

HB 1174

POLICE DEPARTMENT
CITY AND COUNTY OF HONOLULU

801 SOUTH BERETANIA STREET • HONOLULU, HAWAII 96813
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OUR REFERENCE RN-JK

February 1, 2013

The Honorable Mark M. Nakashima, Chair
and Members
Committee on Labor and Public Employment
State House of Representatives
Hawaii State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair Nakashima and Members:

Subject: House Bill No. 1174, Relating to Employer-Union Health Benefits Trust Fund

I am Alan K. Bluemke, Major of the Human Resources Division of the Honolulu Police Department (HPD), City and County of Honolulu.

The HPD opposes the passage of House Bill No. 1174, Relating to Employer-Union Health Benefits Trust Fund. The passage of this bill has the potential to impact current and future employees' retirement health benefits by eliminating specific monetary amounts and requirements for annual adjustment.

The HPD urges you to oppose House Bill No. 1174.

Thank you for the opportunity to testify.

Sincerely,

A handwritten signature in black ink, appearing to read "Alan K. Bluemke", is written over a horizontal line.

ALAN K. BLUEMKE, Major
Human Resources Division

Approved:

A handwritten signature in black ink, appearing to read "Louis M. Kealohe", is written over a horizontal line.

LOUIS M. KEALOHA

for Chief of Police

Serving and Protecting With Aloha



RETIREES UNIT
888 Mililani Street, Suite 601
Honolulu, Hawaii 96813-2991

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www.hgea.org

The Twenty-Seventh Legislature, State of Hawaii
House of Representatives
Committee on Labor and Public Employment

Testimony by
Hawaii Government Employees Association
February 1, 2013

H.B. 1174 Relating to Employer-Union Health Benefits Trust Fund

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO strongly supports passage of H.B. 1174 which repeals specific monetary amount of employer contributions to the EUTF for each enrolled employee beneficiary.

The Hawaii Supreme Court held that "health benefits for retired state and county employees constitutes 'accrued benefits' pursuant to article XVI Section 2 of the Hawaii Constitution. This means that the Hawaii Constitution prohibits the Legislature from passing any bill that diminishes or impairs retirees' health or pension benefits already earned.

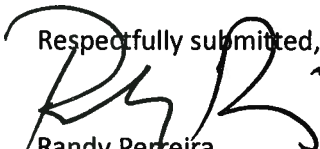
Public employees currently pay a share of the cost of health premiums for health benefits. In retirement, retired state and county employees receive a base monthly contribution health premium benefit depending on their hire date. In other words, there is a "cap" on the amount the employers will pay for medical, prescription drug, dental and vision premiums. The cap has not been an issue since its inception on July 1, 2003 through June 30, 2012. However on July 1, 2012, one carrier exceeded the base monthly contribution premium for non-Medicare retirees. The following is the impact to non-Medicare retirees had the carrier not lowered their premium:

	Health Premium	Cap Rate	Difference
Single	\$693.80	\$668.12	\$25.68
2 party	\$1,353.52	\$1,346.68	\$6.84
Family	\$1,990.16	\$1,971.04	\$19.12

The last column represents the out-of-pocket cost to the non-Medicare retiree which diminishes the 'accrued' retirees' health benefit, in direct conflict of article XVI, Section 2 of the Hawaii Constitution. Let us not forget the promise, the social and moral obligation to State and County employees of free health insurance benefits upon retirement.

HGEA strongly supports H.B. 1174 and urges your committee to pass this measure. Thank you for the opportunity to testify.

Respectfully submitted,


Randy Perreira,
Executive Director

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, January 30, 2013 1:41 PM
To: LABtestimony
Cc: hiresidence@msn.com
Subject: *Submitted testimony for HB1174 on Feb 1, 2013 09:00AM*

HB1174

Submitted on: 1/30/2013

Testimony for LAB on Feb 1, 2013 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
ARLENE SHIMOKAWA	HGEA Retirees Unit	Support	Yes

Comments:

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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The Twenty-Seventh Legislature, State of Hawaii
House Of Representatives

Committee on Labor and Public Employment

Testimony by
Hawaii Government Employees Association
February 1, 2013

H.B. 1174 Relating to the Employer-Union Health Benefits Trust Fund

I am Ruth Walker, President of the HGEA Retirees Unit and I strongly support the passage of H.B. 1174 which repeals specific monetary amount of employer contributions to the EUTF for each enrolled employee beneficiary.

Over the years, retiree benefits have become inferior or have diminished depending on ones hire date. Since July 1, 1996, the percentage of the base monthly contribution level is tiered and depends on how many years you were employed. Beginning July 1, 2001, only the employee beneficiary receives a benefit, spouses are no longer covered.

Medical costs are soaring and medical premiums are forecasted to rise. On July 1, 2012, one of the EUTF medical plan premiums was going to exceed the base monthly contribution. That would have been an additional out-of-pocket expense for those members enrolled in that particular health plan, creating a hardship on seniors at the most vulnerable time in their lives.

