

STAND. COM. REP. NO.

1380

Honolulu, Hawaii

APR 05 2013

RE: H.B. No. 546
H.D. 2
S.D. 2

Honorable Donna Mercado Kim
President of the Senate
Twenty-Seventh State Legislature
Regular Session of 2013
State of Hawaii

Madam:

Your Committee on Ways and Means, to which was referred H.B. No. 546, H.D. 2, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND,"

begs leave to report as follows:

The purpose and intent of this measure is to establish the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) task force within the Department of Budget and Finance to examine the unfunded liability of the EUTF.

This measure also appropriates funds for the task force and requires a report to the 2014 Legislature.

Prior to public decision making on the measure, a Proposed Senate Draft 2 (Proposed S.D. 2) was circulated for public review and comment.

The purpose and intent of the Proposed S.D. 2 is to add to the S.D. 1, the substance of S.B. No. 946, S.D. 1, which requires public employers to contribute annual required contributions to a separate trust fund established by the EUTF for the benefit of retirees and their beneficiaries. More specifically, S.B. No. 946, S.D. 1:



- (1) Requires the EUTF to establish a separate trust fund for public employer contributions with separate accounts for each public employer;
- (2) Requires the public employer to contribute, to the separate trust fund, the full amount of the public employer's annual OPEB liability, as determined by an actuary, commencing with fiscal year 2018-2019;
- (3) Requires the use of a portion of the general excise tax revenues to supplement deficient state public employer contribution amounts commencing with fiscal year 2018-2019;
- (4) Requires the use of a portion of the transient accommodations tax revenues to supplement deficient county public employer contribution amounts commencing with fiscal year 2018-2019;
- (5) Establishes a schedule to phase-in the annual required state public employer contribution requirement; and
- (6) Requires the Director of Finance to report to the 2014 Legislature on an implementation plan to have both the EUTF and the Employees' Retirement System (ERS) jointly share investment information and services for the benefit of the separate trust fund and to establish disbursement channels for county public employer contributions into the separate trust fund.

In addition, the Proposed S.D. 2 amends H.B. No. 546, H.D. 2, S.D. 1, by:

- (1) Increasing the size of the task force from twelve to sixteen members through the addition of four members selected by the Governor to represent county interests;
- (2) Clarifying that the private members of the task force shall be invited to participate on the task force; and
- (3) Making technical nonsubstantive amendments for the purposes of clarity, style, and consistency.

Your Committee received written comments and testimony on both the H.B. No. 546, H.D. 2, S.D. 1, that was received by your



Committee and the Proposed S.D. 2 that was circulated for review and comment by your Committee.

Your Committee received written comments on H.B. No. 546, H.D. 2, S.D. 1 from the Board of Trustees of the Hawaii Employer-Union Health Benefits Trust Fund.

Your Committee received testimony in support of the Proposed S.D. 2 from the Department of Budget and Finance, the Department of Human Resources and Development, the Hawaii State Teachers Association-Retired, and one individual. Testimony in opposition to the Proposed S.D. 2 was received from the Department of Finance of the County of Hawaii and one individual. Comments were received from the Department of Human Resources of the City and County of Honolulu, the Board of Trustees of the Hawaii Employer-Union Health Benefits Trust Fund, the Tax Foundation of Hawaii, and one individual.

Your Committee believes that the State, much like what the counties have already done on the county level, must make a commitment toward pre-funding its other post-employment benefits (OPEB) plan costs for existing employees as well as contributing its full annual required contributions to pay down the existing unfunded liability attributable to its obligation to pay for existing retirees and their beneficiaries. Your Committee finds that the establishment of a task force is necessary to develop a comprehensive, well thought-out, and sustainable plan to resolve the issue of the unfunded liability of the EUTF.

After careful consideration, your Committee has adopted the Proposed S.D. 2 and has further amended it by:

- (1) Requiring the task force to also evaluate the current structure of public employers paying a percentage of health insurance policy premiums and providing recommendations for a benefits plan for prospective employees;
- (2) Requiring the Director of Finance to notify the Governor and the Legislature, in any fiscal year in which general excise tax revenues are deposited into the separate trust fund to supplement a state public employer's deficient contributions, on whether the general fund expenditure ceiling would have been exceeded if the



general excise tax revenues had been legislatively appropriated;

- (3) Extending the deadline for the submission of the implementation plan regarding the joint sharing of investment information and services between the EUTF and the ERS to the Regular Session of 2015;
- (4) Appropriating unspecified amounts to the Department of Budget and Finance in fiscal biennium 2013-2015 for developing the implementation plan described in paragraph (4);
- (5) Changing the effective date to July 1, 2050, in order to facilitate continued discussion; and
- (6) Making technical nonsubstantive amendments for the purposes of clarity, style, and consistency.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 546, H.D. 2, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 546, H.D. 2, S.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,



DAVID Y. IGE Chair



The Senate
 Twenty-Seventh Legislature
 State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:*	Committee Referral:	Date:		
HB 546, HD2, SD1	JDL, WAM	4-3-13		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
IGE, David Y. (C)	✓			
KIDANI, Michelle N. (VC)	✓			
CHUN OAKLAND, Suzanne	✓			
DELA CRUZ, Donovan M.	✓			
ENGLISH, J. Kalani	✓			
ESPERO, Will	✓			
KAHELE, Gilbert	✓			
KEITH-AGARAN, Gilbert S.C.	✓			
KOUCHI, Ronald D.	✓			
RUDERMAN, Russell E.	✓			
THIELEN, Laura H.	✓			
TOKUDA, Jill N.	✓			
SLOM, Sam	✓			
TOTAL	13	0	0	0
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <i>Michelle N. Kidani</i>				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes