reserves established  
8 under section -3:201.

9 (b) Employer contributions to the rate stabilization  
10 reserves shall be irrevocable, all assets of the rate  
11 stabilization reserves shall be dedicated exclusively to provide  
12 health and other benefits to retirees and their beneficiaries  
13 when there are insufficient moneys to cover the current claims  
14 in the fund. Assets of the rate stabilization reserves shall  
15 not be subject to appropriation for any other purpose and shall  
16 not be subject to claims by creditors of employers, the board,  
17 or the attorney-in-fact. The board's powers under part III of  
18 article II of this chapter shall apply to the rate stabilization  
19 reserves established under section -3:201.

20 § -3:204 **Additional employer contributions.** At any  
21 point subsequent to the establishment of the rate stabilization



1 reserves the board may require each individual employer to make  
2 additional contributions to the rate stabilization reserves.

3 **PART III. OTHER POST EMPLOYMENT BENEFITS RESERVE FUND**

4 **§ -3:301 Establishment of Hawaii employer-union health**  
5 **benefits trust fund captive insurance company other post**  
6 **employment benefits reserve fund.** There is established a Hawaii  
7 employer-union health benefits trust fund captive insurance  
8 company other post employment benefits reserve fund to be placed  
9 within the department of budget and finance for administrative  
10 purposes. The other post employment benefits reserve fund shall  
11 consist of required employer contributions pursuant to  
12 sections -3:302, -3:303, and legislative initiatives. The  
13 other post employment benefits reserve fund shall meet the  
14 requirements of the Government Accounting Standards Board  
15 regarding employment benefits trusts.

16 **§ -3:302 Other post employment benefits reserve fund;**  
17 **purpose; initial balance.** The other post employment benefits  
18 reserve fund shall be used as a reserve against or to pay the  
19 fund's future costs of providing other post employment benefits  
20 and assets of the other post employment benefits reserve fund  
21 shall be dedicated exclusively to provide other post employment  
22 benefits to retirees and their beneficiaries when there are



1 insufficient moneys to cover the current claims in the fund.  
2 Commencing with fiscal year 2018-2019, employers shall make  
3 annual required contributions to the other post employment  
4 benefits reserve fund.

5 § -3:303 **Employer contributions; mandatory.** (a) The  
6 board shall determine the annual required contribution owed by  
7 each employer each fiscal year, beginning with fiscal year 2018-  
8 2019. Any amounts an employer has previously contributed to any  
9 account established as a reserve against or to pay any future  
10 costs of providing health and other benefits plans shall be  
11 deposited to the other post employment benefits reserve fund and  
12 applied as a credit to such employer's liability under this  
13 section. Such amounts shall be due and payable by the first day  
14 of each fiscal year.

15 (b) Notwithstanding the amount of an employer's annual  
16 required contribution determined in any fiscal year by the board  
17 for such purpose, for the six-year fiscal period from 2013-2014  
18 to 2018-2019, employer contributions into the other post  
19 employment benefits reserve fund shall be at the specified  
20 percentages of the respective annual required contributions, as  
21 follows:

22 Fiscal Year Annual Required Contribution



- 1           (1)   2013-2014           \$100,000,000  
2           (2)   2014-2015           \$117,000,000  
3           (3)   2015-2016           Forty per cent  
4           (4)   2016-2017           Sixty per cent;  
5           (5)   2017-2018           Eighty per cent; and  
6           (6)   2018-2019           One hundred per cent.

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 out of the transient accommodations tax revenue  
10   collected, a sum equal to the amount or portion thereof not so  
11   paid. All the moneys retained and collected by the director of  
12   finance shall be deposited in the other post employment benefits  
13   reserve fund.

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 (e) The board's powers under part III of article II of  
2 this chapter shall apply to the other post employment benefits  
3 reserve fund."

