

TESTIMONY BY THOMAS WILLIAMS  
EXECUTIVE DIRECTOR, EMPLOYEES' RETIREMENT SYSTEM  
STATE OF HAWAII

TO THE SENATE COMMITTEE ON JUDICIARY AND LABOR  
ON

SENATE BILL NO. 2428

FEBRUARY 2, 2016, 9:00 A.M.

RELATING TO PUBLIC EMPLOYEES

Chair Keith-Agaran, Vice Chair Shimabukuro and Members of the Committee,

S.B. 2428 would require the Employees' Retirement System (ERS) to transfer contributions by retirees and beneficiaries to the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) that represent the difference between the monthly contributions by the State or county to the EUTF and the actual costs of health benefit plans under the EUTF.

The ERS Board of Trustees has not had the opportunity to review S.B. 2428 and therefore has not taken a formal position on this proposal; however, the ERS staff has the following comments and concerns:

- S.B. 2428 proposes to amend Section 88-6, Hawaii Revised Statutes (HRS), regarding ERS payments of refunds and retirement benefits to ERS retirees and beneficiaries; however, these amendments may more appropriately apply to Section 88-95, HRS, which already provides for the withholding of insurance premiums to the EUTF. This section states that the retired member "may have withheld from the retired member's pension, annuity, or retirement allowance, payments to the employer-union health benefits trust fund and employee organizations for dues and insurance premiums." Though in existence and under discussion between the ERS and EUTF since 2006, this premium deduction from pensioner benefits has not yet been applied.
- Determination of any amounts that the EUTF is permitted to have deducted from ERS benefits should be in the EUTF's statute. If the ERS will be required to deduct sums payable to the EUTF from ERS benefit payments, the ERS should be entitled to rely on the EUTF for the accuracy of the amounts and the EUTF's authority to be paid.
- As the state agency with the responsibility for handling confidential and protected health information on state and county employees and retirees, the EUTF falls under the procedures and regulations of the Health Insurance Portability and Accountability Act (HIPAA). Any transfer of retiree, beneficiary and medical premium information between the EUTF and ERS will require a formal agreement which would clearly specify the

responsibilities and liabilities of both parties. Our previous experience with supporting such a “Business Associates Agreement” with the EUTF has been stalled by ERS concerns of being held accountable for responsibility and liability of any breach of confidential information under HIPAA regulations, beyond the ERS's responsibilities under state law.

- In addition, the ERS has concerns about situations in which the amount payable by the ERS to a retiree or beneficiary is not sufficient to cover the EUTF premium contribution deduction. This also leads to our further concern regarding the one-time “opt out” election for the EUTF withholding of premiums. EUTF premiums may change from year to year; and, the ERS benefit payment may be subject to reductions based on additional deductions or life events. A one-time opt out might not protect a retiree from receiving no monthly retirement payment.
- Finally, the ERS also questions this bill’s proposed requirement that the ERS file annual reports to the legislature of withheld EUTF premium payments. As EUTF premiums are determined by the EUTF, requested by the EUTF and received by the EUTF, the ERS believes that the EUTF would be the agency with the most accurate information and would be most accountable to the legislature on this requirement of S.B. 2428.

Thank you for this opportunity to provide comments on this very important legislation.



**STATE OF HAWAII**  
**HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND**

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**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 JUDICIARY & LABOR**  
**ON**  
**SENATE BILL NO. 2428**

February 5, 2016, 9:00 a.m.

**RELATING TO PUBLIC EMPLOYEES**

Chair Keith-Agaran, Vice Chair Shimabukuro, and Members of the Committee:

The Hawaii Employer-Union Health Benefits Trust Fund (EUTF) Board of Trustees has not had an opportunity to take a position on this bill. However, the EUTF would like to present some comments. The EUTF and the Employees' Retirement System (ERS) have been in discussions regarding the ERS withholding of the retiree and surviving spouse portions of their health benefit plan premiums from their pensions and remittance to the EUTF. In order for the ERS to withhold the amounts from the retiree and surviving spouse pensions, the EUTF must provide the retiree and surviving spouse identifying information and their share of the monthly health plan premiums to the ERS. Since the EUTF is a covered entity under the Health Insurance Portability and Accountability Act of 1996 (HIPAA), this information is considered protected health information. Under HIPAA, the EUTF must enter into a Business Associates Agreement (BAA) with the ERS before it can provide this information. The BAA establishes what

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

the business associate, ERS, is engaged to do and requires the ERS to protect the privacy and security of the protected health information. To date the two parties have not been able to agree on a BAA.

Additionally, the EUTF is investigating options for employees, retirees and surviving spouses to pay electronically. Currently, the EUTF has approximately 1,450 or 2.2% (out of 65,000 total) retirees and surviving spouses who pay a portion or all of the monthly premium. An electronic option (e.g. automated clearing house payments in which EUTF draws the money from the retiree or surviving spouse's bank account after receiving authorization or online credit card payments) may be a better alternative as retiree and surviving spouse pensions may be less than their share of the premiums or may become less in the future as health premiums grow at a faster rate than the pension cost of living adjustments. In addition, certain retirees and surviving spouses may not have ERS pensions.

