

ALAN M. ARAKAWA
Mayor



DAVID J. UNDERWOOD
Director

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COUNTY OF MAUI
DEPARTMENT OF PERSONNEL SERVICES

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April 28, 2017

Ms. Lynn A.S. Araki-Regan
Budget Director, County of Maui
200 South High Street
Wailuku, Hawaii 96793

Honorable Alan M. Arakawa
Mayor, County of Maui
200 South High Street
Wailuku, Hawaii 96793

APPROVED FOR TRANSMITTAL
[Signature] 4/28/17
Mayor Date

For Transmittal to:

Honorable Riki Hokama
Chair, Budget and Finance Committee
Maui County Council
200 South High Street
Wailuku, Hawaii 96793

Dear Chair Hokama:

SUBJECT: FISCAL YEAR ("FY") 2018 BUDGET (PS-3) (BF-1)

We are in receipt of your communication (PS-3) (BF-1), which requests:

"May I please request you provide a copy of the final arbitration decisions for Bargaining Units 3 and 4; 11; and 2 and 13, slated to be available on April 12, 17, and 18, respectively, at your earliest opportunity. Please provide copies as they become available, rather than wait for all three to respond."

Attached please find the Arbitration Panels' decisions for Bargaining Units 03 and 04; and 02 and 13. Both decisions were issued on April 27, 2017. (Please be advised that while the decision for Units 02 and 13 also covers Units 08 and 09, the County does not have employees in those bargaining units.)

The cost items associated with this decision are being analyzed, and will be transmitted to you as soon as possible.

RECEIVED
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OFFICE OF THE
COUNTY COUNCIL

Honorable Riki Hokama
April 28, 2017
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I hope this addresses your request. If you have any questions, please feel free to contact me at extension 7850.

Sincerely,

A handwritten signature in black ink, appearing to read 'DU', with a stylized flourish at the end.

DAVID UNDERWOOD
Director of Personnel Services

DU
Attachments

**HLRB Nos. 16-I-03-158 and
16-I-04-159**

IMPASSE ARBITRATION AWARD FOR BARGAINING UNITS 03 AND 04

In the Matter of the Interest Arbitration between

*HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME, LOCAL 152, AFL-CIO*

Exclusive Representative for BU 03 and 04

And

*STATE OF HAWAII (GOVERNOR DAVID IGE);
CITY AND COUNTY OF HONOLULU (MAYOR KIRK CALDWELL);
COUNTY OF HAWAII (MAYOR HARRY KIM)
COUNTY OF MAUI (MAYOR ALAN M. ARAKAWA);
COUNTY OF KAUAI (MAYOR BERNARD P. CARVALHO);
JUDICIARY (CHIEF JUSTICE MARK RECKTENWALD);
HAWAII HEALTH SYSTEMS CORPORATION (BOARD OF DIRECTORS)*

Public Employers

ARBITRATION PANEL

Henry Kanda

Neutral Arbitrator and Chair

Sanford Chun

Union Panel Member

James Nishimoto

Employer Panel Member

APPEARANCES

On behalf of the HGEA (Union):

Alan C. Davis

Sylvia Courtney

On behalf of the Public Employers:

State of Hawaii, Judiciary, Hawaii Health Systems Corporation, University of Hawaii:

James E. Halvorson, Esquire Deputy Attorney General

City and County of Honolulu:

Paul Hoshino, Esquire Deputy Corporation Counsel

Leslie Chinn, Esquire: Deputy Corporation Counsel

County of Hawaii:

Belinda Castillo Hall, Esquire Deputy Corporation Counsel

County of Maui:

Gary Murai, Esquire Deputy Corporation Counsel

County of Kauai:

Mauna Kea Trask, Esquire County Attorney

WITNESSES

For the Employer, State of Hawaii

Wesley Machida, Director of Budget and Finance, State of Hawaii

Patrick Kilbourne, Managing Director, Berkeley Research Group

Ralph Schultz, Program and Budget Analysis Manager, State Budget and Finance

For the Employer, University of Hawaii

Kalbert Young, Chief Financial Officer, University of Hawaii

For the Employer, Hawaii Health Systems Corporation (HHSC)

Edward Chu, Chief Financial Officer, HHSC

For the Employer, City and County of Honolulu

Nelson H. Koyanagi, Director of Budget and Fiscal Services, C&C of Honolulu

For the Employer, County of Hawaii

Deanna Sako, Deputy Director of Finance, County of Hawaii

For the Employer, County of Kauai

Ken M. Shimonishi, Director of Finance, County of Kauai

For the HGEA, Union

Jackie Ferguson-Miyamoto, Office Assistant V, DOT, State of Hawaii and President of HGEA

Michael Messina, Associate Director of Research, AFSCME

Timothy F. Reilly, Certified Public Accountant (CPA), Self-employed: Timothy F. Reilly, CPA

Michael Yuen, Business Agent HGEA, BU 03 Union Spokesperson

Gerald Ako, Kauai Division Chief HGEA, BU 04 Union Spokesperson

PROCEDURAL BACKGROUND

This arbitration proceeding arises out of an impasse in collective bargaining negotiations between the HGEA and the Public Employers involving Bargaining Unit 03, White Collar Non-Supervisory Employees; and Bargaining Unit 04, White Collar Supervisory Employees, for the contract period beginning July 1, 2017. The impasse was declared on October 18, 2016, by the Hawaii Labor Relations Board (HLRB). Mediation, as mandated by Chapter 89, Hawaii Revised Statutes, proved to be unsuccessful. On November 16, 2016, and subsequently amended on December 16, 2016, the parties entered into a Memorandum of Agreement which spelled out the terms of an alternate impasse procedure (as opposed to the procedure outlined in Chapter 89, HRS). Subsequently, Mr. Sanford Chun was named to the arbitration panel by the Union and Mr. James Nishimoto was selected by the Employer group. On November 30, 2016, Mr. Henry Kanda was chosen by the parties to be the neutral and chair of the Arbitration Panel and HLRB was officially notified of his selection.

Following the alternate impasse procedure, the parties exchanged written final positions on December 30, 2016. Other than the tentative agreements reached on articles governing Vacation Leave and Military Leave (which will become part of the arbitration award), the parties agreed not to modify any other contractual provisions with the exception of Salaries, Hawaii Employer-Union Health Benefits (a provision outside of the scope of this arbitration proceeding) and Duration.

