
A BILL FOR AN ACT

RELATING TO RESOLVING THE UNFUNDED LIABILITIES OF THE STATE AND
THE COUNTIES.

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

1 SECTION 1. Chapter 87A, Hawaii Revised Statutes, is
2 amended by adding two new sections to part IV to be
3 appropriately designated and to read as follows:

4 "§87A- Public employers; defined. For the purposes of
5 this part, "public employer" means a governmental entity whose
6 employees', beneficiaries', and retirees' health benefits
7 coverage is provided through the fund.

8 §87A- Payment of public employer contributions to the
9 other post-employment benefits trust. (a) Commencing with
10 fiscal year 2018-2019, each of the counties and all other public
11 employers shall make annual required contributions in accordance
12 with section 87A-42 for the benefit of its retirees and
13 beneficiaries.

14 (b) The board shall determine the annual required
15 contribution owed by each public employer under this part for
16 each fiscal year, beginning with fiscal year 2018-2019.



1 (c) If the amount or any portion of the annual required
2 contribution is not paid by a county, the director of finance
3 shall retain out of the transient accommodations tax revenue
4 collected, a sum equal to the amount or portion thereof not so
5 paid. All the moneys retained and collected by the director of
6 finance shall be deposited in the appropriate account of the
7 separate trust fund under section 87A-42.

8 (d) If the amount or any portion of the annual required
9 contribution is not paid by a public employer that either does
10 not receive transient accommodations tax revenues or is not
11 entitled to sufficient transient accommodations tax revenues to
12 fund the amount of the annual required contribution, the
13 director of finance may retain any portion of the owed amount
14 from any other revenues collected on behalf of that public
15 employer or held by the State."

16 SECTION 2. Section 87A-24, Hawaii Revised Statutes, is
17 amended to read as follows:

18 "**§87A-24 Other powers.** In addition to the power to
19 administer the fund, the board may:

20 (1) Collect, receive, deposit, and withdraw money on
21 behalf of the fund;



- 1 (2) Invest moneys in the same manner specified in section
2 88-119(1)(A), (1)(B), (1)(C), (2), (3), (4), (5), (6),
3 and (7);
- 4 (3) Hold, purchase, sell, assign, transfer, or dispose of
5 any securities or other investments of the fund, as
6 well as the proceeds of those investments and any
7 money belonging to the fund;
- 8 (4) Appoint, and at pleasure dismiss, an administrator and
9 other fund staff. The administrator and staff shall
10 be exempt from chapter 76 and shall serve under and at
11 the pleasure of the board;
- 12 (5) Make payments of periodic charges and pay for
13 reasonable expenses incurred in carrying out the
14 purposes of the fund;
- 15 (6) Contract for the performance of financial audits of
16 the fund and claims audits of its insurance carriers;
- 17 (7) Retain auditors, actuaries, investment firms and
18 managers, benefit plan consultants, or other
19 professional advisors to carry out the purposes of
20 this chapter[+], including the retaining of an actuary
21 to determine the annual required public employer



1 contribution for the separate trust fund established
2 under section 87A-42;

3 (8) Establish health benefits plan and long-term care
4 benefits plan rates that include administrative and
5 other expenses necessary to effectuate the purposes of
6 the fund; and

7 (9) Require any department, agency, or employee of the
8 State or counties to furnish information to the board
9 to carry out the purposes of this chapter."

10 SECTION 3. Section 87A-42, Hawaii Revised Statutes, is
11 amended to read as follows:

12 "~~{}~~§87A-42~~{}~~ **Other post-employment benefits trust.** (a)
13 Notwithstanding sections 87A-31 and 87A-31.5, the board, upon
14 terms and conditions set by the board, ~~[may]~~ shall establish and
15 administer a separate trust fund for the purpose of receiving
16 employer contributions that will prefund other post-employment
17 health and other benefit plan costs for retirees and their
18 beneficiaries. ~~[If a fund is established, it]~~ The separate
19 trust fund shall meet the requirements of the Government
20 Accounting Standards Board regarding other post-employment
21 benefits trusts. The board shall establish and maintain a
22 separate account for each public employer within the separate

1 trust fund to accept and account for each public employer's
2 contributions. Employer contributions to the separate trust
3 fund shall be irrevocable, all assets of the fund shall be
4 dedicated exclusively to providing health and other benefits to
5 retirees and their beneficiaries, and assets of the fund shall
6 not be subject to appropriation for any other purpose and shall
7 not be subject to claims by creditors of the employers or the
8 board or plan administrator. The board's powers under section
9 87A-24 shall also apply to [~~any~~] the fund established pursuant
10 to this section.

11 (b) Public employer contributions shall be paid into the
12 fund in each fiscal year, and commencing with the 2018-2019
13 fiscal year, the amount of the annual public employer
14 contribution shall be equal to the amount of the annual required
15 contribution, as determined by an actuary retained by the board.

16 (c) In any fiscal year subsequent to the 2017-2018 fiscal
17 year in which the state public employer contributions into the
18 fund are less than the amount of the annual required
19 contribution, the amount that represents the excess of the
20 annual required contribution over the state public employer
21 contributions shall be deposited into the separate trust fund



1 from a portion of all general excise tax revenues collected by
2 the department of taxation under section 237-31.

3 (d) In any fiscal year subsequent to the 2017-2018 fiscal
4 year in which a county public employer contributions into the
5 fund are less than the amount of the annual required
6 contribution, the amount that represents the excess of the
7 annual required contribution over the county public employer
8 contributions shall be deposited into the fund from a portion of
9 all transient accommodations tax revenues collected by the
10 department of taxation under section 237D-6.5(b)(3). The
11 director of finance shall deduct the amount necessary to meet
12 the county public employer's annual required contribution from
13 the revenues derived under section 237D-6.5(b)(3) and transfer
14 the amount to the board for deposit into the separate trust
15 fund.

16 (e) In any fiscal year subsequent to fiscal year 2017-2018
17 in which the public employer contributions into the fund are
18 less than the amount of the annual required contribution and the
19 public employer is not entitled to transient accommodations tax
20 sufficient to satisfy the total amount of the annual required
21 contribution, the public employer contributions shall be
22 deposited into the fund from portions of any other revenues



1 collected on behalf of the public employer or held by the State.
2 The director of finance shall deduct the amount necessary to
3 meet the public employer's annual required contribution from any
4 revenues collected on behalf of the public employer held by the
5 State and transfer the amount to the board for deposit into the
6 separate trust fund.

7 (f) For the purposes of this section, "annual required
8 contribution" means a public employer's required contribution to
9 the trust fund established in this section that is sufficient to
10 cover:

11 (1) The normal cost, which is the cost of other post-
12 employment benefits attributable to the current year
13 of service; and

14 (2) An amortization payment, which is a catch-up payment
15 for past service costs to fund the unfunded actuarial
16 accrued liability over the next thirty years."

17 SECTION 4. Section 237-31, Hawaii Revised Statutes, is
18 amended to read as follows:

19 "§237-31 **Remittances.** All remittances of taxes imposed by
20 this chapter shall be made by money, bank draft, check,
21 cashier's check, money order, or certificate of deposit to the
22 office of the department of taxation to which the return was



1 transmitted. The department shall issue its receipts therefor
2 to the taxpayer and shall pay the moneys into the state treasury
3 as a state realization, to be kept and accounted for as provided
4 by law; provided that:

5 (1) The sum from all general excise tax revenues realized
6 by the State that represents the difference between
7 \$45,000,000 and the proceeds from the sale of any
8 general obligation bonds authorized for that fiscal
9 year for the purposes of the state educational
10 facilities improvement special fund shall be deposited
11 in the state treasury in each fiscal year to the
12 credit of the state educational facilities improvement
13 special fund;

