

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 LABOR, CULTURE AND THE ARTS

ON

SENATE BILL NO. 2866

**February 4, 2020**

**2:45 P.M.**

**Conference Room 224**

RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
EMPLOYEE-BENEFICIARY MONTHLY CONTRIBUTIONS

Chair Taniguchi, Vice Chair Ihara, and Members of the Committee,

S.B. 2866 amends Section 87A-40, HRS, to mandate that each new retired employee or surviving employee-beneficiary pay their share of health benefits premiums through monthly electronic deductions from their benefits (if any) from the Employees' Retirement System of the State of Hawaii (ERS). The Board of Trustees of the ERS has not yet had the opportunity to review this bill; however, the ERS staff has the following comments:

Withholding of ERS deductions for the Employer-Union Health Benefits Trust Fund (EUTF) falls under the provisions of Section 88-95, HRS, and currently only applies to "retired member(s)":



Employees' Retirement System  
of the State of Hawaii

“§88-95 Withholding of dues and insurance premiums. A retired member, if the retired member requests in writing, may have withheld from the retired member’s pension, annuity, or retirement allowance, payments to the employer-union health benefits trust fund ... for insurance premiums.”

If S.B. 2866 is passed, the above language will have to be amended to accommodate surviving employee-beneficiaries covered by the EUTF and who may or may not be entitled to benefits from the ERS. Suggested amendments to S.B. 2866 regarding section 88-95 will be provided to your committee for your review. As the ERS currently deducts and processes insurance premium payments to the EUTF, should this legislation become law, the ERS will work cooperatively with the EUTF to extend this service to surviving employee-beneficiary recipients.

Thank you for this opportunity to testify.



**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](http://www.eutf.hawaii.gov)

**BOARD OF TRUSTEES**  
CHRISTIAN FERN, *CHAIRPERSON*  
CELESTE Y.K. NIP, *VICE-CHAIRPERSON*  
LAUREL JOHNSTON, *SECRETARY-TREASURER*  
RODERICK BECKER  
LINDA CURRIVAN MUSTO  
DAMIEN ELEFANTE  
AUDREY HIDANO  
OSA TUI  
CLIFFORD UWAIINE  
RYKER WADA

**ADMINISTRATOR**  
DEREK M. MIZUNO

**ASSISTANT ADMINISTRATOR**  
DONNA A. TONAKI

**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 LABOR, CULTURE AND THE ARTS**  
**ON SENATE BILL NO. 2866**

**February 4, 2020**  
**2:45 p.m.**  
**Room 224**

**RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND**  
**EMPLOYEE-BENEFICIARY MONTHLY CONTRIBUTIONS**

Chair Taniguchi, Vice Chair Ihara, and Members of the Committee:

The Hawaii Employer-Union Health Benefits Trust Fund (EUTF) Board of Trustees strongly supports this bill. The EUTF Board believes that this bill benefits both EUTF and the retirees. Monthly recurring electronic deductions of retiree premiums from their bank accounts or ERS pensions reduce EUTF staff time, reduces administrative costs (by \$1.00 per retiree per month) and protects the retirees from termination of benefits in the event they fail to make payment. If a retiree fails to make payment, the EUTF mails a Shortage Notice. The retiree has 30 days from the date of the Shortage Notice to make payment. If payment of outstanding premiums is not made within 30 days, the retiree and their dependents' benefits are terminated. A Cancellation Notice is mailed to retiree confirming the terminations. However, the retiree can reinstate coverage if he/she pays outstanding premiums within 60 days of the Cancellation Notice. The retiree is eligible for reinstatement if he/she has not been

**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 informed service that is excellent, courteous, and compassionate.

canceled for non-payment within the last 12 months. In most cases, this process can be avoided if monthly recurring electronic deductions occur.

Approximately 5% or 2,300 retirees currently pay a portion or their entire medical, prescription drug, dental and/or vision premiums. On May 8, 2017 and January 31, 2018, the EUTF began offering monthly recurring electronic premium deductions from retiree bank accounts and ERS pensions, respectively. The response has been positive with nearly 70% of the 2,300 retirees signing up for one of the two electronic deduction methods. The EUTF twice a year provides the remaining 30% with an authorization form to begin electronic deductions along with premium payment coupons for the next six months. To achieve 100% enrollment in electronic deductions, the EUTF is requesting that the legislature mandate electronic deductions for new retirees. The EUTF will continue to inform retirees, who sign up for electronic deductions, when changes to the deduction amount are made (normally January which coincides with the new plan year).

Thank you for the opportunity to testify.

DAVID Y. IGE  
GOVERNOR



THOMAS WILLIAMS  
EXECUTIVE DIRECTOR

KANOE MARGOL  
DEPUTY EXECUTIVE DIRECTOR

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

4 February 2020

To: The Senate Committee on Labor, Culture and the Arts  
From: Thomas Williams, Executive Director  
Employees' Retirement System of the State of Hawaii

Re: S.B. 2866 Relating to the Hawaii Employer-Union Health Benefits Trust  
Fund Employee-Beneficiary Monthly Contributions

The ERS suggests that a new section be added to S.B. 2866 with the following amendments:

Section \_\_. If the surviving employee-beneficiary is the surviving spouse of a retired member of the employees' retirement system of the State of Hawaii, is receiving monthly survivor benefits from the system, and is enrolled in health plans offered by the fund, the surviving spouse beneficiary may authorize the system to have the beneficiary's contribution withheld under section 88-95, Hawaii Revised Statutes, as follows:

**“§88-95 Withholding of dues and insurance premiums.** A retired member or the retired member's surviving spouse beneficiary under section 88-83, 88-283 or 88-333, if the retired member or the retired member's surviving spouse beneficiary requests in writing, may have withheld from the retired member's or retired member's surviving spouse beneficiary's pension, annuity, or retirement allowance, payments to the employer-union health benefits trust fund and employee organizations for dues and insurance premiums.”



Employees' Retirement System  
of the State of Hawaii

Should you have any questions, please feel free to contact me at (808) 586-1700 or [thomas.williams@hawaii.gov](mailto:thomas.williams@hawaii.gov).

Thank you for allowing us this opportunity to comment on this legislation.