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# A BILL FOR AN ACT

RELATING TO UNFUNDED LIABILITIES.

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

1           SECTION 1. The purpose of this Act is to, among other  
2 things:

3           (1) Establish a rate stabilization reserve fund to provide  
4 reserve funding to stabilize the Hawaii employer-union  
5 health benefits trust fund at times when that trust  
6 fund has insufficient moneys to cover the costs of  
7 providing health and other benefits plans for  
8 employee-beneficiaries and dependent beneficiaries;  
9 and

10          (2) Cap the required annual contributions to the other  
11 post-employment benefits trust once the separate  
12 accounts for each public employer within the other  
13 post-employment benefits trust fund has a combined  
14 balance of at least \$2,000,000,000.

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



1        "§87A-        Rate stabilization reserve fund; establishment;  
2 purpose.    (a)    There is established a rate stabilization reserve  
3 fund to be placed within the department of budget and finance  
4 for administrative purposes.

5        (b)    The rate stabilization reserve fund shall provide  
6 reserve funding to stabilize the fund when there is insufficient  
7 money in the fund to cover the costs of providing health and  
8 other benefit plans for employee-beneficiaries and dependent-  
9 beneficiaries as required by this chapter. Unless otherwise  
10 specified by law, the rate stabilization reserve fund shall not  
11 be subject to appropriation for any purpose and shall not be  
12 subject to claims by creditors of employers or the board.

13        (c)    The rate stabilization reserve fund shall consist of:  
14        (1)    Moneys transferred from the fund;  
15        (2)    Interest from the separate trust fund established to  
16        prefund other post-employment health and other  
17        benefits plan costs for retirees and their  
18        beneficiaries pursuant to section 87A-42; and  
19        (3)    Appropriations from the legislature.



1        (d) The rate stabilization reserve fund shall meet the  
2 requirements of the Governmental Accounting Standards Board  
3 regarding employment benefits trusts."

4        SECTION 3. Section 87A-24, Hawaii Revised Statutes, is  
5 amended to read as follows:

6        **"§87A-24 Other powers.** In addition to the power to  
7 administer the fund, the board may:

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

10       (2) Invest moneys in the same manner specified in section  
11 [~~88-119(1)(A), (1)(B), (1)(C), (2), (3), (4), (5),~~  
12 ~~(6), and (7);~~] 88-119;

13       (3) Hold, purchase, sell, assign, transfer, or dispose of  
14 any securities or other investments of the fund, as  
15 well as the proceeds of those investments and any  
16 money belonging to the fund;

17       (4) Appoint, and at pleasure dismiss, an administrator and  
18 other fund staff. The administrator and staff shall  
19 be exempt from chapter 76 and shall serve under and at  
20 the pleasure of the board;



- 1 (5) Make payments of periodic charges and pay for  
2 reasonable expenses incurred in carrying out the  
3 purposes of the fund;
- 4 (6) Contract for the performance of financial audits of  
5 the fund and claims audits of its insurance carriers;
- 6 (7) Retain auditors, actuaries, investment firms and  
7 managers, benefit plan consultants, or other  
8 professional advisors to carry out the purposes of  
9 this chapter, including the retaining of an actuary to  
10 determine the annual required public employer  
11 contribution for the separate trust fund established  
12 under section 87A-42;
- 13 (8) Establish health benefits plan and long-term care  
14 benefits plan rates that include administrative and  
15 other expenses necessary to effectuate the purposes of  
16 the fund; and
- 17 (9) Require any department, agency, or employee of the  
18 State or counties to furnish information to the board  
19 to carry out the purposes of this chapter."

20 SECTION 4. Section 87A-31, Hawaii Revised Statutes, is  
21 amended by amending subsection (b) to read as follows:



1           "(b) [~~The fund, including any earnings on investments, and~~  
2 ~~rate credits or reimbursements from any carrier or self insured~~  
3 ~~plan and any earning or interest derived therefrom, may be used~~  
4 ~~to stabilize health and other benefit plan rates; provided that~~  
5 ~~the approval of the governor and the legislature shall be~~  
6 ~~necessary to fund administrative and other expenses necessary to~~  
7 ~~effectuate these purposes.] Any balance in the fund in excess of  
8 \$100 at the end of each fiscal year, shall be transferred to the  
9 rate stabilization reserve fund established in section 87A- ."~~

10           SECTION 5. Section 87A-42, Hawaii Revised Statutes, is  
11 amended as follows:

12           1. By amending subsections (a) and (b) to read:

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



1 each public employer within the separate trust fund to accept  
2 and account for each public employer's contributions. Employer  
3 contributions to the separate trust fund shall be irrevocable,  
4 all assets of the fund shall be dedicated exclusively to  
5 providing health and other benefits to retirees and their  
6 beneficiaries, and assets of the fund shall not be subject to  
7 appropriation for any other purpose and shall not be subject to  
8 claims by creditors of the employers or the board or plan  
9 administrator. The board's powers under section 87A-24 shall  
10 also apply to the fund established pursuant to this section.  
11 Notwithstanding any law to the contrary, any earnings on  
12 investments from the assets of the separate trust fund shall be  
13 transferred to the rate stabilization reserve fund established  
14 in section 87A- at the end of each fiscal year once the  
15 separate accounts for each public employer within the separate  
16 trust fund have an aggregate balance of at least \$2,000,000,000.

17 (b) Public employer contributions shall be paid into the  
18 fund in each fiscal year, and commencing with the 2018-2019  
19 fiscal year, the amount of the annual public employer  
20 contribution shall be equal to the amount of the annual required  
21 contribution, as determined by an actuary retained by the



1 board[-]; provided that no public employer contribution shall be  
2 required if the separate accounts for each public employer  
3 within the separate trust fund have an aggregate balance of at  
4 least \$2,000,000,000."

5 2. By amending subsection (f) to read:

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

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

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

16 SECTION 6. Statutory material to be repealed is bracketed  
17 and stricken. New statutory material is underscored.

18 SECTION 7. This Act shall take effect on January 7, 2059.



**Report Title:**

Other Post-employment Benefits; Rate Stabilization Reserve Fund;  
Unfunded Liability

**Description:**

Establishes the Rate Stabilization Reserve Fund to stabilize the Hawaii Employer-Union Health Benefits Trust Fund when there is insufficient money to cover the costs of providing benefits to employee-beneficiaries and dependent-beneficiaries. Caps employer contributions to the other post-employment benefits (OPEB) trust fund when the separate accounts for each public employer within the OPEB trust fund have a combined balance of at least \$2,000,000,000. Allows the Hawaii Employer-Union Health Benefits Trust Fund to invest moneys in the same manner as the Employees' Retirement System. Takes effect on 1/7/2059. (SD1)

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