Finally, section 87A-40(b) already provides a mechanism for the ERS to withhold the retiree and surviving spouse portions of health benefit plan premiums from their pensions and an implementation date of July 1, 2016 may not be feasible because of the time necessary to execute a BAA and to modify the EUTF and ERS computer systems to accommodate the change in the process.

Thank you for the opportunity to testify.

Beverly Gotelli  
HSTA-Retired Member

February 5, 2016

SB 2428: Relating to Public Employees  
Room 016 9:00 am

Chair Keith-Agaran, Vice Chair Shimabukuro:

Good morning Chair Keith-Agaran, Vice Chair Shimabukuro and members of the Committee, I'm Beverly Gotelli a retired teacher writing in support of SB 2428.

In the near future we will have more retirees paying a portion of their medical premium due to changes made in recent years. We understand the need to pay a portion of the premium what we want to see is an easier process in which it is done.

We have been told current retirees must send in payment by check which is fine but what happens when someone is on a trip or ill and misses a payment. I support this legislation as a win-win for both the retiree and the Employee Union Trust Fund (EUTF). The Employee's Retirement System would deduct the premium prior to disbursing payment to the retiree. State and County retirees have had automatic deductions done while working and continue today for various deductions, i.e. Federal Income Tax, Union Dues, Life Insurance.

Deductions are being currently done so why can't it be done for the EUTF. Premiums would be made in a timely fashion and the retiree would not need to be burdened with an additional payment.

I ask your support for this legislation as it is beneficial to the State and the retiree.

Thank you for you for the opportunity to testify on this matter.

## Testimony of Phyllis Ida

Committee on Judiciary and Labor

Sen. Gil Keith-Agaran, Chair

Sen. Maile Shimabukuro, Vice Chair

Friday, February 5, 2016

9:00 a.m.; Conference Room 016

Re: Support of SB 2428: Relating to the Employees' Retirement System

Aloha Chair Keith-Agaran, Vice Chair Shimabukuro and members of the Committee,

My name is Phyllis Ida a retired teacher writing in support of SB 2428.

There has been a problem with retirees paying a portion of their medical premium due to changes made in recent years. Many will need to pay a portion of their premium and are not aware of this requirement in time. We need an easier process to ensure that new retirees do not miss a payment and lose their medical insurance. Deductions are being currently done so why can't it be done for the EUTF. Premiums would be made in a timely fashion and the retiree would not need to be burdened with an additional payment.

I support this legislation as it makes things easier for both the retiree and the Employee Union Trust Fund (EUTF).

I ask your support for this legislation as it is beneficial to the State and the retiree.

Thank you for the opportunity to testify on this matter.

Phyllis Ida

Joanne Ing  
HSTA-R Oahu district president

February 3, 2016

Relating to SB 2428

Members of the Judiciary and Labor Committee

This testimony is submitted on behalf of present and future state retirees **whose health insurance premiums are not fully covered by the state and have to pay a portion of these premiums each month.** Making payments becomes an added burden for our retirees. While they were employed, health premiums were automatically deducted, but once retired, the retiree must make their own payments. For reasons such as a lack or late premium increase notification, late mail notification due to a trip or illness/hospitalization, inattention to notices, and just plain forgetfulness, the retiree does not make his monthly payment. Consequently his health insurance is cancelled. Unfortunately when the person needs it, he doesn't have it.

In our discussion with our retired members, we have found that having to make monthly payments is becoming a greater burden as our retiree group is aging, and the number of retirees making their own payments is growing. We have to admit that as our population ages, it gets harder for them to keep track of things and make timely payments.

Our remedy is presented in SB 2428, where health premiums are automatically deducted from month retirement checks, much like taxes and organizational dues.

Our solution would benefit the retiree because they would not have to worry about making payments as they would be automatically deducted. The state would also benefit because they would get the money in a timely manner and not have the unpleasant task of seeing someone's health insurance terminated.

Please support SB 2428 and make life easier for our affected retirees.

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Thursday, February 04, 2016 9:31 AM  
**To:** JDLTestimony  
**Cc:**  
**Subject:** Submitted testimony for SB2428 on Feb 5, 2016 09:00AM

**SB2428**

Submitted on: 2/4/2016

Testimony for JDL on Feb 5, 2016 09:00AM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
Vaughn K. Tokashiki	Individual	Support	No

Comments: I am testifying in support of SB 2428 because I believe that the bill's intent will result in cost savings for the state. As a taxpayer, I am in favor of a judicious use of taxpayers' money. This bill would be a win-win situation for the state and individual taxpayers. Rosemary Tokashiki

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