

Honolulu, Hawaii

APR 26 2013

RE: S.B. No. 946
S.D. 1
H.D. 1
C.D. 1

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

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Seventh State Legislature
Regular Session of 2013
State of Hawaii

Madam and Sir:

Your Committee on Conference on the disagreeing vote of the Senate to the amendments proposed by the House of Representatives in S.B. No. 946, S.D. 1, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO RESOLVING THE UNFUNDED LIABILITIES OF THE STATE AND THE COUNTIES,"

having met, and after full and free discussion, has agreed to recommend and does recommend to the respective Houses the final passage of this bill in an amended form.

The purpose of this measure is to establish proactive measures to reduce the unfunded liabilities of the State and counties for employee health benefit obligations.

More specifically, this measure:

- (1) Convenes and makes an unspecified appropriation in fiscal year 2013-2014 to a Hawaii employer-union health benefits trust fund task force that is placed within the Department of Budget and Finance to examine the unfunded liability of



the Hawaii employer-union health benefits trust fund (EUTF);

- (2) Establishes the Hawaii employer-union health benefits trust fund captive insurance company (captive insurance company) to provide its subscribers with a means of financing and managing their contractual obligations to provide health insurance, group life insurance, and other benefits to their employees;
- (3) Establishes a board of trustees to govern the captive insurance company whose trustees are appointed by the Governor to represent retirees, employee-beneficiaries, public employers, and the counties;
- (4) Establishes a Hawaii employer-union health benefits trust fund captive insurance company fund within the Department of Budget and Finance to provide public employee-beneficiaries and their beneficiaries with health and other benefit plans;
- (5) Establishes a Hawaii employer-union health benefits trust fund captive insurance company reserve account within the Department of Budget and Finance to be used as a reserve against or to pay future costs of providing health and other benefit plans;
- (6) Establishes a Hawaii employer-union health benefits trust fund captive insurance company minimum capital and surplus account within the Department of Budget and Finance to hold the minimum capital and surplus amounts established by the Insurance Commissioner; and
- (7) Repeals the EUTF, and transfers its rights, powers, functions, and duties to the captive insurance company.

After careful deliberation, your Committee on Conference has amended this measure by:

- (1) Reorganizing the measure by eliminating the designation of parts and making the title of the former part II that established the captive insurance company and the accompanying preamble applicable to the entire measure;
- (2) Clarifying that one of the primary purposes of the captive insurance company is to provide the public employers,



rather than subscribers, with a means of financing and managing their contractual obligations to provide health insurance, group life insurance, and other benefits to their employees;

- (3) Replacing the administrator of the captive insurance company with an attorney-in-fact and deleting provisions relating to the powers and duties of the administrator;
- (4) Specifying that the trustee who represents the counties shall be recommended by the Hawaii Association of Counties;
- (5) Replacing the voting method of one vote per group of trustees with the voting method of one vote per individual trustee;
- (6) Renaming the Hawaii employer-union health benefits trust fund captive insurance company reserve account as the Hawaii employer-union health benefits trust fund captive insurance company rate stabilization reserves and deleting the initial balance requirements, the authorization to cover catastrophic health events, and other specified powers;
- (7) Deleting the Hawaii employer-union health benefits trust fund captive insurance company minimum capital and surplus account;
- (8) Establishing the Hawaii employer-union health benefits trust fund captive insurance company other post employment benefits reserve fund within the Department of Budget and Finance to be used as a reserve for the future costs of providing other post employment benefits to retirees and their beneficiaries when there are insufficient moneys to cover current claims in the Hawaii employer-union health benefits trust fund captive insurance company fund;
- (9) Requiring employers to make annual required contributions, as determined by the board of trustees, to the Hawaii employer-union health benefits trust fund captive insurance company other post employment benefits reserve fund;
- (10) Establishing a schedule of annual required contributions, notwithstanding the determinations by the board of



trustees, for the six-year fiscal period from 2013-2014 to 2018-2019;

- (11) Authorizing the Director of Finance to retain transient accommodations tax revenues and other sources of revenues to supplement payments for counties that fall short of paying their annual required contributions;
- (12) Changing the effective date to July 1, 2013; and
- (13) Making technical nonsubstantive amendments for the purposes of clarity, style, and consistency.

As affirmed by the record of votes of the managers of your Committee on Conference that is attached to this report, your Committee on Conference is in accord with the intent and purpose of S.B. No. 946, S.D. 1, H.D. 1, as amended herein, and recommends that it pass Final Reading in the form attached hereto as S.B. No. 946, S.D. 1, H.D. 1, C.D. 1.

Respectfully submitted on behalf of the managers:

ON THE PART OF THE HOUSE

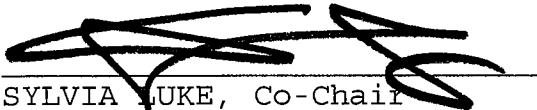
ON THE PART OF THE SENATE



MARK M. NAKASHIMA, Co-Chair



CLAYTON LEE, Chair



SYLVIA DUKE, Co-Chair



DAVID Y. IGE, Co-Chair



ROSALYN H. BAKER, Co-Chair



Hawaii State Legislature

CCR 130

Record of Votes of a Conference Committee

Bill / Concurrent Resolution No.: SB 946, SD 1, HD 1	Date/Time: ID: SSA 4-26-2013
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The recommendation of the House and Senate managers is to pass with amendments (CD).

The Committee is reconsidering its previous decision.

<input type="checkbox"/> The recommendation of the Senate Manager(s) is to AGREE to the House amendments made to the Senate Measure	<input type="checkbox"/> The recommendation of the House Manager(s) is to AGREE to the Senate amendments made to the House Measure.
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Senate Managers	A	WR	N	E	House Managers	A	WR	N	E
HEE, Clayton, Chr.	✓				NAKASHIMA, Mark M., Co-Chr.	✓			
IGE, David Y., Co-Chr.	✓				LUKE, Sylvia, Co-Chr.	✓			
BAKER, Rosalyn H., Co-Chr.			✓		CACHOLA, Romy M.	✓			
KOUCHI, Ronald D.	✓				JOHANSON, Aaron Ling		✓		
TOTAL	3	-	1	-	TOTAL	3	1	-	-

A = Aye WR = Aye with Reservations N = Nay E = Excused

Senate Recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted	House Recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted
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Senate Lead Chair's or Designee's Signature: 	House Lead Chair's or Designee's Signature:
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