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HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII  
DEPARTMENT OF BUDGET AND FINANCE  
*Ka 'Oihana Mālama Mo'ohelu a Kālā*  
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ADMINISTRATIVE AND RESEARCH OFFICE  
BUDGET, PROGRAM PLANNING AND MANAGEMENT DIVISION  
FINANCIAL ADMINISTRATION DIVISION  
OFFICE OF FEDERAL AWARDS MANAGEMENT

TESTIMONY BY LUIS P. SALAVERIA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE HOUSE COMMITTEE ON LABOR AND GOVERNMENT OPERATIONS  
ON  
HOUSE BILL NO. 2519

**February 2, 2024**  
**9:30 a.m.**  
**Room 309 and Videoconference**

RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST  
FUND BOARD OF TRUSTEES

The Department of Budget and Finance (B&F) opposes this bill.

House Bill No. 2519 amends Chapter 87A, HRS, to: 1) amend the composition of the Board of Trustees (Board) of the Hawai'i Employer-Union Health Benefits Trust Fund (EUTF), including reducing the number of trustees from ten to nine, making the Director of Finance or designee of the State an ex officio trustee, and adding a new category of trustees requiring technical expertise; 2) limit a trustee to serving only up to 120 days beyond the end of the appointed term when a successor has not been appointed; 3) remove Board vacancy appointment language for consistency with Board composition changes; 4) reduce quorum requirements to two trustees representing the public employers and three trustees representing the employee-beneficiaries; and 5) amend the Board's voting system to provide each trustee a vote instead of one collective vote for trustees representing the public employers and one collective vote for trustees representing the employee-beneficiaries.

B&F opposes this bill because the proposed Board re-composition and voting structure significantly changes the balance of interests between public employers and public employee unions. It is important to point out that the present Board composition

and voting structure was based on the governance framework of Taft Hartley benefit trust funds, where employers and unions have equal representation on the governing board and equally weighted votes. This structure serves to balance the competing interests of the public employers and public employee unions and promotes decision-making that is fair and beneficial to both parties as a whole.

EUTF is a multi-billion-dollar operation that provides health benefits for approximately 170,000 State and county active employees, retirees and their beneficiaries. For FY 2022-23, \$1.1 billion was paid by the State and counties for their other post-employment benefits (OPEB) contributions for retiree health benefits and \$673.5 million in contributions was paid by the State, counties and employees for active employee health benefits. Based on EUTF's actuarial valuation report as of July 1, 2023, the State (not including the counties) had an unfunded accrued actuarial liability of \$6.9 billion that is projected to be amortized in FY 2043-44.

Unlike the Employees' Retirement System (ERS), where its Board of Trustees focuses largely on investments because ERS benefits are defined by statute, the EUTF Board must deal with health benefit plan design. And health benefit plan design determines plan cost and plan cost drives public employer and public employee contributions for active employees' health benefits and public employer OPEB annual required contributions for retiree health benefits.

Given EUTF's group size and significant sums involved, it is critical that EUTF governance be structured to balance competing interests. Adding community/technical board members and changing the voting structure introduces a third/outside interest dynamic that would upset this balance and could be detrimental to public employer and/or public employee interests. B&F strongly believes that the present Board structure has worked in maintaining this delicate balance and has served the State well for over 20 years.

Thank you for your consideration of our comments.



## HAWAII FIRE FIGHTERS ASSOCIATION

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House of Representatives  
The Thirty-Second Legislature  
Regular Session of 2024

Committee on Labor & Government Operations  
Thursday, February 1, 2024

H.B. No. 2519                      Relating to the Hawaii Employer-Union Health                      LGO, FIN  
Benefits Trust Fund Board of Trustees

The Hawaii Fire Fighters Association (HFFA), Local 1463, IAFF, AFL-CIO represents more than 2,100 active-duty professional fire fighters throughout the State of Hawaii. The HFFA, on behalf of all our members, strongly opposes H.B. No. 2519, which mends the composition of the Hawai'i employer-union health benefits trust fund board of trustees. Clarifies vacancy procedures. Amends quorum requirements and voting powers.

This bill upends fair representation for public employees on the EUTF Board of Trustees. This proposal negatively impacts on the interests of public employees on the Board by decreasing the number of trustees representing employee-beneficiaries from 5 to 3, changing the voting requirements, and vacancy procedures.