Prior to the hearing, the parties stipulated that the written arguments, testimony and exhibits presented by the parties in reference to several statutory criteria found in Chapter 89-11, HRS, governing factors that the Arbitration Panel must consider in reaching a decision, would also be placed into evidence for the next arbitration proceeding involving Bargaining Unit 02, Blue Collar Supervisory Employees, Bargaining Unit 08, Administrative, Professional and Technical Employees of the University of Hawaii, Bargaining Unit 09, Registered Professional Nurses, and Bargaining Unit 13, Professional and Scientific Employees. In other words, the parties would not have to repeat presenting such evidence and testimony for the arbitration hearing which followed on February 16, 2017. The two primary statutory criteria covered by the stipulated agreement involved the ability of the Public Employers to fund collective bargaining cost increases and are found in criteria “(4) The financial ability of the employer to meet these costs and (5) The present and future general economic condition of the counties and the State.”

The alternate impasse memorandum also provided set dates of the arbitration hearing (February 8 through February 14, 2017). These timelines were met and the transcripts were completed and delivered to the panel and the parties on February 24th and February 27th. On March 17, 2017, the parties exchanged closing briefs and delivered the same to the Arbitration Panel. As agreed upon during the hearing, the briefs were concise and did not exceed 20 pages in length. The preliminary draft of the arbitration decision was released to the parties and was reviewed for “completeness, technical correctness and clarity.” After further review, the panel has issued this final arbitration decision this 24th day of April, 2017.

STATUTORY CRITERIA IN CHAPTER 89-11, HAWAII REVISED STATUTES

f) An arbitration panel in reaching its decision shall give weight to the following factors and shall include in its written report or decision an explanation of how the factors were taken into account:

(1) The lawful authority of the employer, including the ability of the employer to use special funds only for authorized purposes or under specific circumstances because of limitations imposed by federal or state laws or county ordinances, as the case may be;

(2) Stipulations of the parties;

(3) The interests and welfare of the public;

(4) The financial ability of the employer to meet these costs; provided that the employer's ability to fund cost items shall not be predicated on the premise that the employer may increase or impose new taxes, fees, or charges, or develop other sources of revenues;

(5) The present and future general economic condition of the counties and the State;

(6) Comparison of wages, hours, and conditions of employment of the employees involved in the arbitration proceeding with the wages, hours, and conditions of employment of other persons performing similar services, and of other state and county employees in Hawaii;

(7) The average consumer prices for goods or services, commonly known as the cost of living;

(8) The overall compensation presently received by the employees, including direct wage compensation, vacation, holidays and excused time, insurance and pensions, medical and hospitalization benefits, the continuity and stability of employment, and all other benefits received;

(9) Changes in any of the foregoing circumstances during the pendency of the arbitration proceedings; and

(10) Such other factors, not confined to the foregoing, which are normally or traditionally taken into consideration in the determination of wages, hours and conditions of employment through voluntary collective bargaining, mediation, arbitration, or otherwise between the parties, in the public service or in private employment.

The Statute leaves to the discretion of the Arbitration Panel the weight to be given these criteria. The Panel has carefully considered each criteria and has provided appropriate weight as per the evidence and discussions by the parties.

ISSUES AT IMPASSE

Employers' Proposal for both Bargaining Units 03 and 04:

Salaries:

Effective July 1, 2017, provide a one-time, lump sum payment equivalent to 1% of the Employee's salary in existence on June 30, 2017.

Effective July 1, 2018, provide a one-time, lump sum payment equivalent to 1% of the Employee's salary in existence on June 30, 2018.

No step movements during the period July 1, 2017 through June 30, 2019.

Duration:

Two-year contract for the period July 1, 2017 through June 30, 2019.

Union's Proposal for BU 03:

Salaries:

Effective July 1, 2017, Employees shall receive an across-the-board salary increase of 4.3%.

Effective January 1, 2018, Employees shall receive an across-the-board salary increase of 4.3%.

Effective July 1, 2018, Employees shall receive an across-the-board salary increase of 4.3%.

Effective January 1, 2019, Employees shall receive an across-the-board salary increase of 4.3%.

Effective July 1, 2019, Employees shall receive an across-the-board salary increase of 4.3%.

Effective January 1, 2020, Employees shall receive an across-the-board salary increase of 4.3%.

Effective July 1, 2020, Employees shall receive an across-the-board salary increase of 4.3%.

Effective January 1, 2021, Employees shall receive an across-the-board salary increase of 4.3%.

Continuation of the step movement plan during the course of the four-year contract period.

Effective July 1, 2018, all classes of work shall be repriced to a higher salary range.

Salary schedule in existence on June 30, 2018, will be amended by eliminating the first four salary ranges (SR 04, SR 05, SR 06 and SR 07) and adding four new salary ranges after the highest salary range. The salary schedule will be re-labeled starting with a new SR 04 and ending with a new SC 03.

Duration:

Four-year contract for the period July 1, 2017 through June 30, 2021.

Union's Proposal for BU 04:

Salaries:

Effective July 1, 2017, the salary schedule in existence on June 30, 2017 shall be amended by eliminating Steps A, B and C and adding three new steps after the existing maximum step M. The new steps shall reflect a 4% differential between steps. The new salary schedule shall be re-labeled Steps A through M.

Effective July 1, 2017, Employees shall receive an across-the-board increase of 12%.

Effective July 1, 2018, all classes of work shall be repriced to the next higher salary range. The salary schedule in existence on June 30, 2018, will be amended by eliminating the first four salary ranges (SR 04, SR 05, SR 06 and SR 07) and adding four new salary ranges after the highest salary range. The salary schedule will be re-labeled starting with a new SR 04 and ending with a new SC 03.

Effective July 1, 2018, Employees shall receive an across-the-board increase of 6%.

Continuation of the step movement plan during the course of the contract period.

Duration:

Two-year contract for the period July 1, 2017 through June 30, 2019.

TENTATIVE AGREEMENTS

Tentative agreements were reached on Vacation Leave and Military Leave as shown on the attachment. These tentative agreements along with other articles in the two contracts that have not been amended, and the award on Salaries and Duration from this arbitration decision shall form the basis for the new collective bargaining agreements for BU 03 and BU 04 effective July 1, 2017. The pending agreement on the Hawaii Employer-Union Health Benefits Trust Fund articles will also be incorporated into the contracts.

ANALYSIS OF STATUTORY CRITERIA

- 1. The lawful authority of the employer, including the ability of the employer to use special funds only for authorized purposes or under specific circumstances because of limitations imposed by federal or state laws or county ordinances, as the case may be.**

Based on the presentations of the two parties during the course of the hearing and their closing briefs, this factor is not being challenged.

- 2. Stipulations of the parties.**

The parties have agreed to an alternative impasse procedure which includes the present arbitration proceedings. They have further stipulated that the testimonies, exhibits and written briefs on the subject of the Employers' ability to fund collective bargaining increases would be also used in the arbitration proceedings for BU 02, 08, 09 and 13. Furthermore, the parties agreed that the closing briefs submitted to the Arbitration Panel would be no more than 20 pages in length. Timelines for the hearing, receipt of transcripts, closing briefs, and the final arbitration decision were carefully outlined so that the arbitration award could meet the timetable for legislative action. The parties were not opposed to the Arbitration Panel's decision to release the award at the same time as the arbitration award for Bargaining Units 02, 08, 09, and 13.

- 3. The interests and welfare of the public.**

The State and the counties have the obligation of providing needed government services to the general public without huge tax burdens to the citizens of the State. In turn, the determination of appropriate salary and benefit levels must be such that government can recruit and retain qualified Employees.

- 4. The financial ability of the employer to meet these costs.... And**
- 5. The present and future economic condition of the counties and the State.**

The Public Employers have argued that the Employers' proposal on salaries is affordable while the Union's "exorbitant" proposal on salaries is way beyond the financial capabilities of the jurisdictions. According to Mr. Ralph Schultz, the State Program and Budget Analysis Manager assigned to collective bargaining, the two-year or biennium cost of the Employers' proposal is \$14.0 million. The state-wide biennium cost of the BU 04 proposal is \$41.4 million. The total cost of BU 03's four-year package is approximately \$1.0 billion.

The costs for the Employer package versus the Union package are judged to be miles apart. Usually, the parties become more reasonable and have proposals much closer to each other when

facing an arbitration proceeding. The differences between the present offers are more in line with the beginning stages of bargaining. When packages are closer, the Arbitration Panel has an easier time in determining what issue or issues are the most pressing and the final decision can reflect such factors.

State of Hawaii:

According to Mr. Wesley Machida, the Director of Budget and Finance, the HGEA's proposal for BU 02, 03, 04, 08, 09 and 13 would cost \$492 million for its two-year package and \$1.7 billion for a four-year contract. Mr. Machida has concluded that the State "does not have the financial ability to pay the cost of the HGEA's unrealistic wage proposal." The issues governing the State of Hawaii's budget include the "projected slowdown in the economy, lower than projected actual tax collections, uncertainty with federal policies enacted by the new administration, \$23 billion in State debt obligations that must be paid, \$18 billion in unfunded liabilities, increases in pension and health benefits, significant backlog in deferred maintenance, and increase in wages through collective bargaining." Employer Brief for BU 03/04 page 4.

The Employers' closing brief stated that the projected slowdown in the State's economy has led to a reduction in General Excise Tax revenue and individual tax collections that resulted in the Council on Revenues dropping its revenue growth projections for Fiscal Year 2017 from 5.5% to 3% and then again to 2.5%. For FY 18 and FY 19, The Council revised their revenue projections down from 5% to 4%. Accordingly, the State Legislature is looking to trim some \$250 million from the State's current budget. The State also faces \$18 billion in pension and health benefit liabilities that must be paid by the Employers and accordingly, has several credit rating agencies reporting that Hawaii has among the highest debt per capita. The pension board is requiring the Employer contribution requirements to increase over \$200 million in 2018 and another \$200 million in 2019.

The State offered evidence that for every 1% increase in wages for all 14 bargaining units, the cost would be approximately \$85.4 million. The State estimated that even with its proposal of an annual 1.0% bonus, the jurisdiction would be facing a deficit of \$185 million for FY 18 and \$618 million for FY 19. If the panel awarded decisions for BU 02, 03, 04, 08, 09 and 13 based on their current positions, the projected general fund deficit would balloon to \$394 million in FY 18 and \$1.4 billion in FY 19.

Finally, the contention that the State had a \$1.7 billion in unrestricted fund balance at the end of FY 2016 should be taken with caution since the \$1 billion fund balance reported in the newspaper had been spent and that these "unassigned funds" actually included funds that were encumbered (contracts that must be paid) and included accrued tax revenues that had not yet been received by the Tax Department.

C&C of Honolulu:

Mr. Nelson Koyanagi, the City and County of Honolulu's Director of Budget and Fiscal Services, stated that the second largest source of funding for the City was the transient accommodations tax (TAT) which is projected to decrease by \$4.4 million (total allocation would then be \$41million) in FY 2018 and will remain capped at that figure thereafter. He also indicated that in FY 18, \$24 million in general funds will no longer be available for general purposes as these are designated for four (4) Charter-mandated funds. Mr. Koyanagi stated that "expenditures will increase much faster than revenues due to increasing expenses for debt service and certain fringe benefits." For example, as people live longer, OPEB costs are increasing so that the jurisdictions must pay 100% of these costs in FY 19 as opposed to the current rate of 80%. Also the Retirement System Board has adopted new rates for funding to the ERS system that may conceivably cost an additional \$80 million per year. The City estimated that the Employers' pay proposal will contribute to a deficit position of \$165 million in FY 18 and \$380 million in FY 19. The Union's proposal would result in an estimated budget deficit of \$233 million in FY 18 and \$785 million in FY 2019. Mr. Koyanagi testified that of the \$315.4 million in reported general fund balance, only \$38.6 million are unassigned funds that can conceivably be used to fund a wage increase (\$110.3 million designated as the Rainy Day fund; \$65.1 million for contracts and other City obligations; \$101.4 million to balance the FY 17 budget).

County of Hawaii:

Deputy Finance Director Deanna Sako testified that unlike the other jurisdictions that have seen some degree of economic upturn, the County of Hawaii has not experienced a similar economic recovery. Ms. Sako stated that salaries, wages, and fringe benefits have increased from "51.8% of the general fund budget in FY 2008 to 61.7% in FY 2017." The County had to resort to increasing the property tax rates in FY 2011 and FY 2014 "as revenues were not keeping pace with increasing labor, benefits, and operating expenses." Consequently, the County's property tax rates are "among the highest in the State." In the last four years, all County departments have had to cut non-essential cost items and has deferred replacing equipment. Its fund balance is the "lowest since 2008." "FY 16 CAFR year ended with \$0 unassigned fund balance therefore there is no unaccounted for monies." (Employer Brief for BU 03/04, page 12).

County of Maui:

The County of Maui did not present any witness or testimony on its finances and stated for the record that the County "joins in the arguments and positions advanced by the State of Hawaii, County of Kauai, County of Hawaii, and City and County of Honolulu."

