

DAVID Y. IGE  
GOVERNOR



THOMAS WILLIAMS  
EXECUTIVE DIRECTOR

KANOE MARGOL  
DEPUTY EXECUTIVE DIRECTOR

**STATE OF HAWAII**  
**EMPLOYEES' RETIREMENT SYSTEM**

TESTIMONY BY THOMAS WILLIAMS  
EXECUTIVE DIRECTOR, EMPLOYEES' RETIREMENT SYSTEM  
STATE OF HAWAII

TO THE SENATE COMMITTEE ON WAYS AND MEANS  
ON

SENATE BILL NO. 2428, S.D. 1

FEBRUARY 24, 2016, 1:15 P.M.

RELATING TO PUBLIC EMPLOYEES

Chair Tokuda, Vice Chair Dela Cruz and Members of the Committee,

S.B. 2428, S.D. 1 would require the Employees' Retirement System (ERS) to transfer contributions by retirees and beneficiaries to the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) that represent the difference between the monthly contributions by the State or county to the EUTF and the actual costs of health benefit plans under the EUTF.

The ERS Board of Trustees has not taken a formal position on this proposal; however, the ERS staff has the following comments and concerns:

- We believe S.B. 2428, S.D.1 amends the wrong sections of the Hawaii Revised Statutes (HRS). The bill amends section 88-6, which relates to the timing and manner in which payments are to be made. The amendment should be made to section 88-95, which provides for voluntary withholding of payments to the employer-union health benefits trust fund (EUTF) and to employee organization for dues and insurance premiums. In addition, the requirement at line 1 on page 5, that the EUTF authorize automatic electronic payment in lieu of withholdings [from retirement benefits] should be included in chapter 87A, the chapter governing the EUTF.
- The ERS requests that the bill be further amended to allow the ERS to rely on a list, provided by the EUTF, of individuals and the specific amounts to be withheld from each



Employees' Retirement System  
of the State of Hawaii

individual's ERS benefits. This will eliminate the unnecessary transmission of potentially "protected health information" and thereby reduce the risk of an inadvertent breach of the requirements of the federal Health Insurance Portability and Accountability Act (HIPAA), which would have adverse consequences for the EUTF, ERS and the affected individuals.

- In addition, the ERS has concerns about situations in which the amount payable by the ERS to a retiree or beneficiary is not sufficient to cover the EUTF premium contribution deduction. This also leads to our further concern regarding the one-time "opt out" election for the EUTF withholding of premiums. EUTF premiums may change from year to year; and, the ERS benefit payment may be subject to reductions based on additional deductions or life events. A one-time opt out might not protect a retiree from receiving little, if any, monthly retirement payment in the future.

The ERS's suggested revisions are attached.

Thank you for this opportunity to provide comments on this very important legislation.

ATTACHMENT TO TESTIMONY OF THOMAS WILLIAMS, EXECUTIVE DIRECTOR,  
EMPLOYEES' RETIREMENT SYSTEM TO THE SENATE COMMITTEE ON JUDICIARY  
AND LABOR

RE S.B. 2428, S.D. 1

SECTION 1. Chapter 87A, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"§87A-\_\_\_\_\_ **Retiree and beneficiary contributions.** The fund may require contributions by retirees and beneficiaries to the fund that represent the difference between the monthly contributions by the State or county to the fund and the actual costs of health benefits plans, under sections 87A-33, 87A-33.5, 87A-34, 87A-35, and 87A-36, to be paid from withholding from monthly or semi-monthly amounts payable by the employees' retirement system to the retiree or beneficiary or from automatic electronic payment from a financial institution account or credit card account designated by the retiree or beneficiary.

A retiree or beneficiary may elect to opt out of the requirement that payment be made from withholding from amounts payable by the employees' retirement system to the retiree or beneficiary.

The fund shall provide to the employees' retirement system the names of the retirees and beneficiaries subject to withholding under this section, the respective amounts to be withheld, and other information required by the employees' retirement system to identify the individuals subject to withholding.

The fund shall submit an annual report to the legislature on the contribution amounts received from the employees' retirement system under this subsection."

