

S .B. NO. 1031

JAN 24 2013

A BILL FOR AN ACT

RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
DEFINED CONTRIBUTION PLAN.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that cost of health
2 insurance policy premiums has been increasing over time.
3 Because future costs of health insurance policy premiums are
4 difficult to predict, the legislature finds that changing the
5 current structure of state and county employers paying a
6 percentage of health insurance policy premiums for retired
7 employee-beneficiaries of the Hawaii employer-union health
8 benefits trust fund in favor of a defined contribution plan for
9 such retired employee-beneficiaries is fiscally responsible and
10 prudent.

11 The purpose of this Act is to provide for the establishment
12 of a defined contribution plan for retired employee-
13 beneficiaries of the Hawaii employer-union health benefits trust
14 fund who were hired on or after July 1, 2013.

15 SECTION 2. Chapter 87A, Hawaii Revised Statutes, is
16 amended by adding to part VI a new section to be appropriately
17 designated and to read as follows:

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1 "87A- Defined contribution plan. (a) Notwithstanding
2 any law to the contrary, this section shall apply to employee-
3 beneficiaries who were hired on or after July 1, 2013.

4 (b) All employee-beneficiaries hired on or after July 1,
5 2013, who retire with ten years of credited service, excluding
6 sick leave, shall receive a defined contribution towards the
7 payment of premiums for health benefit plans in the amount of
8 \$100 per month. For each year of credited service in excess of
9 ten years, such employee-beneficiaries shall receive an
10 additional defined contribution in the amount of \$10 per month.
11 The defined contributions described in this subsection shall be
12 applied to health insurance policy premiums of health benefits
13 plans offered by the fund and shall constitute the sole payment
14 that state and county employers will make toward a retired
15 employee-beneficiary's health insurance policy premiums.

16 (c) In the event that an employee-beneficiary chooses not
17 to apply the defined contributions described in subsection (b),
18 to health insurance policy premiums of health benefits plans
19 offered by the fund, said defined contributions shall be paid to
20 the employee-beneficiary directly from the fund.

21 (d) If the board establishes a separate trust fund for
22 purposes of receiving employer contributions that will prefund
23 other post-employment health and other benefit plan costs for
24 retired employee-beneficiaries and their beneficiaries, as set
25 forth in section 87A-42, the defined contributions described in

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1 subsections (b) and (c) shall be paid solely from such separate
2 trust fund."

3 SECTION 3. Section 87A-1, Hawaii Revised Statutes, is
4 amended by adding a new definition to be appropriately inserted
5 and to read as follows:

6 "Defined contribution" means the predetermined monthly sum
7 of money paid to a retired employee-beneficiary who was hired on
8 or after July 1, 2013."

9 SECTION 4. New statutory material is underscored.

10 SECTION 5. This Act shall take effect upon its approval.

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INTRODUCED BY: *Anna Mercedes Kei*

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BY REQUEST

Report Title:

Employer-Union Health Benefits Trust Fund; Defined Contribution Benefit Program

Description:

Establishes a defined contribution plan for retiree health benefits that will be applied to employees hired on or after July 1, 2013.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

JUSTIFICATION SHEET

SB. NO. 1031

DEPARTMENT: Budget and Finance

TITLE: A BILL FOR AN ACT RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND DEFINED CONTRIBUTION PLAN.

PURPOSE: To establish a defined contribution plan for retired employee-beneficiaries of the Hawaii employer-union health benefits trust fund who were hired on or after July 1, 2013.

MEANS: Add a new section to part IV of chapter 87A, Hawaii Revised Statutes, and a new definition to section 87A-1, Hawaii Revised Statutes.

JUSTIFICATION: As cost of health insurance policy premiums continues to increase, the State's obligation to pay for retired employee's health benefits is growing at an accelerated pace. Because future costs of health insurance policy premiums are difficult to predict, changing the current structure of State and county employers paying a percentage of health insurance policy premiums for retired employee-beneficiaries of the Hawaii employer-union health benefits trust fund in favor of a defined contribution plan for such retired employee-beneficiaries is fiscally responsible and prudent. The bill will require the employer to pay a defined amount to contribute to a retired employee's health benefit premiums based on a graduated scale. Contributions are contingent upon a retired employee's years of credited service. Upon 10 years of credited service, the employer will contribute \$100 a month towards a retired employee's health benefit premiums. For each additional year of credited service, the State will contribute an additional \$10 per month towards the retired employee's health benefit premiums. The bill also allows for the employee to opt-out of the

defined contribution program and receive the earned defined contribution benefit in the form of additional pension. This is to allow for more flexibility for employees in determining the form of their future accrued benefit.

Impact on the public: None.

Impact on the department and other agencies: None.

GENERAL FUND: TBD.

OTHER FUNDS: TBD.

PPBS PROGRAM
DESIGNATION: None.

OTHER AFFECTED
AGENCIES: Department of Budget and Finance; the State and the counties, as public employers.

EFFECTIVE DATE: Upon approval.