



LINDA LINGLE  
GOVERNOR

**STATE OF HAWAII**  
**HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND**  
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HONOLULU, HAWAII 96810-0150

**EMPLOYER TRUSTEES**  
AUDREY HIDANO, VICE-CHAIR  
BOB AWANA  
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NEAL MIYAHIRA  
DAVIS K. YOGI

**EMPLOYEE-BENEFICIARY TRUSTEES**  
JOAN LEWIS, SECRETARY-TREASURER  
GERALD K. MACHIDA  
WILLARD P. MIYAKE  
DAYTON NAKANELUA  
JOHN RADCLIFFE

**ADMINISTRATOR**  
H. MARK FUKUHARA

February 11, 2003

Mr. J.P. Schmidt, Insurance Commissioner  
Department of Commerce and Consumer  
Affairs, Insurance Division  
250 South King Street, Room 412  
Honolulu, Hawaii 96813

Dear Mr. Schmidt:

Re: Hawaii Employer-Union Health Benefits Trust Fund and Article I of Chapter 432, HRS

Based on the enclosed memorandum, the Board of Trustees of the Hawaii Employer-Union Health Benefits Trust Fund ("Trust Fund") believes that the Trust Fund is not a mutual benefit society and is not subject to regulation under Article I of Chapter 432, HRS. If you do not concur, the Board of Trustees would appreciate your advice on this matter. For your information, we provide the following information on the Trust Fund.

The Trust Fund was established by Act 88, SLH 2001 (part of which has been codified as Chapter 87A, HRS). The purpose of the Trust Fund is to design, provide and administer health and other benefit plans for State and County employees, retirees and their dependents. See Section 87A-30, HRS. The Trust Fund is intended to replace the Public Employees Health Fund, effective July 1, 2003. The Trust Fund is a State government agency administratively attached to the Department of Budget and Finance. See Section 87A-30, HRS.

The Board of Trustees administers the Trust Fund. The Board consists of ten trustees appointed by the Governor, five to represent public employers and five to represent employee-beneficiaries. See Section 87A-5, HRS. The officers of the Board are a chairperson, vice-chairperson and secretary-treasurer. The Board is charged with administering and carrying out the purposes of the Trust Fund. See Section 87A-15, HRS. More specifically, the Board is responsible for determining the nature and scope of health and other benefit plans offered by the Trust Fund, negotiating and entering into contracts to effectuate such health and other benefit plans, establishing eligibility and management policies for the Trust Fund, and overseeing all Trust Fund activities. At this time, it is anticipated that the Board, with the assistance of its benefits plan consultant and administrator, will design one or more health benefits plans, and contract with one or more insurance carriers to provide, pay for or arrange

Mr. J.P. Schmidt, Insurance Commissioner

February 11, 2003

Page 2

for such benefits.<sup>1</sup> The Board is also authorized to establish a group life insurance program and long-term care benefits program. See Sections 87A-17 and 18, HRS.

In Chapter 87A, HRS, the State legislature defined the employee-beneficiaries, dependent-beneficiaries and qualified beneficiaries who may participate in the health and other benefit plans offered by the Trust Fund. See Section 87A-1, HRS. Basically, these definitions cover active public employees, retired public employees, and their dependents.

Funding of the Trust Fund's health and other benefits plans is to come from both the State and County public employers and the employee-beneficiaries. With respect to health and life insurance benefit plans for active employees, the public employers will pay monthly contributions set through collective bargaining or under Chapter 89C. See Section 87A-32, HRS. With respect to health benefit plans for retirees, the public employers will pay monthly contributions up to the amounts set forth in Sections 87A-33(b), 34(b), 35(c) and 36(c), HRS. With respect to life insurance plans for retirees, the public employers will pay \$4.16 in monthly contributions, subject to annual adjustment as provided in Section 87A-37, HRS.<sup>2</sup> Contributions made by the public employers are not considered wages or salary of the employee-beneficiaries. See Section 87A-38, HRS. The employee-beneficiaries are to pay any difference between the monthly charge of the health benefits plan selected by the employee-beneficiary and the contribution made by the State or County public employer for the employee-beneficiary. See Section 87A-40, HRS.

If you need any more information about the Trust Fund or have any questions, please feel free to call or write to the Trust Fund's administrator, Mark Fukuhara, at 587-5431.

Sincerely,



AUDREY HIDANO  
Vice-Chairperson

c: Brian Aburano, Deputy Attorney General

Enclosure

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<sup>1</sup> Some of these "insurance carriers" may qualify as mutual benefit societies under Article I of Chapter 432, HRS.

<sup>2</sup> While the Trust Fund may offer long-term care insurance plans to public employees, retirees and certain other related parties, this is to be at no expense to the public employers. See Section 87A-18, HRS.