In 2001, legislation was enacted that forced public employees into one health insurance system thereby eliminating the option of public employees to select plans provided through their exclusive bargaining representatives. The union sponsored plans were more robust, plan designs met the needs of the employees, and less expensive. That arrangement was more efficient and economical by lessening the employers' administrative responsibilities by the number of beneficiaries selecting the "union sponsored" plans and cost effective for the employees.

Thank you for the opportunity to testify and we ask the Committee to hold H.B. 2515 in Committee.



## UNITED PUBLIC WORKERS

AFSCME Local 646, AFL-CIO

### HOUSE OF REPRESENTATIVES THE THIRTY-SECOND LEGISLATURE REGULAR SESSION OF 2024

#### COMMITTEE ON LABOR & GOVERNMENT OPERATIONS

Rep. Scot Z. Matayoshi, Chair  
Rep. Andrew Takuya Garrett, Vice Chair

Friday, February 2, 2024, 9:30 AM  
Conference Room 309 & Videoconference

#### Re: **Testimony on HB2519 – RELATING TO HEALTH BENEFITS**

Chair Matayoshi, Vice Chair Garrett, and Members of the Committee:

The United Public Workers, AFSCME Local 646, AFL-CIO (“UPW”) is the exclusive bargaining representative for approximately 14,000 public employees, which includes blue collar, non-supervisory employees in Bargaining Unit 1 and institutional, health, and correctional employees in Bargaining Unit 10, in the State of Hawaii and various counties.

UPW **strongly opposes** HB2519, which amends the composition of the Hawaii Employer-Union Health Benefits Trust Fund (“EUTF”) board of trustees. This measure also clarifies vacancy procedures and amends quorum requirements and voting powers.

Since the creation of Section 87A-5, Hawaii Revised Statutes (“HRS”), the EUTF board has been comprised of ten trustees—five representing the employee-beneficiaries and five representing the employer. While most decision-making bodies, such as boards and commissions, are made up of an odd number of members to avoid tie votes, the Legislature created this ten-membered board to ensure that neither side, the employee-beneficiary trustees nor the trustees representing the employers, would be provided with a statutory advantage when it came to making decisions pertaining to the EUTF. The current number of trustees, which has existed in statute since 2001, has not proven to be problematic.

While the number of trustees assigned to the EUTF board has not changed in twenty-three years, its composition was amended slightly in 2005 to clarify how employee-beneficiaries would be represented: three trustees are appointed from each of the exclusive representative organizations with the largest number member beneficiaries; one trustee is appointed by mutual agreement of the remaining exclusive representatives; and one trustee representing the

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retirees is appointed by mutual agreement of all eligible exclusive representatives. The composition of the employee-beneficiary trustees has shown to be equitable.

UPW believes that this bill is attempting to solve a problem that does not exist, and we categorically object to reducing the number of employee-beneficiary trustees by adding members of the public, who are unlikely to understand the complexities of public sector collective bargaining, to the EUTF board and decreasing the overall number of trustees. We urge the committee to defer this bill.

Mahalo for the opportunity to testify in strong opposition to this measure.

Sincerely,

A handwritten signature in blue ink, appearing to read "Kalani Werner", with a long horizontal flourish extending to the left.

Kalani Werner  
State Director

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**Osa Tui, Jr.**  
President

**Logan Okita**  
Vice President

**Lisa Thompson**  
Secretary-Treasurer

**Ann Mahi**  
Executive Director

## TESTIMONY TO THE HAWAII HOUSE COMMITTEE ON LABOR & GOVERNMENT RELATIONS

Item: **HB2519 - Relating to the Hawaii Employer-Union Health Benefits Trust Fund**

Position: **Oppose**

Hearing: **February 2, 2024, 9:30 a.m., Conference Room 309**

Submitter: **Osa Tui, Jr. – President, Hawai'i State Teachers Association**

Chair Matayoshi, Vice Chair Garrett, and members of the committee,

The Hawai'i State Teachers Association **opposes** HB2519 which amends the composition of the Hawai'i Employer-Union Health Benefits Trust Fund Board of Trustees, clarifies vacancy procedures, and amends quorum requirements and voting powers.

