

Honolulu, Hawaii

FEB 14 2013

RE: S.B. No. 867

S.D. 1

Honorable Donna Mercado Kim  
President of the Senate  
Twenty-Seventh State Legislature  
Regular Session of 2013  
State of Hawaii

Madam:

Your Committee on Judiciary and Labor, to which was referred  
S.B. No. 867 entitled:

"A BILL FOR AN ACT RELATING TO THE HAWAII EMPLOYER-UNION  
HEALTH BENEFITS TRUST FUND,"

begs leave to report as follows:

The purpose and intent of this measure is to ensure that  
retired public employees are provided health benefits at the level  
promised at the time these retirees entered the public employment  
system. Specifically, this measure:

- (1) Repeals provisions relating to the base monthly  
contributions for health benefit plans paid by the State  
and counties for retired public employees;
- (2) Repeals the requirements that the base composite monthly  
contribution be adjusted annually and the method of  
calculation; and
- (3) Makes conforming amendments to applicable sections of  
the law relating to the Hawaii Employer-Union Health  
Benefits Trust Fund to reflect the amendments under this  
measure.

Your Committee received testimony in support of this measure  
from the Hawaii Government Employees Association, AFSCME Local  
152, AFL-CIO; University of Hawaii Professional Assembly; and  
Hawaii Fire Fighters Association, IAFF Local 1463, AFL-CIO.



Testimony in opposition to this measure was submitted by the Department of Budget and Finance.

Your Committee finds that under existing law, retired state and county employees receive a base monthly contribution health premium benefit, the amount of which depends on the date that the retired employee entered the public employment system. The base monthly contribution formula provides an upper threshold parameter used by the Hawaii Employer-Union Health Benefits Trust Fund Board of Trustees to determine the health benefit plans for retired state and county employees. This base monthly contribution serves as a cap on the amount that the public employers are required to pay for medical, prescription drug, dental, and vision premiums. The Hawaii Government Employees Association testified that this cap became an issue on July 1, 2012, when a carrier exceeded the base monthly contribution premium for non-Medicare retirees. If the carrier had not lowered its premium, the out-of-pocket costs to the non-Medicare retirees would have increased thereby diminishing the accrued retirees' health benefits. This measure eliminates this cap to address the potential diminishment of accrued benefits of retired public employees.

According to the written testimony submitted by the Department of Budget and Finance, the Department cited that cost is a significant consideration in the design of a health benefit plan and removing the base monthly contribution cap could potentially lead to the development of unsustainable retiree health benefits plans. Furthermore, the Department indicated that the base monthly contribution formula is one of the factors used by the actuary in determining the unfunded other post-employment benefit liability under the Hawaii Employer-Union Health Benefits Trust Fund. The Department advised that repealing the formula could result in an increase of the trust fund's unfunded liability, which is \$16,300,000,000 for all state and county jurisdictions, with the State's portion of the unfunded liability at \$13,600,000,000.

In addition to the concerns raised by the Department of Labor and Industrial Relations, your Committee has concerns regarding any conflicts with the federal Patient Protection and Affordable Care Act, commonly known as Obamacare, and notes the ongoing lawsuit in federal court regarding this federal health care law. Furthermore, your Committee has questions as to whether this measure conflicts with or resolves issues regarding the state constitutional provision that prohibits the diminishment or

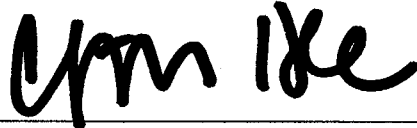


impairment of retired public employees' accrued benefits. As such, your Committee believes that this measure deserves further discussion by your Committee on Ways and Means.

Accordingly, your Committee has amended this measure by inserting an effective date of July 1, 2050, to encourage further discussion.

As affirmed by the record of votes of the members of your Committee on Judiciary and Labor that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 867, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 867, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on  
behalf of the members of the  
Committee on Judiciary and  
Labor,



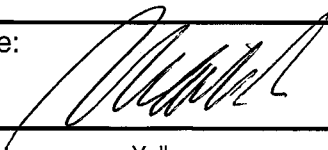
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CLAYTON HEE, Chair



The Senate  
 Twenty-Seventh Legislature  
 State of Hawai'i

**Record of Votes**  
**Committee on Judiciary and Labor**  
**JDL**

Bill / Resolution No.:*	Committee Referral:	Date:		
SB 867	JDL, WAM	2/11/13		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312	<input checked="" type="checkbox"/> Pass, with amendments 2311	<input type="checkbox"/> Hold 2310		
<input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
HEE, Clayton (C)	✓			
SHIMABUKURO, Maile S.L. (VC)	✓			
GABBARD, Mike	✓			
IHARA, Jr., Les	N/A	✓		
SLOM, Sam			✓	
<b>TOTAL</b>	3	1	1	
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
				
<b>Distribution:</b>				
Original File with Committee Report	Yellow Clerk's Office	Pink Drafting Agency	Goldenrod Committee File Copy	

\*Only one measure per Record of Votes