

DAVID Y. IGE
GOVERNOR



THOMAS WILLIAMS
EXECUTIVE DIRECTOR

KANOE MARGOL
DEPUTY EXECUTIVE DIRECTOR

STATE OF HAWAII
EMPLOYEES' RETIREMENT SYSTEM

WRITTEN ONLY

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

TO THE SENATE COMMITTEE ON WAYS AND MEANS

ON

SENATE BILL NO. 2866, S.D. 1

February 20, 2020
10:35 A.M.
Conference Room 211

RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
EMPLOYEE-BENEFICIARY MONTHLY CONTRIBUTIONS

Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee,

S.B. 2866, S.D. 1, amends Section 87A-40, HRS, to mandate that each new retired employee or surviving employee-beneficiary pay their share of health benefits premiums through monthly electronic deductions from their benefits (if any) from the Employees' Retirement System of the State of Hawaii (ERS). The Board of Trustees of the ERS has not yet had the opportunity to review this bill; however, the ERS staff has the following comments:

Withholding of ERS deductions for the Employer-Union Health Benefits Trust Fund (EUTF) falls under the provisions of Section 88-95, HRS, and currently only applies to "retired member(s)." Section 3 of S.B. 2866, S.D. 1 seeks to include "the retirant's surviving beneficiary." We would suggest the following clarification:



Employees' Retirement System
of the State of Hawaii

“§88-95 Withholding of dues and insurance premiums. A ~~[retired member,]~~ retirant, or the retirant's surviving beneficiary, if the ~~[retired member]~~ retirant or the retirant's surviving beneficiary, requests in writing, may have withheld from the ~~[retired member's]~~ retirant's or retirant's surviving beneficiary's pension, annuity, or retirement allowance, payments to the employer-union health benefits trust fund and employee organizations for insurance premiums.”

If S.B. 2866, S.D. 1 is passed, the above language will clarify the recipient of the ERS benefits covered by the EUTF who may request for insurance premium deductions. As the ERS currently deducts and processes insurance premium payments to the EUTF, should this legislation become law, the ERS will work cooperatively with the EUTF to extend this service to surviving employee-beneficiary recipients.

Thank you for this opportunity to testify.



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STATE OF HAWAII
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
201 MERCHANT STREET, SUITE 1700
HONOLULU, HAWAII 96813
Oahu (808) 586-7390
Toll Free 1(800) 295-0089
www.eutf.hawaii.gov

ADMINISTRATOR
DEREK M. MIZUNO

ASSISTANT ADMINISTRATOR
DONNA A. TONAKI

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 WAYS AND MEANS
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Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee:

The Hawaii Employer-Union Health Benefits Trust Fund (EUTF) Board of Trustees strongly supports this bill. The EUTF Board believes that this bill benefits both the EUTF and retirees. Monthly recurring electronic deductions of retiree premiums from their bank accounts or ERS pensions reduce EUTF staff time and administrative costs (by \$1.00 per retiree per month), and protects retirees from termination of benefits in the event they fail to make payment. If a retiree fails to make payment, the EUTF mails a Shortage Notice. The retiree has 30 days from the date of the Shortage Notice to make payment. If payment of the outstanding premium is not made within 30 days, the retiree and their dependents' benefits are terminated. A Cancellation Notice is mailed to the retiree confirming the termination. The retiree can reinstate coverage if he/she pays all outstanding premiums within 60 days of the Cancellation Notice. The retiree is eligible for reinstatement if he/she has not been canceled for non-payment

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 informed service that is excellent, courteous, and compassionate.

within the last 12 months. In most cases, this process can be avoided if monthly recurring electronic deductions occur.

Approximately 5% or 2,300 retirees currently pay all or a portion of their medical, prescription drug, dental and/or vision premiums. On May 8, 2017 and January 31, 2018, the EUTF began offering monthly recurring electronic premium deductions from retiree bank accounts and ERS pensions, respectively. The response has been positive with nearly 70% of the 2,300 retirees signing up for one of the two electronic deduction methods. The EUTF twice a year provides the remaining 30% with an authorization form to begin electronic deductions along with premium payment coupons for the next six months. To achieve 100% enrollment in electronic deductions, the EUTF is requesting that the legislature mandate electronic deductions for new retirees. The EUTF will continue to inform retirees, who sign up for electronic deductions, when changes to the deduction amount are made (normally January which coincides with the new plan year).

The EUTF is requesting an amendment to 87A-40(c) of S.D. 1 to read: "Each employee-beneficiary who retires after June 30, 2020, and each surviving spouse or surviving child of a retired employee-beneficiary who enrolls in a the health plan offered by the fund as an employee-beneficiary after June 30, 2020, shall authorize their contribution to the fund to be electronically withheld or deducted and transmitted to the fund monthly by the employees' retirement system or the financial institution of the retirant or retirant's surviving beneficiary. This method may be waived by the fund if another method is determined to be more appropriate. If the contribution by the retirant or the retirant's surviving beneficiary is not electronically withheld, deducted, or transmitted to the fund, the retirant or the retirant's surviving beneficiary shall pay their monthly

contribution directly to the fund by the first day of each month.” This change is for clarification purposes only.

Thank you for the opportunity to testify.

To: Senator Donovan M. Dela Cruz, Chair
Senator Gilbert S. C. Keith-Agaran, Vice-Chair
Senate Committee on Ways and Means

From: Phyllis Ida
45-284 Pahikaua Street
Kaneohe, HI 96744, 235-6577

Thursday, February 20, 2020
10:35 a.m., Conference Room 211

RE: Support of **SB2866 S.D. 1**, “Relating to the Hawaii Employer-Union Health Benefits Trust Fund Employee-Beneficiary Monthly Contributions.”

My name is Phyllis Ida and I am in support of the intent of this bill.
Thank you for the opportunity to give testify.