14 (2) A sum, not to exceed \$5,000,000, from all general
15 excise tax revenues realized by the State shall be
16 deposited in the state treasury in each fiscal year to
17 the credit of the compound interest bond reserve fund;
18 [and]

19 (3) A sum from all general excise tax revenues realized by
20 the State that is equal to one-half of the total
21 amount of funds appropriated or transferred out of the
22 hurricane reserve trust fund under sections 4 and 5 of



1 Act 62, Session Laws of Hawaii 2011, shall be
2 deposited into the hurricane reserve trust fund in
3 fiscal year 2013-2014 and in fiscal year 2014-2015;
4 provided that the deposit required in each fiscal year
5 shall be made by October 1 of that fiscal year[-]; and
6 (4) Commencing with fiscal year 2018-2019, a sum from all
7 general excise tax revenues realized by the State that
8 represents the difference between the state public
9 employer's annual required contribution for the
10 separate trust fund established under section 87A-42
11 and the amount of the state public employer
12 contributions into that trust fund shall be deposited
13 to the credit of the State's annual required
14 contribution into that trust fund in each fiscal year,
15 as provided in section 87A-42."

16 SECTION 5. Section 237D-6.5, Hawaii Revised Statutes, is
17 amended by amending subsection (b) to read as follows:

18 "(b) Revenues collected under this chapter, except for
19 revenues collected under section 237D-2(b), shall be distributed
20 as follows, with the excess revenues to be deposited into the
21 general fund:



- 1 (1) 17.3 per cent of the revenues collected under this
2 chapter shall be deposited into the convention center
3 enterprise special fund established under section
4 201B-8; provided that beginning January 1, 2002, if
5 the amount of the revenue collected under this
6 paragraph exceeds \$33,000,000 in any fiscal year,
7 revenues collected in excess of \$33,000,000 shall be
8 deposited into the general fund;
- 9 (2) 34.2 per cent of the revenues collected under this
10 chapter shall be deposited into the tourism special
11 fund established under section 201B-11 for tourism
12 promotion and visitor industry research; provided that
13 for any period beginning on July 1, 2012, and ending
14 on June 30, 2015, no more than \$71,000,000 per fiscal
15 year shall be deposited into the tourism special fund
16 established under section 201B-11; provided further
17 that beginning on July 1, 2012, and ending on June 30,
18 2015, \$2,000,000 shall be expended from the tourism
19 special fund for development and implementation of
20 initiatives to take advantage of expanded visa
21 programs and increased travel opportunities for
22 international visitors to Hawaii; and provided further



1 that beginning on July 1, 2002, of the first
2 \$1,000,000 in revenues deposited:
3 (A) Ninety per cent shall be deposited into the state
4 parks special fund established in section
5 184-3.4; and
6 (B) Ten per cent shall be deposited into the special
7 land and development fund established in section
8 171-19 for the Hawaii statewide trail and access
9 program;
10 provided that of the 34.2 per cent, 0.5 per cent shall
11 be transferred to a sub-account in the tourism special
12 fund to provide funding for a safety and security
13 budget, in accordance with the Hawaii tourism
14 strategic plan 2005-2015; provided further that of the
15 revenues remaining in the tourism special fund after
16 revenues have been deposited as provided in this
17 paragraph and except for any sum authorized by the
18 legislature for expenditure from revenues subject to
19 this paragraph, beginning July 1, 2007, funds shall be
20 deposited into the tourism emergency trust fund,
21 established in section 201B-10, in a manner sufficient



1 to maintain a fund balance of \$5,000,000 in the
2 tourism emergency trust fund; and
3 (3) 44.8 per cent of the revenues collected under this
4 chapter shall be transferred as follows: Kauai county
5 shall receive 14.5 per cent, Hawaii county shall
6 receive 18.6 per cent, city and county of Honolulu
7 shall receive 44.1 per cent, and Maui county shall
8 receive 22.8 per cent; provided that for any period
9 beginning on July 1, 2011, and ending on June 30,
10 2015, the total amount transferred to the counties
11 shall not exceed \$93,000,000 per fiscal year[-];
12 provided that commencing with fiscal year 2018-2019, a
13 sum that represents the difference between a county
14 public employer's annual required contribution for the
15 separate trust fund established under section 87A-42
16 and the amount of the county public employer
17 contributions into that trust fund shall be retained
18 by the state director of finance and deposited to the
19 credit of the county public employer's annual required
20 contribution into that trust fund in each fiscal year,
21 as provided in section 87A-42, if the respective
22 county fails to remit the total amount of the county's



1 required annual contributions, as required under
2 section 87A- .