SECTION 2. Section 88-95, Hawaii Revised Statutes, is amended to read as follows:

**"§88-95 Withholding of dues and insurance premiums.** (a) A ~~[retired member,]~~ retirant, if the ~~[retired member]~~ retirant requests in writing, may have withheld from the ~~[retired member's]~~ retirant's pension, annuity, or retirement allowance, payments to the Hawaii employer-union health benefits trust fund and employee organizations for dues and insurance premiums.

(b) The system shall withhold from the monthly or semi-monthly benefits payable to retirants and beneficiaries under this chapter the amounts subject to withholding pursuant to section 87A-\_\_\_\_\_. The system may rely, without inquiry, on the information provided to the system by the Hawaii employer-union health benefits trust fund regarding the names of the retirants and beneficiaries subject to withholding, the respective amounts to be withheld from the retirants and beneficiaries, and other information provided by the Hawaii employer-union health benefits trust fund to identify the individuals subject to withholding. The system may require the Hawaii employer-union health benefits trust fund to provide information sufficient to identify the retirants and beneficiaries subject to withholding under this subsection."

DAVID Y. IGE  
GOVERNOR



**STATE OF HAWAII**  
**HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND**

P.O. BOX 2121  
HONOLULU, HAWAII 96805-2121  
Oahu (808) 586-7390  
Toll Free 1(800) 295-0089  
www.eutf.hawaii.gov

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**TESTIMONY BY DEREK MIZUNO**  
**ADMINISTRATOR, HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND**  
**DEPARTMENT OF BUDGET AND FINANCE**  
**STATE OF HAWAII**  
**TO THE SENATE COMMITTEE ON WAYS AND MEANS**  
**ON**  
**SENATE BILL NO. 2428 SD1**

February 24, 2016, 1:15 p.m.

**RELATING TO PUBLIC EMPLOYEES**

Chair Tokuda, Vice Chair Dela Cruz, and Members of the Committee:

The Hawaii Employer-Union Health Benefits Trust Fund (EUTF) Board of Trustees supports the intent of this bill. Currently, the EUTF has approximately 1,450 or 2.2% (out of 65,000 total) retirees and surviving spouses who pay a portion or all of the monthly premium. The EUTF would like to make the payment of health care premiums for these retirees as well as employees on leave without pay as simple as possible. To that end, the EUTF has been investigating electronic payment options such as by credit card and/or through deduction from member bank accounts. The EUTF believes that these electronic options are better alternatives than deductions from Employees' Retirement System (ERS) pensions, as retiree and surviving spouse pensions may be less than their share of the premiums or may become less in the future as health premiums grow at a faster rate than the pension cost of living adjustments. In addition, certain retirees and surviving spouses may not have ERS pensions.

**EUTF's Mission:** We care for the health and well being of our beneficiaries by striving to provide quality benefit plans that are affordable, reliable, and meet their changing needs. We provide service that is excellent, courteous, compassionate, and informative.

The EUTF would like to implement electronic payment as soon as possible. However, the EUTF Benefits Administration System will need reprogramming to capture the financial information and export this information to a file that is compatible with the EUTF's financial institution formatting requirements. Additionally, the EUTF will have to develop a process to upload the electronic payments into the Benefits Administration System from its financial institution or third party. The programming, testing and validation could take significant time. Therefore, we request an implementation deadline of an electronic payment system of January 1, 2017.

The EUTF and the ERS have been in discussions regarding the ERS withholding of the retiree and surviving spouse portions of their health benefit plan premiums from their pensions and remittance to the EUTF. In order for the ERS to withhold the amounts from the retiree and surviving spouse pensions, the EUTF must provide the retiree and surviving spouse identifying information and their share of the monthly health plan premiums to the ERS. Since the EUTF is a covered entity under the Health Insurance Portability and Accountability Act of 1996 (HIPAA), this information (i.e. name and deduction amount) is considered protected health information. Under HIPAA, the EUTF must enter into a Business Associates Agreement (BAA) with the ERS before it can provide this information. The BAA establishes what the business associate, ERS, is engaged to do and requires the ERS to protect the privacy and security of the protected health information. To date the two parties have not been able to agree on a BAA. Additionally, such a change would require reprogramming of the EUTF Benefits Administration System which would delay implementation until the end of the year.

Finally, we would like to request an amendment to Section 1 of the proposed bill by replacing it with the attached.

Thank you for the opportunity to testify.

