

**LATE**

TESTIMONY BY KALBERT K. YOUNG  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON FINANCE  
ON  
SENATE BILL NO. 867, S.D. 2, H.D. 1

April 2, 2013

RELATING TO THE EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Senate Bill No. 867, S.D. 2, 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.**



**HAWAII GOVERNMENT EMPLOYEES ASSOCIATION**  
AFSCME Local 152, AFL-CIO

RANDY PERREIRA, Executive Director • Tel: 808.543.0011 • Fax: 808.528.0922

**LATE**

The Twenty-Seventh Legislature, State of Hawaii  
House of Representatives  
Committee on Finance

Testimony by  
Hawaii Government Employees Association  
April 2, 2013

S.B. 867, SD2, HD 1 Relating to Employer-Union Health Benefits Trust Fund

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO supports S.B. 867, S.D.2, H.D.1 which repeals the base monthly contribution to the EUTF for each enrolled employee beneficiary effective January 1, 2113

The HGEA contends that Hawaii Supreme Court held that "health benefits for retired state and county employees constitutes 'accrued benefits' pursuant to article XVI Section 2 of the Hawaii Constitution." This means that the Hawaii Constitution prohibits the Legislature from passing any bill that diminishes or impairs retirees' health or pension benefits already earned.

Public employees currently pay a share of the cost of health premiums for health benefits. In retirement, retired state and county employees receive a base monthly contribution health premium benefit depending on their hire date. In other words, there is a "cap" on the amount the employers will pay for medical, prescription drug, dental and vision premiums. The cap has not been an issue since its inception on July 1, 2003 through June 30, 2012. However on July 1, 2012, one carrier exceeded the base monthly contribution premium for non-Medicare retirees. The difference between the base monthly contribution premium and the non-Medicare retiree premium represented the out-of-pocket cost to the retiree which diminished the 'accrued' retirees' health benefit, in direct conflict of article XVI, Section 2 of the Hawaii Constitution.

Let us not forget the promise, the social and moral obligation to State and County employees of free health insurance benefits upon retirement. HGEA supports the bill as amended. Thank you for the opportunity to testify.

Respectfully submitted,

Randy Perreira  
Executive Director

## FINTestimony

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, April 01, 2013 4:16 PM  
**To:** FINTestimony  
**Cc:** hiresidence@msn.com  
**Subject:** \*Submitted testimony for SB867 on Apr 2, 2013 14:00PM\*

### **SB867**

Submitted on: 4/1/2013

Testimony for FIN on Apr 2, 2013 14:00PM in Conference Room 308

| Submitted By     | Organization | Testifier Position | Present at Hearing |
|------------------|--------------|--------------------|--------------------|
| ARLENE SHIMOKAWA | HGEA         | Oppose             | No                 |

Huh? Don't think she got the memo

Comments:

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**FINTestimony**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, April 01, 2013 7:31 PM  
**To:** FINTestimony  
**Cc:** madeline\_neely@yahoo.com  
**Subject:** Submitted testimony for SB867 on Apr 2, 2013 14:00PM

**SB867**

Submitted on: 4/1/2013

Testimony for FIN on Apr 2, 2013 14:00PM in Conference Room 308

| <b>Submitted By</b> | <b>Organization</b> | <b>Testifier Position</b> | <b>Present at Hearing</b> |
|---------------------|---------------------|---------------------------|---------------------------|
| Madeline Neely      | Individual          | Support                   | No                        |

Comments: House Finance Committee Chair Sylvia Luke House Finance Committee Vice-Chair Scott Nishimoto; House Finance Committee Vice-Chair Aaron Ling Johanson: Aloha, my name is Madeline Neely, a retiree of the City and County of Honolulu Police Department. I am in support of the HD1 repeal of the cap for SB867,SD2. I respectfully ask for the support of the House Finance Committee to pass this bill. Mahalo!

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## FINTestimony

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, April 01, 2013 5:26 PM  
**To:** FINTestimony  
**Cc:** Palakiko96744@yahoo.com  
**Subject:** Submitted testimony for SB867 on Apr 2, 2013 14:00PM

### **SB867**

Submitted on: 4/1/2013

Testimony for FIN on Apr 2, 2013 14:00PM in Conference Room 308

| Submitted By | Organization | Testifier Position | Present at Hearing |
|--------------|--------------|--------------------|--------------------|
| James        | Individual   | Support            | Yes                |

Comments: Aloha Chair Luke and Finance Committee Members, My name is James Palakiko Jr., Kimo to my family and friends. I have lived in Hawaii my entire life, I was born here, worked, volunteered, and started a family here. My Hawaiian ancestors have been here for along time, my Chinese and Portuguese ancestors came a little later on. The one lesson my Kupunas, parents, and uncles and aunties have taught me is you keep your word. My dad promised his friend Howard Watson his next child would be named after him. So my younger sisters name is Howardlynn Watson Palakiko. She has lived with that name till she married in 1990 when she honored her husband by taking his last name of Sivaivai. She never thought to break my fathers promise to his friend even when she turned 18. I hope your Kupunas, and parents taught you as well, to honor the word of the elected officials (your predecessors) that came before you. We all have histories, family, work, and spiritual. Remember to honor our Kupunas by keeping promises made to them long ago. Please continue to provide the medical benefit to all who served our Territory, and State with honor and pride and allow them to keep their dignity, by not having to beg for what is rightly theirs.

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## FINTestimony

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**To:** FINTestimony  
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### **SB867**

Submitted on: 4/1/2013

Testimony for FIN on Apr 2, 2013 14:00PM in Conference Room 308

| <b>Submitted By</b> | <b>Organization</b> | <b>Testifier Position</b> | <b>Present at Hearing</b> |
|---------------------|---------------------|---------------------------|---------------------------|
| Linda Aina          | Individual          | Comments Only             | No                        |

Comments: I support this bill which repeals the cap o the base monthly contribution for retiree health benefit plans. I retired a few months ago and expected all these years that I would not be required to contribute to my health insurance premiums. My husband who will soon turn 80 is also covered under my plan. We urge you to repeal the cap on the base monthly contributions for retiree plans. Thank you. Linda (Hilo)

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**FINTestimony**

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**Sent:** Monday, April 01, 2013 9:38 PM  
**To:** FINTestimony  
**Cc:** kiyojima@yahoo.com  
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**SB867**

Submitted on: 4/1/2013

Testimony for FIN on Apr 2, 2013 14:00PM in Conference Room 308

| <b>Submitted By</b> | <b>Organization</b> | <b>Testifier Position</b> | <b>Present at Hearing</b> |
|---------------------|---------------------|---------------------------|---------------------------|
| Thomas Kiyojima     | Individual          | Support                   | No                        |

Comments: I retired from the County of Hawaii. In support SB867, SD2, and in support of proposed adendment HD1 Repeal cap on monthly contribution for retiree Health Benifit.

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**LATE**

**SB867**

Submitted on: 4/2/2013

Testimony for FIN on Apr 2, 2013 14:00PM in Conference Room 308

| <b>Submitted By</b> | <b>Organization</b> | <b>Testifier Position</b> | <b>Present at Hearing</b> |
|---------------------|---------------------|---------------------------|---------------------------|
| Victor V. Vierra    | Individual          | Support                   | No                        |

Comments: I strongly urge members of the committee to support this bill. Retirees are already faced with mounting costs with their fixed incomes. Your kind consideration is appreciated.

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