This bill significantly diminishes the voice of the employees and retirees to whom the EUTF is meant to serve. When it comes to voting on the EUTF board, the employer trustees and the employee trustees have equal weight. This bill reduces the employee vote from 50% to just 37.5%, effectively neutralizing Hawai'i public employees and retirees from having any power over decisions made by the EUTF board.

Currently, the EUTF has on its board one representative each from HGEA, HSTA, UHPA, UPW, and an HGEA retiree. Under this bill, the voices of thousands of public employees throughout the state will be squelched by eliminating two employee seats at the decision-making table.

They, as well as an employer trustee, would be replaced with three others who do not have to be public employers nor union representatives (as the name "Employer-Union" would generally dictate should be at the table). Rather, three private Hawai'i-resident individuals from the finance and health industries and a third with no defined expertise would be placed onto the board.

Currently, the EUTF has on its board the former Hawai'i Director of Finance and the current Hawai'i Deputy Director of Finance as well as the former chair of the Hawai'i House Health, Human Services, and Homelessness Committee. These trustees are already knowledgeable of finance and health issues.

It makes no sense why this proposed change is necessary other than being a blatant power grab to reduce the voices of those at the table advocating for the beneficiaries for whom the trust fund serves.

The Hawai'i State Teachers Association asks your committee to **oppose** this bill.



## HAWAII GOVERNMENT EMPLOYEES ASSOCIATION

AFSCME Local 152, AFL-CIO

RANDY PERREIRA, Executive Director • Tel: 808.543.0011 • Fax: 808.528.0922

The Thirty-Second Legislature, State of Hawaii  
House of Representatives  
Committee on Labor and Government Operations

Testimony by  
Hawaii Government Employees Association

February 2, 2024

H.B. 2519 — RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST  
FUND BOARD OF TRUSTEES

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO is vehemently opposed to the purpose and intent of H.B. 2519 which amends the composition of the Hawai'i employer-union health benefits trust fund board of trustees.

The Hawaii Employer-Union Health Trust Fund board is currently composed of 10 trustees – five (5) trustees representing the public employers, and five (5) trustees representing the employee-beneficiaries. This even split is intended for both groups to collaboratively work together to provide health benefit plans and to develop and/or negotiate the health insurance premium rates for employees. An even split of trustees allows for the voices of roughly 60,000 employees to be fairly heard and to ensure that the cost and benefits of their health insurance is within their best interests.

As written, the employee group will lose two seats and the board will no longer be in equilibrium between employer and employee trustees – it will be an employer-controlled board and we fear that employee's best interest will no longer be looked after. An employer dominated board could mean reduced and skeleton health benefits that won't address the health needs of public servants and retirees, or a stiff increase on the premium rates that is not affordable for an average worker. This measure is an insult to the roughly 60,000 public employees – individuals that have dedicated a part of their lives to serve our state. These employees have stepped up to ensure that our state is taken care of – now it's time for the legislature to take care of them and file this ridiculous measure. Messing with an employee's health insurance is as personal as it gets.

Thank you for the opportunity to provide testimony in opposition to H.B. 2519.

Respectfully submitted,

Randy Perreira  
Executive Director



STATE OF HAWAII ORGANIZATION OF POLICE OFFICERS  
" A Police Organization for Police Officers Only "  
Founded 1971

February 1, 2024

**VIA ONLINE**

The Honorable Scot Z. Matayoshi, Chair  
The Honorable Andrew Takuya Garrett, Vice-Chair  
House Committee on Labor & Government Operations  
Hawaii State Capitol, Rooms 422, 323  
415 South Beretania Street  
Honolulu, HI 96813

Re: **HB 2519 – Relating to the Employer-Union Health Benefits Trust Fund Board of Trustees**

Dear Chair Matayoshi, Vice-Chair Garrett, and Honorable Committee members:

I serve as the President of the State of Hawaii Organization of Police Officers (“SHOPO”) and write to you on behalf of our Union in **opposition** of HB 2519, which seeks to amend the composition of the Hawai‘i Employer-Union Health Benefits Trust Fund (“EUTF”) board of trustees.

As you may know, the EUTF is a trust fund that consists of contributions, interest, income, dividends, refunds, rate credits, and other returns held in trust by the board of trustees of the Fund for the exclusive use and benefit of the public employee-beneficiaries and their dependent-beneficiaries. HRS § 87A-30. The Fund is under the control of the Board. HRS § 87A-30. As it currently stands on the Board, there are 10 trustees - 5 trustees representing the public employers and 5 trustees representing the employee-beneficiaries and each trustee has one vote. In order for a motion to pass, one must have at least three votes in the affirmative from both the employer side and the employee side, which is intended for both sides to work together to provide health benefit plans and to develop and/or negotiate the health insurance premium rates for employees.