County of Kauai:

The County of Kauai has testified, through Director of Finance Ken Shimonishi, that no matter what happens in this arbitration, the County will face a "budgetary deficit" and "really has no financial ability to meet (collective bargaining) costs" based on the premise that it should not

increase taxes or other sources of revenue to meet such costs. However, the County of Kauai “respectfully requests that the honorable panel institute the Employers’ proposal of a one percent (1%) lump sum for all bargaining units.” It noted that the County’s general fund balance decreased from a high of \$68.8 million to a low of \$33.62 million in FY 2013. The balances have shown small increases since then and have grown to \$48.02 million in FY 2016. To aid in the revenue stream, the County increased their real property tax rates across most categories in FY 2015. Mr. Shimonishi reported that the Fitch Ratings downgraded Kauai County from AA to AA- in April of 2014. In April of 2016, Fitch kept the rates at AA-. Employer Brief for BU 03/04 pages 12 – 14 and Kauai County Exhibit #1 page 5.

Every county jurisdiction voiced their concerns that their share of the transient accommodations tax is slated to decrease in 2018 and remain capped at the lower rate for subsequent years. Currently the State and counties are required to pay 80% of the annual required contribution for other post employee benefits (OPEB) in FY 2018 and this amount will increase to 100% in FY 2019. Furthermore, the Employees Retirement System (ERS) Board adopted new rates for the Employer payment into the Retirement System with rates ranging from a 45.6% increase for regular employees to a 70% increase for Fire and Police personnel. Additionally, there is a recent law that requires Employers to pay more for Employees who are “spikers,” (those who try to gain a higher retirement rate by working considerable overtime during their last years of employment). Every jurisdiction is faced with the growing unfunded liabilities for the pension fund and the health benefit unfunded liabilities. The growth in these liabilities are a direct result of higher wages and the longevity of those who have retired.

Hawaii Health Systems Corporation:

According to Mr. Edward Chu, the Hawaii Health Systems Corporation Chief Financial Officer, HHSC is “broke.” To mitigate the effects of insufficient finances, the HHSC has had to close 38 beds in the two Oahu-based hospitals and reduced its workforce by 42 employees. It is noted that while the State budgeted general funds to pay for collective bargaining increases in the past, for years since then, the State Budget and Finance has not authorized general funds for such purposes. If they do provide funding through emergency appropriations, it is of a limited amount. In lieu of general funds, the State has allowed the ceiling for special funds expenditures to increase as the same level as the cost of the collective bargaining salary increases. However, as there are no real funds attached to these appropriations, HHSC continues to struggle to pay for any collective bargaining costs (Transcripts for BU 03/04 Vol. I page 144 and page 150).

University of Hawaii:

The University of Hawaii has two primary sources of revenue, the Legislative appropriated general fund subsidies and special funds derived primarily from tuition income. According to Mr. Kalbert Young, the UH Chief Financial Officer, the Legislature appropriated \$433 million to the UH system which comprises about 38% of the operating budget. The University has employed a series of tuition increases to meet the ever growing needs of the system. However, these tuition increases are making UH less affordable and as a result the Board of Regents approved a new rate schedule that has no tuition increase for the next academic year. The UH

must try to cope with less revenue in meeting payroll and other expenses for the foreseeable future.

Union's Response:

The Union contended that based on Mr. Timothy Reilly's review, "the Employers are enjoying robust financial health and have plenty of resources to fund reasonable wage increase." His analysis is based on the review of the respective "Comprehensive Annual Financial Reports (CAFRS) for FY 2000 through FY 2016, taxation data from the State Department of Taxation, assessed valuations, independent rating agencies and other related materials." Mr. Reilly stated that CAFRS are the "appropriate tools to analyze the employer's financial condition." (Transcript for BU 03/04 Vol. III, page 342).

Mr. Reilly's review of Standard & Poor's (S&P), Moody's Investor Services, Fitch ICBA, and the GFOA showed that these bonding agencies determine financial health using such measurement statistical goals as having balances ranging from 5% of available funds (S&P); to balances that are 5% to 10% of unreserved fund balances (Fitch); or to having a minimum unreserved fund balance of 8% to 17% of regular general fund expenditures (GFOA). Mr. Reilly reported "that the unrestricted and unrestricted fund balances use by Moody's is much larger than the fund balances he uses" (Union Exhibit 29, Tab 1, pages 15 – 16). Based on these measurements, Mr. Reilly has stated that "the finances of the employers in these proceedings are healthy."

In terms of the analysis of each of the jurisdictions, Mr. Reilly asserted that with the "spectacular" growth of the economy, the State of Hawaii's financials have been strong. There was strong growth in revenues in "2011, 2012, 2013 and 2015. Except for 2014, the growth in the State's unrestricted fund balances grew by double digits." Said unrestricted fund balances grew from \$32.9 million in 2010 to the \$1.8 billion in 2016. This last balance translated to 27.14% of total revenues and 28.15% of total expenditures. Mr. Reilly indicated that based on measurements of total revenues to unrestricted fund balances (27.14%) and unrestricted fund balances compared to total expenditures (28.15%), such measurements "far exceeded the benchmark standards recommended by Standard and Poors, Moody's and Fitch" (Union Brief for BU 03/04 page 13). In September of 2016, the Governor announced that Moody's and S&P had upgraded the State of Hawaii's general obligation credit rating to its "highest ever bond ratings and the strongest credit position the State had ever achieved (Union Exhibits #12 and #29). Mr. Reilly further commented that the State Department of Business, Economic Development and Tourism (DBEDT) reported that new tourism arrival records show record growth for 5 years in a row and that the construction industry added 1,600 jobs. State general fund tax revenues were up \$66.2 million which was 4.6% higher than the same period in 2015. These DBEDT statistics were taken from excerpts from Union Exhibit #23.

For the City and County of Honolulu, the Union argued that this jurisdiction is currently facing "remarkable financial health" as evidenced by tax revenue increases that show growth from \$934.5 million in 2011 to \$1.2 billion in 2016. Based on a chart prepared by Mr. Reilly,

the benchmark comparison of unrestricted fund balances to total revenues grew from 14.6% in 2009 to 22.78% in 2016. Unrestricted fund balances as a percentage of total expenditures grew from 14.68% in 2009 to 22.63% in 2016. He concluded that the “City’s financial position is strong and continues to grow stronger due to its healthy and diversified economy, the accumulation of reserves, the large increase in assessed property values through 2017, and the continuing growth in residential values.” Union Brief for BU 03/04 page 16.

Although the County of Maui did not provide direct testimony during the course of the hearing, Mr. Reilly remarked that in 2016, the balance of actual revenues over actual expenditures reached \$12,538,000 and that the County “experienced favorable revenue variances for every year except 2009 and 2016.” Mr. Reilly also testified that the “historical revenue and expenditure benchmark comparisons remain very healthy.” Union Brief for BU 03/04 page 17. It is noted that in 2016, the balances as a percentage of total revenues (23.13%) and balances as a percentage of total expenditures (22.86%) are at its lowest point in eight years.