4 SECTION 4. Section 88-9, Hawaii Revised Statutes, is  
5 amended by amending subsection (d) to read as follows:

6 "(d) A retirant may be employed without reenrollment in  
7 the system and suffer no loss or interruption of benefits  
8 provided by the system or under chapter [87A] \_\_\_ if the  
9 retirant is employed:

- 10 (1) As an elective officer pursuant to section 88-42.6(c)  
11 or as a member of the legislature pursuant to section  
12 88-73(d);
- 13 (2) As a juror or precinct official;
- 14 (3) As a part-time or temporary employee excluded from  
15 membership in the system pursuant to section 88-43, as  
16 a session employee excluded from membership in the  
17 system pursuant to section 88-54.2, as the president  
18 and chief executive officer of the Hawaii tourism  
19 authority excluded from membership in the system  
20 pursuant to section 201B-2, or as any other employee  
21 expressly excluded by law from membership in the  
22 system; provided that:



- 1 (A) The retirant was not employed by the State or a
- 2 county during the six calendar months prior to
- 3 the first day of reemployment; and
- 4 (B) No agreement was entered into between the State
- 5 or a county and the retirant, prior to the
- 6 retirement of the retirant, for the return to
- 7 work by the retirant after retirement;
- 8 (4) In a position identified by the appropriate
- 9 jurisdiction as a labor shortage or difficult-to-fill
- 10 position; provided that:
- 11 (A) The retirant was not employed by the State or a
- 12 county during the twelve calendar months prior to
- 13 the first day of reemployment;
- 14 (B) No agreement was entered into between the State
- 15 or a county and the retirant, prior to the
- 16 retirement of the retirant, for the return to
- 17 work by the retirant after retirement; and
- 18 (C) Each employer shall contribute to the pension
- 19 accumulation fund the required percentage of the
- 20 rehired retirant's compensation to amortize the
- 21 system's unfunded actuarial accrued liability; or



1 (5) As a teacher or an administrator in a teacher shortage  
2 area identified by the department of education or in a  
3 charter school or as a mentor for new classroom  
4 teachers; provided that:

5 (A) The retirant was not employed by the State or a  
6 county during the twelve calendar months prior to  
7 the first day of reemployment;

8 (B) No agreement was entered into between the State  
9 or a county and the retirant prior to the  
10 retirement of the retirant, for the return to  
11 work by the retirant after retirement; and

12 (C) The department of education or charter school  
13 shall contribute to the pension accumulation fund  
14 the required percentage of the rehired retirant's  
15 compensation to amortize the system's unfunded  
16 actuarial accrued liability."

17 SECTION 5. Section 88-95, Hawaii Revised Statutes, is  
18 amended to read as follows:

19 "**§88-95 Withholding of dues and insurance premiums.** A  
20 retired member, if the retired member requests in writing, may  
21 have withheld from the retired member's pension, annuity, or  
22 retirement allowance, payments to the Hawaii employer-union



1 health benefits trust fund captive insurance company fund and  
2 employee organizations for dues and insurance premiums."

3 SECTION 6. Section 88-103.5, Hawaii Revised Statutes, is  
4 amended by amending subsection (a) to read as follows:

5 "(a) The employees' retirement system shall:

6 (1) Disclose to the Hawaii employer-union health benefits  
7 trust fund captive insurance company and employee  
8 organizations information related to the  
9 administration of pension, annuity, or retirement  
10 allowance deductions, as follows: name, social  
11 security number, and amounts and dates of both  
12 voluntary and mandatory deductions remitted to the  
13 recipient; and

14 (2) Release the records of its retirants and beneficiaries  
15 to the Hawaii employer-union health benefits trust  
16 fund captive insurance company for the disbursement of  
17 payments authorized under section [~~87A-23.~~]

18 -2:309."

19 SECTION 7. Section 89-2, Hawaii Revised Statutes, is  
20 amended by amending the definitions of "collective bargaining"  
21 and "employee organization" to read as follows:

1            "Collective bargaining" means the performance of the  
2 mutual obligations of the public employer and an exclusive  
3 representative to meet at reasonable times, to confer and  
4 negotiate in good faith, and to execute a written agreement with  
5 respect to wages, hours, amounts of contributions by the State  
6 and counties to the Hawaii employer-union health benefits trust  
7 fund captive insurance company fund, and other terms and  
8 conditions of employment, except that by any such obligation  
9 neither party shall be compelled to agree to a proposal or be  
10 required to make a concession. For the purposes of this  
11 definition, "wages" includes the number of incremental and  
12 longevity steps, the number of pay ranges, and the movement  
13 between steps within the pay range and between the pay ranges on  
14 a pay schedule under a collective bargaining agreement.