As the HGEA Retirees Unit President, I represent over 9,500 members statewide. On behalf of the seniors who will be impacted by possible increases in medical premiums resulting in payments exceeding the current established cap, I ask for your support of H.B. 1174 and urge the Labor and Public Employment Committee members to also support the bill.

Thank you for the opportunity to testify.

Respectfully submitted,



Ruth E.K. Walker
President, HGEA Retirees Unit

The Twenty-Seventh Legislature, State of Hawaii
House of Representatives

Committee on Labor and Public Employment

Testimony by
Hawaii Government Employees Association
February 1, 2013

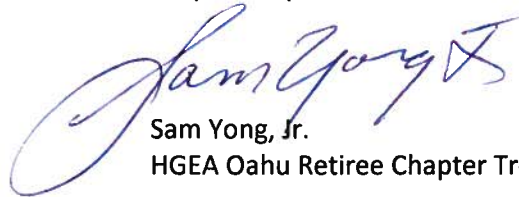
H.B. 1174 Relating to the Employer-Union Health Benefits Trust Fund

My name is Sam Yong, Jr. and I am the Treasurer of the HGEA Oahu Chapter Retirees Unit. I strongly supports the passage of H.B. 1174 which repeals specific monetary amount of employer contributions to the EUTF for each enrolled employee beneficiary.

As dedicated public servants we knew our pay was not equal to workers in the private sector, but we also knew our retirement health benefits were second to none and we would reap those benefits throughout our retirement. As an HGEA Retiree, I planned my future with the accrued benefits in mind.

I urge your committee to support this bill and thank you for the opportunity to testify.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Sam Yong, Jr.", with a stylized flourish at the end.

Sam Yong, Jr.
HGEA Oahu Retiree Chapter Treasurer

January 31, 2013

TO: HOUSE COMMITTEE ON LABOR & PUBLIC EMPLOYMENT
Representative Mark M. Nakashima, Chair
Representative Mark J. Hashem, Vice Chair

FROM: Paul Alston, Esq.
Alston Hunt Floyd & Ing

RE: H.B. 1174, Relating to Employer-Union Health Benefits Trust Fund
Position: SUPPORT

Dear Chair Nakashima, Vice Chair Hashem and members of the Committee:

I am the lead counsel in *Everson v. EUTF*, the class action that established the principle that state and county retirees have constitutionally protected rights to post-retirement healthcare benefits, which cannot be diminished or impaired.

The existing caps on contributions for state and county retirees (and their beneficiaries) are clearly unconstitutional to the extent that they hinder the delivery of the constitutionally required level of benefits. There is no good faith argument supporting the existence--or use--of caps which cause any restriction or reduction of benefits, if the resulting coverage is inferior to that provided to active workers and their dependents.

This bill should be passed.

Thank you,

A handwritten signature in black ink, appearing to read "Paul Alston", with a stylized flourish at the end.

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, January 31, 2013 9:00 AM
To: LABtestimony
Cc: palakiko96744@yahoo.com
Subject: Submitted testimony for HB1174 on Feb 1, 2013 09:00AM

HB1174

Submitted on: 1/31/2013

Testimony for LAB on Feb 1, 2013 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Kimo Palakiko	Individual	Support	Yes

Comments: As a State Retiree I count on my benefits to sustain me and my family as was promised by the State Constitution.

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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LATE TESTIMONY

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON LABOR & PUBLIC EMPLOYMENT
ON
HOUSE BILL NO. 1174

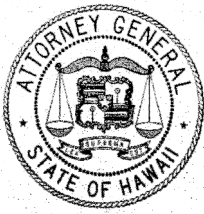
February 1, 2013

RELATING TO THE EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

House Bill No. 1174 repeals the base monthly contribution amount formula for public employer contributions to the Employer-Union Health Benefits Trust Fund (EUTF) for State/county retirees' health benefits.

The Department of Budget and Finance strongly opposes this measure. First, the base monthly contribution formula provides an upper threshold parameter for the EUTF Board of Trustees in determining health benefits plan designs and benefits for State/county retirees. Cost is a significant consideration in the design of a health benefit plan and removing the upper threshold parameter could lead to development of health benefit plans for retirees that are unsustainable. It should be noted that collective bargaining of public employer EUTF contributions serves as the comparable upper threshold parameter for active State/county employees.

Second, the base monthly contribution formula for State/county retirees is one of the factors used by the actuary determining the unfunded other post-employment benefit (OPEB) liability of the EUTF. Repealing the base monthly contribution formula could result in an increase of the EUTF unfunded OPEB liability, which is currently \$16.3 billion for all State/county jurisdictions -- the State's portion of the unfunded OPEB liability is \$13.6 billion.



TESTIMONY OF THE DEPARTMENT OF THE ATTORNEY GENERAL TWENTY-SEVENTH LEGISLATURE, 2013

ON THE FOLLOWING MEASURE:

H.B. NO. 1174, RELATING TO EMPLOYER-UNION HEALTH BENEFITS TRUST FUND.

LATE TESTIMONY

BEFORE THE:

HOUSE COMMITTEE ON LABOR AND ON PUBLIC EMPLOYMENT

DATE: Friday, February 1, 2013

TIME: 9:00 a.m.

LOCATION: State Capitol, Room 309

TESTIFIER(S): WRITTEN TESTIMONY ONLY.

(For more information, contact Kyle K. Chang,
Deputy Attorney General, at (808) 586-0622)

Chair Nakashima and Members of the Committees:

The Department of the Attorney General opposes this bill as currently drafted.

H.B. No. 1174 deletes the specific amounts for the base monthly contribution established under section 87A-33 of the Hawaii Revised Statutes (HRS). It also deletes the provisions for annually adjusting the base monthly contribution set forth in section 87A-33(d) and (e), HRS. Finally, it deletes the references to section 87A-33(b), HRS in sections 87A-34, 35, and 36, HRS.

This bill does not provide for the State and counties to pay any monthly contributions to the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) for the employee-beneficiaries and dependent-beneficiaries described in section 87A-33(a), HRS. The bill merely says is that the monthly contributions by the State and county “shall not exceed the actual costs of the health benefits plan or plans” or, if both husband and wife are employee-beneficiaries, the total contribution by the State or county “shall not exceed the monthly contribution for a supplemental medicare family or non-medicare family plan, as appropriate.” See page 3, lines 3-8. This wording does not require the State or counties to contribute any particular amount or amounts; it just states a limitation on the amount that the State and counties contribute.

This bill does not clearly define the amount of monthly contributions that the State and counties are required to pay to the EUTF for the employee-beneficiaries and dependent-beneficiaries described in section 87A-33(a), HRS. Based on the current language of this bill, we cannot discern whether it means to require the State and counties to pay the total premium costs for the health benefits plan or plans that the eligible employee-beneficiaries and dependent-

beneficiaries enroll in or some other amount or amounts. In this respect, the Committee should note that a retired employee's total premium costs will differ greatly depending on whether he or she is enrolled in: (a) self-only, two-party, or family plans; (b) medicare supplemental or non-medicare plans; (c) the EUTF PPO or HMO medical plans; and (d) the EUTF prescription drug, dental, and/or vision plans, which are optional.

The bill does not clearly define the base monthly contribution that is referred to in sections 87A-34, 35, and 36, HRS. As currently written, section 87A-33, HRS defines the base monthly contribution in specific dollar amounts that have been and continue to be annually adjusted by the percentage changes in Medicare Part B rates. This bill does not define any base monthly contribution nor provide a method for its calculation. Even if one were to assume that the base monthly contribution was the total monthly premium costs for EUTF retiree health plans, as discussed above, that cost will vary from retiree to retiree depending on which plans he or she chooses. For purposes of sections 88-34, 35 and 36, HRS, the State and counties need to know a specific discernible amount or amounts in order to know what they should pay to the EUTF for retired employees covered by those sections, i.e., one-half of the base monthly contribution. See page 6, line 18; page 7, lines 11-12 and 16-17; page 8, lines 8-9 and 13-15.

Depending on whether the bill continues to reference a "base monthly contribution" and how it defines that term, section § 87A-33(c), HRS, may have to be revised. See page 6, lines 7-12. Currently, the EUTF uses a three-tier system, self-only, two-party, and family for retiree plans. Any change to this subsection should account for the possibility that the EUTF may change the tiering structure of its retiree plans in the future.

Finally, the Committee should note that taking away the limits or caps on State and county contributions afforded by the current section 87A-33, HRS, may increase the State's and counties' actuarially accrued liabilities for other post-employment benefits (OPEB). We understand that the current figures calculated for such OPEB liabilities were under the assumption that the limits or caps in sections 87A-33, 34, 35, and 36, HRS, would remain. At least one pending lawsuit seeks to increase the health benefits provided by the EUTF to retirees. If plaintiffs succeed in this respect, the deletion of limits or caps in this bill could result in a further increase in the State's and counties' current and long-term liabilities for retiree health benefits costs.

LATE TESTIMONY

Hawaii Government Employees Association
Oahu Chapter, Retirees Unit

Testimony on H.B. 1174 Relating to Employer-Union Health Benefits Trust Fund

Chair Mark Nakashima and members of the Committee on Labor and
Public Employment

My name is Paul T. Matsuo, currently the President of the Retirees Unit, Oahu Chapter, Hawaii Government Employees Association (HGEA). The Oahu Chapter is composed of approximately 6,900 retired public government employees. Statewide we have a retiree membership of over 9,500 members. All of our members depend on the Employee-Union Health Benefit Trust Fund (EUTF) for our retirement health benefits.

Our members support the intent of H.B. 1174 as this will assure that our members will be covered under the EUTF Health Plans with no additional out-of-pocket premium expense. We urge the Labor and Public Employment Committee to approve this bill.

Thank you for the opportunity to submit our testimony.

Respectfully submitted,



Paul T. Matsuo,
HGEA Retirees Unit
Oahu Chapter President