

# HB 594

**TESTIMONY BY KALBERT K. YOUNG  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT  
ON  
HOUSE BILL 594**

**February 5, 2013**

**RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND**

House Bill 594 makes the following amendments to Chapter 87A, Hawaii Revised Statutes, which governs the Hawaii Employer-Union Trust Fund (EUTF):

- Changes the composition of the board from ten members to eight members, including the Director of Finance as an ex officio member, four employees who are enrolled in health benefits plans of the fund provided that one of four shall be a public school teacher and three residents of the State provided that one of the three shall be an officer of a financial institution, public accounting firm or insurance company authorized to do business within the State;
- Provides for elections to be conducted by the Department of Budget and Finance (Department) for the four employee members in a similar manner to the election of trustees to the Employees' Retirement System (ERS) and for the Governor to appoint with consent of the Senate the three non-employee members;
- Amends the duties of the board to include fiduciary duties and provides powers to the board similar to the ERS; and
- Requires the board to implement and recommend policies to amortize the unfunded actuarial accrued liability within thirty years from January 1, 2014.

While the Department recognizes that some of these proposed revisions to the composition of the EUTF board could transform the current dynamics of the existing board and set a better overall direction for the board to deal with more strategic directions of the EUTF, the Department also has concerns about the modifications to the composition of the EUTF Board. The intent of Act 88, Session Laws of Hawaii 2001 which created the EUTF, was to provide equal representation to both public employers and public employees in providing health benefit plans for State and County employees, retirees and their dependents at costs affordable to both the public employers and the public employees. The EUTF serves a very crucial role in the delivery of health and life insurance benefits for State and County employees, retirees, and their dependents. In recognition of these factors and the immediate and personal impacts that may result to subscribers and their dependents, the current and previous Administrations have appointed several cabinet level trustees to the EUTF Board.

In the course of their duties, department heads and deputies are required in many instances to serve on a variety of key and high level State boards and commissions in either an appointed, ex-officio, or designated capacity. The provisions of House Bill 594 could result in a diminishment of invaluable expertise from contributing members of the public employer representatives.

With regards to the amortizing the EUTF's unfunded actuarial accrued liability within thirty years, the Administration has proposed a comprehensive approach through a budget request and legislation to address the EUTF's unfunded actuarial accrued Other Post-Employment Benefits liability.

We defer to the Department of the Attorney General regarding the provisions to clarify the fiduciary duties of the EUTF Board.

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**LATE TESTIMONY**