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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.

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