For the County of Hawaii, the Union testified that this jurisdiction has “experienced significant positive revenue and expenditure variances since 2009.” Although there was a dip in the revenue ratio of balance to total revenues (12.06%) and balance as a percentage of total expenditures (11.97%), Mr. Reilly concluded that the revenue and expenditure ratios remain healthy. Union Brief for BU 03/04 page 18. Similar to the Maui data, the 2016 ratios for the balance as a percentage of revenues are the lowest in eight years while the balance as a percentage of expenditures are the second lowest in eight years..

Mr. Reilly has determined that the County of Kauai’s benchmark comparisons of revenues and expenditures exceeded the benchmark ratios used by any of the bonding agencies. In 2016, the balance as a percentage of total revenues was 33.62% and the balance as a percentage of total expenditures was 36.2%. “In July 2016, Fitch and Moody’s issued positive ratings report for the County.” Union Brief for BU 03/04 pages 18 – 19.

Despite the fiscal condition of the Hawaii Health Systems Corporation, Mr. Reilly stated that the “HHSC has maintained strong cash and investment balances; that the HHSC’s financial health has been maintained by the State’s ongoing support; and that the transfer of HHSC’s Maui facilities to Kaiser Permanente will have an important and positive impact on HHSC’s finances” (Union Brief for BU 03/04 page 19).

The Union’s closing brief for BU 03 and 04 did not comment on the financial condition of the University of Hawaii since it was not considered an Employer for the two units. Their analysis was covered in the following closing brief for Units 02, 08, 09 and 13 (since UH is an Employer for BU 08). In that report, Mr. Reilly commented that the University’s unrestricted cash balance and current assets are “very healthy at \$528.4 million.” Mr. Reilly stated that the revenue ratio was at 24.32% and the expenditure ratio to unrestricted net assets/net position was at 22.64%. In conclusion, Mr. Reilly stated that the UH has “maintained strong cash and investment balances; that all public universities need state subsidies to cover ongoing operations; and that the University of Hawaii is not an exception.” Union Brief for BU 02, 08, 09, 13 page 17.

- 6. Comparison of wages, hours, and conditions of employment of the employees involved in the arbitration proceeding with the wages, hours, and conditions of employment of other persons performing similar services, and of other state and county employees in Hawaii;**
- 8. The overall compensation presently received by the employees, including direct wage compensation, vacation, holidays and excused time, insurance and pensions, medical and hospitalization benefits, the continuity and stability of employment, and all other benefits received.**

The Employers have consistently argued that the best comparisons for wages, hours and conditions of employment rest with comparisons of similar jobs within the State of Hawaii. To illustrate the intent of the criteria, the Employers presented their Exhibit #3 that was an excerpt from the State House of Representatives standing committee report which stated as follows: "Your Committee is also concerned that arbitrators have been misinterpreting factor 6 of Chapter 89-11(d) to include mainland jurisdictions as the primary basis for measuring the reasonableness of final offers. In order to make it clear that local state and county circumstances should be the controlling consideration in factor 6, your Committee has amended line 10 on page 5 of this bill by replacing the word "generally" with the phrase "in Hawaii."

While the legislative intent may be clear per the cited committee report, grammatically, the language does leave it wide-open for interpretation that mainland comparisons are allowed. The phrase "in Hawaii" should have modified "comparisons of other persons performing similar services" as well as "other state and county employees." This Arbitration Panel has, however, given stronger weight to comparisons within the State of Hawaii when such data was provided, but has given mainland comparisons its due consideration.

The Employers have chosen data from the Hawaii Employers Council (HEC) as the basis for its comparisons. The Union objected to all the information in the Employers' exhibits utilizing HEC data because the survey clearly included a statement that such survey information could not be utilized without the written approval of the Hawaii Employers Council. The Employers stated that they had received such approval in prior years through verbal communication with the Employers Council but no written approval was ever obtained. As a suggestion, the Employers should try to obtain written permission before future arbitrations. Of interest to this Arbitration Panel was the submittal of Union Exhibit #2, a copy of an arbitration decision dated January 31, 1997 with Ms. Bonnie Bogue as the neutral arbitrator. In support of their wage position, the **HGEA** submitted private sector comparisons using data from the Hawaii Employers Council (survey data 1995). In this case, the **Employers** refuted the data because of their noted problems with real comparability of job classifications and because the comparisons did not reflect total compensation comparisons.

The panel does not fault either party for changing positions on this subject matter as the parties can and will continue to utilize information that best enhances their own proposal at a point in time.

Notwithstanding this change of heart, the Employers' current analysis of the HEC survey data, has led to their conclusion that BU 03 and BU 04 salaries are "8% higher than the Hawaii labor market" and when wages and benefits are combined, the government wage and benefit package is "34% higher than the Hawaii labor market." The Employers' expert witness, Mr. Patrick Kilbourne, also presented a mainland survey comparing wages in all 50 states. He rationalized that if mainland comparisons are to be used, these comparisons should be "comprehensive rather than cherry picking the most expensive jurisdictions to compare." This survey led to his conclusion that the "wages of BU 03 and BU 04 employees are 12% higher than the national labor market." Employer Brief for BU 03/04 page 17.

The Union's expert witness, Michael Messina, compared BU 01 (Blue Collar Non-Supervisory Employees) classifications and rates to those of a number of BU 03 classifications and rates. He found that BU 01 Janitor II positions are paid \$38,160 annually (single rate wage structure) and that the minimum qualification requirements reflect no work experiences necessary and the work itself involves "routine cleaning or manual tasks." In comparison, Mr. Messina stated that BU 03 jobs require "more sophisticated tasks and functions" with a "higher level of required experience and training." Through the use of various exhibits (Union Exhibits #42, #43, #44), Mr. Messina pointed out that the salaries of the BU 03 classes are significantly below the Janitor single rate, and that even with incremental step movements along the salary schedule, it would take anywhere from 10 years to 22 years before parity is reached. The Union also argued that there may be gender equality issues between BU 01 and BU 03 based on the current classification and compensation rate schedules. Union Brief for BU 03/04 page 6

Mr. Messina also prepared Union Exhibits (Union Exhibits #49, #52, #53, #55) showing comparisons between BU 03 and BU 04 salaries with similar classes in the States of Alaska, Washington, Oregon and California and also jurisdictions within these States. In the majority of the matches, the salaries (minimum and maximum rates) of classes within these States and jurisdictions exceeded those of the compensation paid to counter-part Hawaii based classes. When these salary comparisons were adjusted based on the cost of living for the jurisdictions in the exhibits, the salaries of BU 03 and BU 04 classes showed an even greater disparity in comparison with the salaries of the mainland jurisdictions (Union Exhibits #50, #52, #54, #56). As taken directly from the Union's closing brief on page 7, "Mr. Messina, who agrees that internal wage and benefits comparisons in Hawaii are most directly relevant, testified that since approximately 2000 the West Coast states of Alaska, California, Oregon and Washington have also been considered for comparability purposes in interest arbitration because there are not states contiguous to Hawaii and the mainland states are therefore the next best source of employers for comparability purposes."

In this subject arbitration, the Panel agrees with both the Employers and the Union that the primary source of the evaluation of the comparability factors should be within the State of Hawaii. Of course, Mr. Messina's comments are conceivably related to the comparisons made with the BU 01 compensation structure, while the Employers would prefer the analysis of comparability data utilizing the HEC surveys.

To a certain extent, the parties to this arbitration agree in part that there is a concern that the single rate schedule for BU 01 versus BU 03 causes problems. In the past, the BU 01 salary schedule also included multiple horizontal steps. At a certain point in the history of public sector bargaining, the exclusive representative for BU 01, the United Public Workers (UPW), felt that a single step salary schedule would be in the best interests of the bargaining unit. Accordingly, negotiations centered on reducing the steps within the salary schedule as well as placing emphasis on enhancing the compensation of the lower paid Employees. Monetary sacrifices were made by the Blue Collar Employees on the higher end of the wage schedule, Employee step movements were curtailed and steps were dropped during the course of a number of negotiation periods. These actions resulted in the current single horizontal rate schedule.

In contrast, units like BU 03 and BU 04 opted to expand upon the multiple horizontal step structure because they believed that step movements would compensate Employees to reflect job experience, performance and seniority. Both parties were willing partners in the creation and expansion of the horizontal step grid. As movement along the salary schedule (incremental step adjustments) was negotiable and not automatic as it was prior to collective bargaining, step movements were sometimes held in abeyance during various contract periods. Moreover, because step movement costs were significant, across-the-board salary increases were sometimes reduced in comparison to the negotiated increases of units without step movements. Accordingly, BU 01 employees were usually granted the full value of any across-the-board adjustments because of no step movement expenses. A direct consequence of these actions resulted in higher salaries for BU 01 Employees, especially at the lower wage grades, in comparison to many of the rates on the BU03 salary schedule.

A key component in evaluating criteria number eight is the comparison of benefits and other conditions of employment with competing markets. According to the Employers, BU 03 and BU 04 Employees receive benefits that are equal to 71% of their pay. These benefits include the retirement plan, pension health benefits, vacation, holiday, sick leave, other leaves, workers' compensation benefits, unemployment compensation, Social Security and Medicare benefits (Employer Exhibit #15, page 49). The Employers contended that this 71% figure is much higher than those of comparison groups including Hawaii (38%), US all workers (41%), US State and local governments (57%) and US private industry (38%). The Union only chose to highlight medical benefits where they have shown that Hawaii ranks 26th (out of 27 AFSCME states surveyed) in terms of the amount that the Employers pay for the cost of single and family health coverage (Union Exhibit #59). When translated into dollar costs, BU 03/04 Employees pay the second highest premiums for both single coverage and family coverage; \$215 per month for single plan or \$666.00 per month for the family plan (Union Exhibit #60). Taken at face value, it can be concluded that Hawaii government Employees receive benefits that are much higher than comparative groups in Hawaii and the nation. The primary deviation appears to be in the area of medical plans, where BU 03/04 Employees pay a very high premium for their coverage.

In the presentation of exhibits for salary comparisons, the Employers have chosen to show average salary comparisons while the Union's exhibits only reflected minimum and maximum rates. Each of the comparisons are relevant, but if both parties try to utilize all information

available, it would make it easier for the Arbitration Panel to make conclusions based on all the evidence presented. In the case of the Hawaii Employers Council reports, the exhibits show that besides the average salary data, information relating to median salary rates and average minimum/average maximum rates are available. If there are insufficient companies that have these minimum/maximum rates, salary information on the 10th percentile and 90th percentile can be interpreted to reflect average starting rates and average maximum rates, with data at the extreme ends deleted. Since the Union could have direct communication with the West Coast (and Federal) jurisdictions, they may be able to request average salary information along with the minimum and maximum schedule rates. Comparisons based on minimum rates, average salaries and maximum rates reflect different points of view and should be helpful for comparative wage analysis purposes.

7. The average consumer prices for goods or services, commonly known as the cost of living

Both the Employers and the Union presented exhibits and testimony on how the units' salary adjustments have fared in comparison to the rises in the Honolulu Consumer Price Index (CPI-U). The Employers took a five-year view and concluded that the negotiated increases for BU 03 and 04 have kept pace with the changes in the Honolulu CPI-U. The Union went back ten years and concluded that the wages paid to the subject units did not keep pace with changes to the CPI-U (14.3% wage increases vs. 30.1% increase in the cost-of-living). It is noted that the value of step increases and lump sum bonuses were not factored into this analysis. Based on past arbitration decisions, a conclusion may be made that depending on how far one goes back in time and what collective bargaining costs are factored into the equation, the parties can find evidence that reinforces their own conclusions on how Employee pay increases fared against increases in the cost of living.

For this Arbitration Panel, the most critical measure in this analysis is the cost-of-living increases prior to and during the contract period. In calendar year 2016, the Honolulu CPI-U increased 2.0%. Only the Union offered an estimate for 2017 from a Moody's forecast that reflected a projected increase of 2.7%. However, review of Union Exhibit #23 (page 5) found that the Department of Business, Economic Development and Tourism (DBEDT) has provided estimated Honolulu Consumer Price Index increases for 2017 (2.4%) and 2018 (2.5%). Thus, Honolulu consumer price increases are projected to be in the range of 2.0% to 2.5% for the next two years.

The Union also used cost of living within jurisdictions being surveyed as a means of adjusting real wages paid to employees with the cost of living in the area. Utilizing the C2ER from the Council for Community and Economic Research, an index was created that Mr. Messina used to show how the wages paid to BU 03 and 04 employees, adjusted for cost of living, fared in comparison to the other jurisdictions.

According to the Bureau of Labor Statistics, the Consumer Price Index (CPI) data cannot "show whether prices or living costs are higher or lower in that area relative to another area or to

the United States as a whole.” Suffice to say that prices in Hawaii are significantly higher than most other geographic locations on the mainland.

9. Changes in any of the foregoing circumstances during the pendency of the arbitration proceedings.

Since the conclusion of the arbitration hearings, the Council on Revenues has revised their revenue forecast downward on March 13, 2017. The Council’s revenue projection for FY 2016-2017 was revised to a 2.5% increase from its previous estimate of a 3.0% increase. The revenue forecasts for the following fiscal years (FY 18 and FY 19) was also revised lower from 4.5% to 4.0%. In their closing brief, the Employers felt that even the 2.5% revenue growth “might be overly optimistic.” The Governor and the State Legislature are now working on revised budgets to fit these revenue projections.

Also, much speculation was raised on how much monies would be required for the unfunded liabilities for the State Retirement System, the Health Fund for retirees and other post-employment benefit obligations. The latest proposal at the Legislature indicates that the additional monies for these liabilities may be paid over a longer period of time. Where State Budget Director, Wesley Machida, budgeted an additional \$200 million to help with the unfunded liabilities, the latest budget draft reflects a \$100 million payment for these liabilities. These financial decisions will be further revised and changed as the Legislature works with the smaller than expected revenue stream.

Of interest to this Panel was Maui Mayor Arakawa’s announcement that he would be recommending increases to the property tax rates and other increases to various tax structures in order to upgrade certain county infrastructure such as sewers and water services. Since Maui County did not testify in these hearings, it was assumed and continues to be assumed that the financial condition of this jurisdiction is secure and stable, notwithstanding Mayor Arakawa’s press release.

In general, these changes in circumstances does support the Employers’ contention that the jurisdictions have a multitude of needs with only limited sources for revenues and this situation is affecting the Employers’ ability to fund significant collective bargaining increases for this negotiation period.

10. Such other factors, not confined to the foregoing, which are normally or traditionally taken into consideration in the determination of wages, hours and conditions of employment through voluntary collective bargaining, mediation,

arbitration, or otherwise between the parties, in the public service or in private employment.

According to Employer Exhibit #12 (page 21), data derived from the Hawaii Employers Council showed that in 2016, the average wage increase for all groups of employees in Hawaii was 3.0%. Office and technical employees received wage increases averaging 2.0% during this same period. Analysis of turnover rates can be another factor to be considered under this category. Employer Exhibit #12 (page 9) revealed that BU 03 and 04 had a total annual turnover rate of 8.4% over the period FY 2012 through FY 2016. In comparison, the average turnover rate for Hawaii based companies was 17.1%. A low turnover rate does indicate general satisfaction with wages, hours and conditions of employment.

Recruitment information would be another source of data that this Panel could use to determine if a salary structure was competitive enough to attract potential employees. Only the State Executive Branch had any measurable data; however, the data had no breakdown by bargaining units. Over a three-year period, recruitment was held for 1,900 to 2,300 vacancies per year. Between 37, 200 to 41,000 qualified individuals applied for those openings every year. If the applications could have been broken down by bargaining units, it would have been interesting to see how many of the applicants were for blue collar openings versus applicants for white collar (BU 03/04) vacancies. (Employer Exhibit #13, Attachment 12). For the most part, recruitment for BU 03 and 04 vacancies are limited to residents within the State of Hawaii.

Another factor that plays a substantial role in the Panel's decision would have been salary increases negotiated by any of the other 14 bargaining units. During the course of this arbitration proceeding, no unit had reached settlement with the Employers. However, an arbitration panel for BU 11, Fire Fighters, recently released its decision on April 17, 2017 and BU 05, Teachers, reached a tentative agreement on their contract. These decisions were reviewed as they do impact this Panel's award.

Conclusion:

The Arbitration Panel has concluded that while the Employers should be able to pay for salary adjustments higher than the two 1% bonus payments proposed for BU 03 and 04 Employees, their financial resources will definitely not be able to fund the level of salary adjustments proposed by the HGEA. While the financial ability of the Employers to meet collective bargaining increases played a crucial role in this arbitration, other findings that were addressed by the parties was also important in the decision making process.

The salary comparison data with the West Coast jurisdictions showed the usual inequality between Hawaii's compensation schedules and those of the larger and "richer" jurisdictions. This disparity has been a thorn in the side of the State as shown by the well documented movement of "Hawaiians" to the mainland for greater employment and financial opportunities. Until Hawaii can attract high tech businesses and other highly compensated industries and reduce its dependency away from the service/ tourism/ agricultural/ military based economies,

the State's ability to compensate its Employees will continue to lag behind the mainland jurisdictions cited. Although this conclusion should not be used as an excuse for the acceptance for lower compensation, the reality is such that the revenue stream for Hawaii's Public Sector Employers will not grow to the extent needed for Employee compensation as advocated by the Union(s). A very relevant consideration is that the recruitment base for BU 03 and 04 vacancies remains within the State of Hawaii. Mainland comparisons would have taken a much greater role in the analysis if the Hawaii Employers actively recruited for qualified applicants outside of the State.

In terms of comparisons within the State of Hawaii, the Hawaii Employers Council data indicated that salaries and benefits paid to BU 03 and 04 Employees are significantly higher than their private industry counter-parts. The HEC data also showed that the average pay increases for employees in the State of Hawaii during 2016 was 3.0%. For office/clerical employees the increases were at a little lower rate of 2.0%.

A review of the HCPI (Honolulu Consumer Price Index) revealed that the index increased by 2.0% in 2016. Moody's predicted a 2.7% increase for 2017 (most likely for the nation as a whole); while the DBEDT (Department of Business and Economic Development and Tourism) predicted a Honolulu rate of 2.4% for 2017 and 2.5% in 2018.

The one issue of a significant wage inequality between the compensation schedules of Blue Collar Employees and the White Collar Employees has become magnified over time. It appears that this disparate salary inversion has reached the stage where both parties are concerned about this situation. Primarily for BU 03 and but also for BU 04, the continuance of a step movement plan as outlined in the collective bargaining agreements needs to be re-evaluated. The parties must determine if any kind of salary increases via movements along the schedule are still a priority knowing full well that the salary inversion issue with BU 01 rates will continue and become more magnified with each collective bargaining period. A single rate schedule similar to BU 01 is probably not a good solution as there are currently too many steps within the existing salary schedule (13 steps). Moreover, a compensation schedule that recognizes a job rate, time in grade and seniority are probably still viable. Movement along the schedule could also recognize such factors as changes to job duties and even superior work performance. However, to co-exist with the needed across-the-board salary increases, the cost for step movements must be significantly reduced.

