A BILL FOR AN ACT

RELATING TO VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION TRUSTS.

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

1 SECTION 1. Act 245, Session Laws of Hawaii 2005, is

2 amended by amending section 1 to read as follows:

3 "SECTION 1. The purpose of this Act is to allow for the

4 temporary establishment of an employee organization sponsored

5 trust that would provide health benefits for state and county

6 employees of a particular bargaining unit, as well as future

7 retirees of that bargaining unit and existing retirees who wish

8 to participate in such a trust. The trust would be established

9 as a voluntary employees' beneficiary association (VEBA) trust

10 pursuant to section 501(c)(9) of the Internal Revenue Code of

11 1986, as amended. The trust would be funded by employer

12 contributions negotiated pursuant to a collective bargaining

13 agreement and employee contributions to be determined by the

14 trust's board of trustees for active employees. The Act imposes

15 on the trust all of the standards and requirements of the

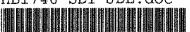
16 Employee Retirement Income Security Act of 1974, as amended

17 (ERISA). Even if the trust is deemed to be a governmental plan

- 1 exempt from ERISA, the legislative intent is that the trust must
- 2 comply with the standards and requirements of ERISA as a matter
- 3 of state law and that such shall be enforced by the attorney
- 4 general as well as participants, beneficiaries, and fiduciaries
- 5 of the plan or plans established by the trust.
- 6 This Act also provides for retiree coverage for any
- 7 employee who retires from the State or the counties who was a
- 8 member of an employee organization that establishes a VEBA trust
- 9 pursuant to a collective bargaining agreement effective on or
- 10 after July 1, 2005. Existing retirees who are members of an
- 11 employee organization and who were previously covered by a
- 12 collective bargaining agreement will be provided a one-time
- 13 opportunity to join the VEBA trust once established. Retiree
- 14 coverage for existing retirees provided by an employee
- 15 organization's VEBA trust would be funded by employer
- 16 contributions made directly to the VEBA trust by the employer.
- 17 The requirement of establishing a VEBA trust in order to be
- 18 exempt from participation in the Hawaii employer-union health
- 19 benefits trust fund is intended to be a cost containment measure
- 20 in response to the ever-increasing costs of health care
- 21 throughout the [state.] State. However, because of the lack of
- 22 data available on the impact of a VEBA trust on the Hawaii



- 1 employer-union health benefits trust fund, this Act would allow
- 2 the establishment of a VEBA trust pilot program for a period of
- 3 [three] eight years. During this period, a thorough analysis of
- 4 the costs and benefits of a VEBA trust can be evaluated against
- 5 the Hawaii employer-union health benefits trust fund to
- 6 determine what actual savings could be realized by the State
- 7 through this mechanism."
- 8 SECTION 2. Act 245, Session Laws of Hawaii 2005, is
- 9 amended by amending section 8 to read as follows:
- 10 "SECTION 8. This Act shall take effect upon its approval,
- 11 for the purpose of establishing a voluntary [employees]
- 12 employees' beneficiary association trust pilot program in March,
- 13 2006 and shall be repealed on July 1, [2008;] 2009; provided
- 14 that sections 89-2, 89-3, 89-6, and 89-9, Hawaii Revised
- 15 Statutes, are reenacted in the form in which they read on the
- 16 day before the effective date of this Act."
- 17 SECTION 3. Act 245, Session Laws of Hawaii 2005, is
- 18 amended by adding a new section to read as follows:
- 19 "SECTION 7A. Any employee organization that establishes a
- 20 voluntary employees' beneficiary association trust in March,
- 21 2006 and pursuant to this Act shall submit a report to the
- 22 legislature on the status of the trust no later than one hundred



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1	fifty days after two full plan years of the trust's
2	implementation, and annually thereafter. A plan year is define
3	as the twelve-month period from July 1 through June 30."
4	SECTION 4. Statutory material to be repealed is bracketed
5	and stricken. New statutory material is underscored.
6	SECTION 5. This Act shall take effect upon its approval.
7	
8	

Report Title:

VEBA Trusts

Description:

Extends the sunset date of Act 245, SLH 2005, to 2013. Requires employee organizations that establish VEBA trusts to report to the legislature after two full years of implementation and annually thereafter. (SD1)