ATTACHMENT TO TESTIMONY OF DEREK MIZUNO, HAWAII EMPLOYER-UNION  
HEALTH BENEFITS TRUST FUND TO THE SENATE COMMITTEE ON WAYS AND  
MEANS

RE S.B. 2428, S.D. 1

SECTION 1. Chapter 87A, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

**"§87A-\_\_\_\_\_ Retiree and beneficiary contributions.** The fund may require contributions by retirees and beneficiaries to the fund that represent the difference between the monthly contributions by the State or county to the fund and the actual costs of health benefits plans, under sections 87A-33, 87A-33.5, 87A-34, 87A-35, and 87A-36, to be paid from withholding from monthly or semi-monthly amounts payable by the employees' retirement system to the retiree or beneficiary or from electronic payment by the retiree or beneficiary.

A retiree or beneficiary may elect to opt out of the requirement that payment be made from withholding from amounts payable by the employees' retirement system to the retiree or beneficiary."



Beverly Gotelli  
HSTA-Retired Member  
6286 Opaekaa Road  
Kapaa, HI 96746

February 24, 2016

SB 2428 SD1: Relating to Public Employees  
Room 211 1:15 pm

Chair Tokuda, Vice Chair Dela Cruz:

Good afternoon Chair Tokuda Vice Chair Dela Cruz and members of the Committee, I'm Beverly Gotelli a retired teacher writing in support of SB 2428 SD 1

In the near future we will have more retirees paying a portion of their medical premium due to changes made in recent years. We understand the need to pay a portion of the premium what we want to see is an easier process in which it is done.

I understand the concern of the ERS and EUTF as stated in their testimony at earlier committee hearings. If they know there is a growing number of retirees who will be paying a portion of their premium shouldn't they be doing something sooner rather than later. This legislation would ensure the State receives the premium in a timely fashion and the retiree would not be without medical coverage.

What happens to active employees currently, doesn't the EUTF through Budget and Finance withhold deductions before the employee receives their checks.

What seems logical to me and other retirees does not make sense to the powers that be.

Deductions are being currently done so why can't it be done for the EUTF. Premiums would be made in a timely fashion and the retiree would not need to be burdened with an additional payment.

I ask your support for this legislation as it is beneficial to the State and the retiree.

Thank you for you for the opportunity to testify on this matter.

**From:** [mailinglist@capitol.hawaii.gov](mailto:mailinglist@capitol.hawaii.gov)  
**To:** [WAM Testimony](#)  
**Cc:** [cris1bg@aol.com](mailto:cris1bg@aol.com)  
**Subject:** Submitted testimony for SB2428 on Feb 24, 2016 13:15PM  
**Date:** Monday, February 22, 2016 5:36:19 PM

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**SB2428**

Submitted on: 2/22/2016

Testimony for WAM on Feb 24, 2016 13:15PM in Conference Room 211

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Crucita Todd	Individual	Support	No

Comments: My name is Crucita A. Todd, retired teacher. Passing this bill will help retired teachers to keep their health insurance with no worries of forgetting to send in their portion and loosing coverage.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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Testimony of Phyllis Ida  
45-284 Pahikaua Street  
Kaneohe, HI 96744  
Tuesday, February 23, 2016

Committee on Ways and Means (WAM)  
Sen. Jill Tokuda, Chair  
Sen. Donovan Dela Cruz, Vice Chair  
Friday, February 5, 2016  
1:15 p.m.; Conference Room 211  
Re: Support of SB 2428: Relating to the Employees' Retirement System

Aloha Chair Tokuda, Vice Chair Dela Cruz and members of the Committee,

My name is Phyllis Ida a retired teacher writing in support of SB 2428.

There has been a problem with retirees paying a portion of their medical premium due to changes made in recent years. Many will need to pay a portion of their premium and are not aware of this requirement in time. We need an easier process to ensure that new retirees do not miss a payment and lose their medical insurance. Deductions are being currently done so why can't it be done for the EUTF. Premiums would be made in a timely fashion and the retiree would not need to be burdened with an additional payment.

I support this legislation as it makes things easier for both the retiree and the Employee Union Trust Fund (EUTF).

I ask your support for this legislation as it is beneficial to the State and the retiree.

Thank you for you for the opportunity to testify on this matter.

Phyllis Ida  
808 265-3584  
phyllis.ida@gmail.com