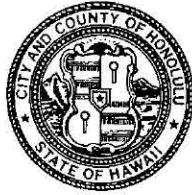


**LATE**

KIRK CALDWELL  
MAYOR



NELSON H. KOYANAGI, JR.  
ACTING DIRECTOR

GARY KUROKAWA  
DEPUTY DIRECTOR

508653

April 2, 2013

The Honorable Sylvia Luke, Chair  
and Members of the House Committee  
on Finance  
House of Representatives  
Hawaii State Capitol  
415 South Beretania Street  
Honolulu, Hawaii 96813

Dear Chair Luke and Members:

**SUBJECT: Senate Bill 946, HD1, Relating to Resolving the Unfunded Liabilities of the State and Counties.**

The City and County of Honolulu (City) submits the following testimony regarding Senate Bill 946, HD1. The bill would 1) convene a task force to examine the unfunded liability of the Hawaii employer-union health benefits trust fund (EUTF); and 2) establish a captive insurance company to manage the administration and financing of the current and future employee health benefit obligations of the state and counties.

The City supports the convening of a task force to examine the unfunded liability of the EUTF and to explore all benefit and funding options, and requests that the task force include a representative from each county.

The City does not support the establishment of a captive insurance company as proposed in the bill for the following reasons.

- A comprehensive feasibility study by experts in employee benefits and captive insurance has not been done to examine the options for resolving the unfunded EUTF liabilities of the state and counties. It would be premature to establish a captive insurance company before such a study is completed.

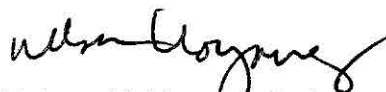
The Honorable Sylvia Luke, Chair  
and Members of the House Committee  
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April 2, 2013  
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- It is not clear how the establishment of a captive insurance company would improve the administration and financing of the unfunded liability of the EUTF compared to the Hawaii Employer-Union Health Benefits Trust Fund.
- The method of determining each employer's share to fund the required initial \$1.5 billion balance of the EUTF Captive Resource Account should be based on actuarial calculations instead of the percentage of total employees the employer employs as of the effective date of the Act.

Also, the requirement that the City fund a share of the large up front costs of establishing a captive insurance company would force the City to raise taxes and fees and/or reduce City services to cover the additional costs. This burden would ultimately be shouldered by its taxpayers and/or its visitors. For these reasons, the City opposes the establishment of a captive insurance company as proposed in Senate Bill 946, HD1.

Thank you for the opportunity to testify on Senate Bill 946, HD1.

Sincerely,



Nelson H. Koyanagi, Jr.  
Acting Director

NHK/CK:ts