If passed, the employee group will lose two seats, equity in the composition of the board will be disrupted, and it will be an employer-controlled board where we fear that employee’s best interest will no longer be looked after. The implications of the changes in board composition that this bill proposes are concerning. It places the power in the hands of the employer and outsiders with no understanding or vested interest in representing the EUTF or its beneficiaries, which could mean unfavorable changes to the health benefits of the nearly 60,000 public employees that serve this state. Given these concerns, we strongly oppose this bill.

We thank you for allowing us to be heard on this very important issue and we hope your committee will unanimously oppose HB 2519.

Respectfully submitted,

ROBERT “BOBBY” CAVACO  
SHOPO President

RC jmo

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The House Committee on Labor & Government Operations  
February 2, 2024  
9:30 AM  
Room 309

RE: **HB 2519, Relating to the Employer-Union Health Benefits Trust Fund Board of Trustees**

Attention: Chair Scot Matayoshi, Vice Chair Andrew Garrett and members of the Committee

The University of Hawaii Professional Assembly (UHPA) appreciates the opportunity to submit testimony in **STRONG OPPOSITION** to HB 2519, Relating to the Employer-Union Health Benefits Trust Fund Board of Trustees.

HB 2519 seeks to stack the deck against the exclusive representatives in representing the interests of its members, the beneficiaries of the EUTF, and places the power in the hands of the employer and outsiders with no understanding or vested interest in representing the EUTF or its beneficiaries. The EUTF Board should not mirror the makeup of the ERS Board, which will be the end result, should this measure pass.

The EUTF Board composition, while not perfect, has worked. In fact, it has provided the exclusive representatives with the ability to protect the interests of the EUTF beneficiaries from potentially harmful actions by the employer. As the law is currently written, there are dual responsibilities to the beneficiaries and to the employer which creates a neutral and equitable division between the Employer and Employee Trustees, whose interests can easily be justified by referencing the applicable section in HRS, Chapter 87. With the current setup (5 employer trustees and 5 employee trustees), all employer trustees have one vote, and all employee trustees have one vote. In order for a motion to pass, you need at least three votes in the affirmative from both the employer side and the employee side. This provides sufficient checks and balances for the EUTF Board to ensure that the interests of each side are being taken into consideration.

The proposed changes to the make up of the EUTF Board would disrupt this equity and make it appear much like the Board of the Hawai'i Employees' Retirement System (ERS), removing significant representation of the beneficiaries by the exclusive representatives, in favor of outside parties and potentially the employer. The proposed measure decreases the number of employee representatives by two, from five to three.

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It also statutorily designates a seat to the Director of Finance or a designee as an ex officio Trustee, like the ERS Board of Trustees. The measure then allows the appointment of two employer trustees, and the appointment of:

Three trustees who are residents of the State, one of whom shall have at least two years of providing financial services, including investments, to public, corporate, or private institutional clients, and another who shall have at least two years of experience in the health industry.

This language is especially concerning because it inserts outside influence into the matters and interests of the EUTF, by those with no real understanding of or vested interest in the EUTF, and does not align with the scope or intent of the law. Again, this section resembles that of HRS Chapter 88, and the ERS Board, which many would argue does not function in the best interest of its beneficiaries.

As a sitting EUTF Employee Trustee, I acknowledge that the EUTF and HRS, Chapter 87 have fundamental flaws, but these flaws have been in place since its inception. Attempts by the exclusive representatives to address these issues have been thwarted by the legislature, unwilling to take the necessary steps in order to allow the EUTF Board to operate as a more cohesive unit by focusing the responsibilities of the Trust on the beneficiaries. If the legislature is considering changes to the EUTF, it should focus instead on addressing these areas rather than a wholesale change in the composition of the Board. Other measures the legislature should consider include expanding the role of the exclusive representatives and allowing each union to have its own plans and negotiate their own benefits.

UHPA greatly appreciates the opportunity to testify in **STRONG OPPOSITION** to this measure.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'C. L. Fern', written in a cursive style.

Christian L. Fern  
Executive Director