

JOSH GREEN, M.D.  
GOVERNOR



LUIS P. SALAVERIA  
DIRECTOR

SABRINA NASIR  
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM  
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*  
P.O. BOX 150  
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE  
BUDGET, PROGRAM PLANNING AND MANAGEMENT DIVISION  
FINANCIAL ADMINISTRATION DIVISION  
OFFICE OF FEDERAL AWARDS MANAGEMENT

**WRITTEN ONLY**

TESTIMONY BY LUIS P. SALAVERIA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE SENATE COMMITTEE ON WAYS AND MEANS  
ON  
SENATE BILL NO. 1314, S.D. 1

**February 10, 2023**  
**10:30 a.m.**  
**Room 211 and Videoconference**

RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST  
FUND SPOUSAL MEDICARE PART B PREMIUM REIMBURSEMENT

The Department of Budget and Finance supports this bill.

Senate Bill No. 1314, S.D. 1, amends Section 87A-23, HRS, to exclude spouses of employee-beneficiaries of the Hawai'i Employer-Union Health Benefits Trust Fund (EUTF) who are hired after June 30, 2023, from receiving Medicare Part B reimbursement payments, unless they themselves qualify as employee-beneficiaries.

The proposed amendment will reduce the annual required contributions for Other Post-Employment Benefits (OPEB) for the State, the counties, and other public employers. Medicare Part B premium reimbursements paid to the spouses of retirees are a significant cost to the State and totaled approximately \$24.5 million in FY 22. EUTF's actuary projects that this change in benefits will reduce the State's OPEB costs by about \$1.2 billion over the next 30 years, providing some additional flexibility in the State's budget to accelerate pre-funding of OPEB, allocate funds toward other priorities, or respond to economic downturns.

Thank you for your consideration of our comments.



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

February 8, 2023

**VIA ONLINE**

The Honorable Donovan M. Dela Cruz  
Chair  
The Honorable Gilbert S.C. Keith-Agaran  
Vice-Chair  
Senate Committee on Ways and Means  
Hawaii State Capitol, Rooms 208, 221  
415 South Beretania Street  
Honolulu, HI 96813

Re: **SB 1314 SD1 – Relating to the Hawaii Employer-Union Health Benefits Trust Fund Spousal Medicare Part B Premium Reimbursement**

Dear Chair Dela Cruz, Vice-Chair Keith-Agaran, 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 **strong opposition** to SB 1314 SD1. This bill amends HRS § 87A-23 to exclude Medicare reimbursement by the State and counties for the spouses of retired employees hired after June 30, 2023.

As it currently stands, the State and counties reimburse retirees and their spouses Medicare Part B premiums, including spouses of retirees hired after June 30, 2001 under HRS § 87A-23. Pursuant to this bill, the State and counties would no longer reimburse Medicare for the spouses of retired employees hired after June 30, 2023. While current retirees and vested, terminated employees and current employees will not be impacted by this bill, all employees hired after June 30, 2023 will lose this valuable benefit of devoting a career to public service.

As you may know, our county police departments are experiencing a severe staffing crisis. The existing and already reduced retirement benefits available to police officers do not attract a sufficient number of qualified police officer recruits, turnover is constant, new recruits enlist and then cannot make it through our training or they graduate and soon leave for other jurisdictions that offer higher compensation and take our training with them and our most experienced officers, i.e., those who are eligible to retire, are exiting at the first opportunity.

**Main Office & Honolulu Chapter Office**  
1717 Hoe Street  
Honolulu, Hawaii 96819-3125  
Tel: (808) 847-4676 "84 SHOPO"  
www.shopohawaii.org Fax: (808) 841-4818

**Hawaii Chapter Office**  
688 Kinoole Street, Room 220B  
Hilo, Hawaii 96720-3877  
Tel: (808) 934-8405  
Fax: (808) 934-8210

**Kauai Chapter Office**  
3176 Oihana Street, Suite 104, Lihue  
Mailing Add: P. O. Box 1708  
Lihue, Hawaii 96766-5708  
Tel: (808) 246-8911

**Maui Chapter Office**  
1887 Wili Pa Loop, Suite 2  
Wailuku, Hawaii 96793-1253  
Tel: (808) 242-6129  
Fax: (808) 242-9519

The Honorable Donovan M. Dela Cruz, Chair  
The Honorable Gilbert S.C. Keith-Agaran, Vice-Chair  
Senate Committee on Ways and Means  
February 8, 2023  
SHOPO Testimony Page 2

Re: **SB 1314 SD1 – Relating to the Hawaii Employer-Union Health Benefits Trust Fund Spousal Medicare Part B Premium Reimbursement**

This bill may potentially compound this crisis by potentially discouraging and disincentivizing individuals from becoming police officers, which in turn will further hinder the respective county departments' ability to recruit new officers. The simple fact is we should be making our retirement benefits more competitive as opposed to further dwindling away valued benefits from future employees otherwise we will continue to lose the hiring battle and lose officers to other jurisdictions that offer much greater benefit packages.

We thank you for allowing us to be heard and to share our concerns on this bill and hope your committee will unanimously reject this bill.

Respectfully submitted,

ROBERT "BOBBY" CAVACO  
SHOPO President