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TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 1174, H.D. 1

February 25, 2013

RELATING TO THE EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

House Bill No. 1174, H.D. 1, repeals the base monthly contribution amount formula for public employer contributions to the Employer-Union Health Benefits Trust Fund (EUTF) for State/county retirees' health benefits.

The Department of Budget and Finance strongly opposes this measure. First, the base monthly contribution formula provides an upper threshold parameter for the EUTF Board of Trustees in determining health benefits plan designs and benefits for State/county retirees. Cost is a significant consideration in the design of a health benefit plan and removing the upper threshold parameter could lead to development of health benefit plans for retirees that are unsustainable. It should be noted that collective bargaining of public employer EUTF contributions serves as the comparable upper threshold parameter for active State/county employees.

Second, the base monthly contribution formula for State/county retirees is one of the factors used by the actuary in determining the unfunded other post-employment benefit (OPEB) liability of the EUTF. Repealing the base monthly contribution formula could result in an increase of the EUTF unfunded OPEB liability, which is currently \$16.3 billion for all State/county jurisdictions -- the State's portion of the unfunded OPEB liability is \$13.6 billion.