3 Revenues collected under section 237D-2(b) shall be
4 deposited into the general fund. All transient accommodations
5 taxes shall be paid into the state treasury each month within
6 ten days after collection and shall be kept by the state
7 director of finance in special accounts for distribution as
8 provided in this subsection.

9 As used in this subsection, "fiscal year" means the twelve-
10 month period beginning on July 1 of a calendar year and ending
11 on June 30 of the following calendar year."

12 SECTION 6. Notwithstanding the amount of a public employer
13 annual required contribution determined in any fiscal year by an
14 actuary retained by the board for such purpose, for the five-
15 year fiscal period from 2014-2015 to 2018-2019, public employer
16 contributions into the separate trust fund established under
17 section 87A-42, Hawaii Revised Statutes, shall be at the
18 specified percentages of the respective annual required
19 contributions, as follows:

	<u>Fiscal Year</u>	<u>Annual Required Contribution</u>
20		
21	(1) 2014-2015	Twenty per cent
22	(2) 2015-2016	Forty per cent



- 1 (3) 2016-2017 Sixty per cent;
- 2 (4) 2017-2018 Eighty per cent; and
- 3 (5) 2018-2019 One hundred per cent.

4 SECTION 7. Not less than twenty days prior to the
5 convening of the regular session of 2014, the director of
6 finance, in order to maximize the efficient use of resources and
7 public funds, shall submit an implementation plan and any
8 proposed legislation to the legislature to execute the
9 following:

- 10 (1) Joint use of any investment information, advice, and
11 services provided by fund managers retained by the
12 board of trustees of the employees' retirement system
13 with the board of trustees of the employer-union
14 health benefits trust fund for the purpose of
15 investing moneys contained in the separate trust fund
16 established under section 87A-42, Hawaii Revised
17 Statutes; and
- 18 (2) Procedures to accept and deposit employer
19 contributions from county public employers into the
20 separate trust fund established under section 87A-42,
21 Hawaii Revised Statutes.



1 SECTION 8. Statutory material to be repealed is bracketed
2 and stricken. New statutory material is underscored.

3 SECTION 9. This Act shall take effect on July 1, 2050;
4 provided that the amendments made to section 237D-6.5, Hawaii
5 Revised Statutes, in section 5 of this Act shall not be repealed
6 when section 237D-6.5, Hawaii Revised Statutes, is repealed and
7 reenacted on June 30, 2015, pursuant to Act 61, Session Laws of
8 Hawaii 2009, and Act 103, Session Laws of Hawaii 2011.



Report Title:

EUTF; Trust Fund; Annual Required Contribution; OPEB

Description:

Defines "public employer". Requires the EUTF to establish a separate trust fund for public employer contributions with separate accounts for each public employer. Requires the annual public employer contribution to be equal to the annual required public employer contribution, to be determined by an actuary commencing with FY 2018-2019. Requires the use of a portion of the general excise tax revenues to supplement deficient state public employer contribution amounts commencing with FY 2018-2019. Requires the use of a portion of the transient accommodations tax revenues to supplement deficient county public employer contribution amounts commencing with FY 2018-2019. Establishes a schedule to phase-in the annual required state public employer contribution requirement. Requires the director of finance to report to the legislature on an implementation plan to have both the EUTF and the ERS jointly sharing investment information and services for the benefit of the trust fund and to establish disbursement channels for county public employer contributions into the trust fund. Effective 7/1/2050. (SD1)

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