15            "Employee organization" means any organization of any kind  
16 in which public employees participate and which exists for the  
17 primary purpose of dealing with public employers concerning  
18 grievances, labor disputes, wages, hours, amounts of  
19 contributions by the State and counties to the Hawaii employer-  
20 union health benefits trust fund captive insurance company fund,  
21 and other terms and conditions of employment of public  
22 employees."



1 SECTION 8. Section 89-9, Hawaii Revised Statutes, is  
2 amended as follows:

3 1. By amending subsection (a) to read:

4 "(a) The employer and the exclusive representative shall  
5 meet at reasonable times, including meetings sufficiently in  
6 advance of the February 1 impasse date under section 89-11, and  
7 shall negotiate in good faith with respect to wages, hours, the  
8 amounts of contributions by the State and respective counties to  
9 the Hawaii employer-union health benefits trust fund captive  
10 insurance company fund to the extent allowed in subsection (e),  
11 and other terms and conditions of employment which are subject  
12 to collective bargaining and which are to be embodied in a  
13 written agreement as specified in section 89-10, but such  
14 obligation does not compel either party to agree to a proposal  
15 or make a concession; provided that the parties may not  
16 negotiate with respect to cost items as defined by section 89-2  
17 for the biennium 1999 to 2001, and the cost items of employees  
18 in bargaining units under section 89-6 in effect on June 30,  
19 1999, shall remain in effect until July 1, 2001."

20 2. By amending subsections (d) and (e) to read:

21 "(d) Excluded from the subjects of negotiations are  
22 matters of classification, reclassification, benefits of but not



1 contributions to the Hawaii employer-union health benefits trust  
2 fund captive insurance company fund, recruitment, examination,  
3 initial pricing, and retirement benefits except as provided in  
4 section 88-8(h). The employer and the exclusive representative  
5 shall not agree to any proposal which would be inconsistent with  
6 the merit principle or the principle of equal pay for equal work  
7 pursuant to section 76-1 or which would interfere with the  
8 rights and obligations of a public employer to:

- 9 (1) Direct employees;
- 10 (2) Determine qualifications, standards for work, and the  
11 nature and contents of examinations;
- 12 (3) Hire, promote, transfer, assign, and retain employees  
13 in positions;
- 14 (4) Suspend, demote, discharge, or take other disciplinary  
15 action against employees for proper cause;
- 16 (5) Relieve an employee from duties because of lack of  
17 work or other legitimate reason;
- 18 (6) Maintain efficiency and productivity, including  
19 maximizing the use of advanced technology, in  
20 government operations;
- 21 (7) Determine methods, means, and personnel by which the  
22 employer's operations are to be conducted; and



1           (8) Take such actions as may be necessary to carry out the  
2           missions of the employer in cases of emergencies.

3           This subsection shall not be used to invalidate provisions  
4 of collective bargaining agreements in effect on and after June  
5 30, 2007, and shall not preclude negotiations over the  
6 procedures and criteria on promotions, transfers, assignments,  
7 demotions, layoffs, suspensions, terminations, discharges, or  
8 other disciplinary actions as a permissive subject of bargaining  
9 during collective bargaining negotiations or negotiations over a  
10 memorandum of agreement, memorandum of understanding, or other  
11 supplemental agreement.

12          Violations of the procedures and criteria so negotiated may  
13 be subject to the grievance procedure in the collective  
14 bargaining agreement.

15          (e) Negotiations relating to contributions to the Hawaii  
16 employer-union health benefits trust fund captive insurance  
17 company fund shall be for the purpose of agreeing upon the  
18 amounts which the State and counties shall contribute under  
19 section 87-4, toward the payment of the costs for a health  
20 benefits plan, as defined in section 87-1(8), and group life  
21 insurance benefits, and the parties shall not be bound by the  
22 amounts contributed under prior agreements; provided that





1 section 89-11 for the resolution of disputes by way of  
2 arbitration shall not be available to resolve impasses or  
3 disputes relating to the amounts the State and counties shall  
4 contribute to the Hawaii employer-union health benefits trust  
5 fund[-] captive insurance company fund."

