



DEPARTMENT OF BUDGET & FINANCE

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State of Hawaii Begins Paying Down Retiree Benefits Liability

HONOLULU — For the first time, the State of Hawaii is setting aside funds to establish a long-term solution to address its unfunded liability for retiree health care premiums.

The state today made an initial deposit of \$100 million to the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) to begin pre-funding Public Employee Other-Post Employment Benefits (OPEB). OPEB are retiree benefits, excluding pension payments, that include health insurance premiums and life insurance. In the past, the state has opted to pay for OPEB on a “pay as you go” basis – meaning only for the annual expense of premiums.

“After decades of this issue being ignored, today we are taking action by beginning to pre-fund – and pay down – our OPEB liability,” said Gov. Neil Abercrombie, who in his 2013 State of the State address proposed budgeting the down payment with plans to continue to pursue payment in coming years. “This is the first step in many that are required to address this long-standing liability. We are demonstrating our resolve to meet and address our financial health and take our obligations seriously.”

EUTF Administrator, Sandra Yahiro stated, “We value the State’s commitment to our retiree beneficiaries and look forward to this long-term solution for this very important issue.”

The funds were appropriated during the 2013 legislative session as part of the Executive Biennium Budget starting in fiscal year 2014. This was the second attempt to get funds into the state budget. A \$50 million amount was included in a House draft of the budget during the 2012 Legislative Session but was not included in the final draft.

“We submitted this request along with the Abercrombie Administration’s Executive Biennium Budget Package after working with the legislature and major stakeholders, and embarking on a strategic educational campaign to grow awareness on the potential consequences of unfunded liabilities,” said Finance Director Kalbert Young. “We are very encouraged by this positive progress.”

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