6 SECTION 9. Section 89-11, Hawaii Revised Statutes, is  
7 amended by amending subsection (g) to read as follows:

8 "(g) The decision of the arbitration panel shall be final  
9 and binding upon the parties on all provisions submitted to the  
10 arbitration panel. If the parties have reached agreement with  
11 respect to the amounts of contributions by the State and  
12 counties to the Hawaii employer-union health benefits trust fund  
13 captive insurance company fund by the tenth working day after  
14 the arbitration panel issues its decision, the final and binding  
15 agreement of the parties on all provisions shall consist of the  
16 panel's decision and the amounts of contributions agreed to by  
17 the parties. If the parties have not reached agreement with  
18 respect to the amounts of contributions by the State and  
19 counties to the Hawaii employer-union health benefits trust fund  
20 captive insurance company fund by the close of business on the  
21 tenth working day after the arbitration panel issues its  
22 decision, the parties shall have five days to submit their



1    respective recommendations for such contributions to the  
2    legislature, if it is in session, and if the legislature is not  
3    in session, the parties shall submit their respective  
4    recommendations for such contributions to the legislature during  
5    the next session of the legislature. In such event, the final  
6    and binding agreement of the parties on all provisions shall  
7    consist of the panel's decision and the amounts of contributions  
8    established by the legislature by enactment, after the  
9    legislature has considered the recommendations for such  
10   contributions by the parties. It is strictly understood that no  
11   member of a bargaining unit subject to this subsection shall be  
12   allowed to participate in a strike on the issue of the amounts  
13   of contributions by the State and counties to the Hawaii  
14   employer-union health benefits trust fund captive insurance  
15   company fund. The parties shall take whatever action is  
16   necessary to carry out and effectuate the final and binding  
17   agreement. The parties may, at any time and by mutual  
18   agreement, amend or modify the panel's decision.

19            Agreements reached pursuant to the decision of an  
20   arbitration panel and the amounts of contributions by the State  
21   and counties to the Hawaii employer-union health benefits trust  
22   fund captive insurance company fund, as provided herein, shall



1 not be subject to ratification by the employees concerned. All  
2 items requiring any moneys for implementation shall be subject  
3 to appropriations by the appropriate legislative bodies and the  
4 employer shall submit all such items within ten days after the  
5 date on which the agreement is entered into as provided herein,  
6 to the appropriate legislative bodies."

7 SECTION 10. Section 269-2, Hawaii Revised Statutes, is  
8 amended by amending subsection (b) to read as follows:

9 "(b) Effective July 1, 2005, the chairperson of the  
10 commission shall be paid a salary set at eighty-seven per cent  
11 of the salary of the director of human resources development,  
12 and each of the other commissioners shall be paid a salary equal  
13 to ninety-five per cent of the chairperson's salary. The  
14 commissioners shall be exempt from chapters 76 and 89 but shall  
15 be members of the state employees retirement system and shall be  
16 eligible to receive the benefits of any state or federal  
17 employee benefit program generally applicable to officers and  
18 employees of the State, including those under chapter [87A-]

19 \_\_\_\_\_

20 The commission is placed within the department of budget  
21 and finance for administrative purposes."



1 SECTION 11. Section 323F-32, Hawaii Revised Statutes, is  
2 amended by amending subsection (g) to read as follows:

3 "(g) Employees of Kahuku hospital shall be exempt from  
4 chapters 76, [~~87A,~~] \_\_\_\_, 88, and 89, and shall not be considered  
5 as employees of the State."

6 SECTION 12. Chapter 87A, Hawaii Revised Statutes, is  
7 repealed.

8 SECTION 13. All rights, powers, functions, and duties of  
9 the Hawaii employer-union health benefits trust fund are  
10 transferred to the Hawaii employer-union health benefits trust  
11 fund captive insurance company.

12 All employees who occupy civil service positions and whose  
13 functions are transferred to the Hawaii employer-union health  
14 benefits trust fund captive insurance company by this Act shall  
15 retain their civil service status, whether permanent or  
16 temporary. Employees shall be transferred without loss of  
17 salary, seniority (except as prescribed by applicable collective  
18 bargaining agreement), retention points, prior service credit,  
19 any vacation and sick leave credits previously earned, and other  
20 rights, benefits, and privileges, in accordance with state  
21 personnel laws and this Act; provided that the employees possess  
22 the minimum qualifications and public employment requirements



1 for the class or position to which transferred or appointed, as  
2 applicable; provided further that subsequent changes in status  
3 may be made pursuant to applicable civil service and  
4 compensation laws.

5 Any employee who, prior to this Act, is exempt from civil  
6 service and is transferred as a consequence of this Act; may  
7 continue to retain the employee's exempt status, but shall not  
8 be appointed to a civil service position as a consequence of  
9 this Act. An exempt employee who is transferred by this Act  
10 shall not suffer any loss of prior service credit, vacation or  
11 sick leave credits previously earned, or other employee benefits  
12 or privileges as a consequence of this Act, provided that the  
13 employees possess legal and public employment requirements for  
14 the position to which transferred or appointed, as applicable;  
15 provided further that subsequent changes in status may be made  
16 pursuant to applicable employment and compensation laws. The  
17 attorney-in-fact of the Hawaii employer-union health benefits  
18 trust fund captive insurance company may prescribe the duties  
19 and qualifications of such employees and fix their salaries  
20 without regard to chapter 76, Hawaii Revised Statutes.

21 SECTION 14. All appropriations, records, equipment,  
22 machines, files, supplies, contracts, books, papers, documents,



1 maps, and other personal property heretofore made, used,  
2 acquired, or held by the Hawaii employer-union health benefits  
3 trust fund relating to the functions transferred to the Hawaii  
4 employer-union health benefits trust fund captive insurance  
5 company shall be transferred with the functions to which they  
6 relate.

7 SECTION 15. The members serving on the board of the Hawaii  
8 employer-union health benefits trust fund on the effective date  
9 of this Act shall serve as the initial members of the Hawaii  
10 employer-union health benefits trust fund captive insurance  
11 company board established pursuant to section 3 and shall  
12 continue to serve as members of the Hawaii employer-union health  
13 benefits trust fund captive insurance company board until their  
14 terms expire; provided that a member appointed by the governor  
15 through the recommendation of the Hawaii Association of Counties  
16 shall also serve on the board.

17 SECTION 16. (a) There is established a Hawaii employer-  
18 union health benefits trust fund task force within the  
19 department of budget and finance for administrative purposes to  
20 consist of the following members:

- 21 (1) Two members from the house of representatives selected  
22 by the speaker of the house of representatives;



1 (2) Two members from the senate selected by the senate  
2 president;

3 (3) Four members representing the State's unions;

4 (4) The director of budget and finance, or the director's  
5 designee;

6 (5) One member to be appointed by the governor;

7 (6) One member from the Hawaii Council of Mayors; and

8 (7) One member from the Hawaii State Association of  
9 Counties.

10 The director of budget and finance, or the director's  
11 designee, shall serve as the chairperson of the task force. The  
12 task force 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 the task force.

19 SECTION 17. The Hawaii employer-union health benefits  
20 trust fund task force shall examine the unfunded liability of  
21 the 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 18. The director of budget and finance, in  
20 consultation with the task force, shall submit a report to the  
21 legislature, including findings, recommendations, and





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

3 SECTION 19. 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 sum of \$ or so much thereof as may be necessary  
7 for fiscal year 2014-2015 to support the work of the Hawaii  
8 employer-union health benefits trust fund task force, including  
9 necessary travel expenses for task force members that reside  
10 outside of Oahu and consulting services of persons knowledgeable  
11 in relevant issues.

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

14 SECTION 20. If any provision of this Act, or the  
15 application thereof to any person or circumstance, is held  
16 invalid, the invalidity does not affect other provisions or  
17 applications of the Act that can be given effect without the  
18 invalid provision or application, and to this end the provisions  
19 of this Act are severable.

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

22 SECTION 22. This Act shall take effect on July 1, 2013.



**Report Title:**

EUTF; Task Force; Captive Insurance

**Description:**

Establishes a task force to examine the unfunded liabilities of Employer-Union Health Benefits Trust Fund. Establishes the Hawaii Employer-Union Health Benefits Trust Fund Captive Insurance Company to effectively manage the administration and financing of the current and potential future other post employee benefit obligations of the state and county governments. Effective July 1, 2013. (CD1)

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