The Arbitration Panel explored various options to resolve the issue. However, a reasonable solution could not be developed during this limited time period. The Panel found it difficult to change a structure that has evolved over many, many years. Raising the salaries of the lower paid BU 03 Employees involved having the higher compensated Employees "sacrificing" by taking a lesser salary increase. Possible solutions proved difficult to surmount problematic issues such as the lack of sufficient financial resources and the determination of cut-off points designating which salary rate and step would benefit and those that did not. Accordingly, it was concluded that much more time was necessary and the parties should work towards the development of a salary compression plan that takes into consideration comparisons with the Blue Collar schedule, the number of steps in an ideal salary structure, the gap between steps, the

mechanism or movement along the salary grid, and what such movement would recognize. The parties should form a sub-committee to work towards the development of a framework for change prior to the beginning of the next collective bargaining period.

In the effort to arrive at a possible resolution to the salary equity issue, incremental step increases are suspended and the percentage cost of such increases are used to enhance the across-the-board increase in an effort to raise the salaries of all Employees in the two units. . Furthermore, Step A was eliminated in the second year (resulting in 12 steps) as an impetus towards a more manageable schedule. A one-time bonus proposal was also conceived as an initiative to work towards a new compensation plan.

It is understood that the award is subject to legislative approval by each jurisdiction. Once funding has been approved, it is further understood that the Employers shall initiate implementation action to fulfill the provisions of the award.

AWARD

Article 53 Salaries for BU 03 and Article 51 Salaries for BU 04

Effective July 1, 2017:

1. All Employees shall receive a 2.0% across-the-board increase.
2. Employees not administratively assigned to the salary schedule (SR NA) shall receive a 2.0% increase to their basic rate of pay.
3. All Employees shall receive a one-time bonus of \$150.00 (incentive to work towards a new salary structure), provided that Employees who are less than the full-time equivalent shall receive a pro-rated lump sum payment.

Effective January 1, 2018:

1. In lieu of increments, all Employees shall receive a 1.5% across-the-board increase.
2. Employees not administratively assigned to the salary schedule (SR NA) shall receive a 1.5% increase to their basic rate of pay.

Effective July 1, 2018:

1. All Employees shall receive a 2.25% across-the-board increase.
2. Employees not administratively assigned to the salary schedule (SR NA) shall receive a 2.25% increase to their basic rate of pay.
3. All Employees shall receive a one-time bonus of \$150.00 (incentive to work towards a new salary structure), provided that Employees who are less than the full-time equivalent shall receive a pro-rated lump sum payment.

Effective January 1, 2019:

1. In lieu of increments, all Employees shall receive a 1.25% across-the-board increase.

2. Employees not administratively assigned to the salary schedule (SR NA) shall receive a 1.25% increase to their basic rate of pay.
3. Drop Step A and Employees on this step shall move to step B.

Article 56 Duration for BU 03 and Article 54 Duration for BU 04

This Agreement shall become effective July 1, 2017 and shall remain in effect to and including June 30, 2019.

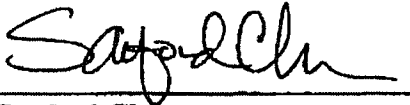
In the context of Chapter 89-1 and the possibility of significant changes that may impact Chapter 89-4, Payroll Deductions and other provisions of Chapter 89, the Employer and Union shall engage in a dialogue and as appropriate negotiations to promote harmonious and cooperative relations in order to protect the public by assuring effective and orderly operations of government.

The tentative agreements agreed to by the parties on Vacation Leave and Military Leave as reflected on the attached, shall be incorporated into the final agreement, along with all the Articles not amended and this Arbitration Award. Added to this Award will be the agreement reached on the Hawaii Employer-Union Health Benefits Trust Fund and the new language on union membership in the Duration Article. All these documents shall be incorporated into a successor agreement for Bargaining Unit 03 and Bargaining Unit 04, effective July 1, 2017 through June 30, 2019.

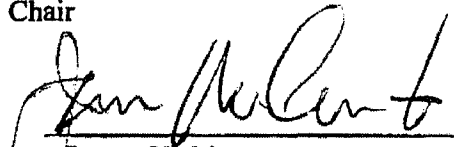
Decision Date: April 27, 2017



Henry Kanda
Neutral Chair



Sanford Chun
Union Panel Member
() Concur () Dissent



James Nishimoto
Employer Panel Member
☒ Concur () Dissent

2017 – 2019 INTEREST ARBITRATION
TENTATIVE AGREEMENTS

<u>Article</u>	<u>Title</u>
35	Vacation Leave
42	Military Leave

ARTICLE 35 - VACATION LEAVE

A. Earning of Vacation Leave.

1. All Employees shall earn vacation leave at the rate of fourteen (14) hours for each month of service. For the purpose of this Article, a workday is defined as an eight (8) hour workday.

2. If such Employees render less than a month of service, their vacation allowance for such month shall be computed as follows:

Actual Straight Time Hours of Service	Working Hours of Leave
For 0 to 31	0
For 32 to 55	4
For 56 to 79	6
For 80 to 103	8
For 104 to 127	10
For 128 to 151	12
For 152 or more	14

The term "actual straight time hours of service" shall include paid holidays.

3. Individuals who are employed on a temporary, contractual or substitute basis while on vacation from another position in the State government or any political subdivision of the State shall not earn vacation allowance for such employment.

1 4. Vacation allowance shall accrue to an Employee while the Employee is on
2 leave with pay unless specifically prohibited by the Agreement.

3
4 5. No vacation allowance shall accrue:

5
6 a. During the period of any vacation leave or sick leave granted when
7 the employment terminates or is to terminate at the end of such leave;

8
9 b. During the period the Employee is on leave without pay, except for
10 the period the Employee is on leave for disability and is being paid Workers'
11 Compensation therefore;

12
13 c. During any period of valid suspension which is sustained in the event
14 an appeal is made by the Employee;

15
16 d. During any period of unauthorized leave;

17
18 e. During any period the Employee is on educational leave; or

19
20 f. During any period of leave with pay pending investigation if the
21 Employee:

22
23 1) is subsequently discharged/dismissed;

24 2) resigns or retires prior to the discharge/dismissal; or

25 3) resigns or retires during the investigation.
26

27 6. Vacation for an Employee Serving a Provisional Appointment. An Employee
28 serving a provisional appointment shall not be entitled to a vacation with pay. However, a
29 provisional appointee shall be entitled to earn and accrue vacation allowances during the
30 term of the Employee's provisional appointment and if upon the termination of the

1 Employee's provisional appointment the Employee receives probationary or limited term or
2 permanent appointment in the same position, the Employee shall be credited with the
3 allowances earned and accrued during the provisional appointment and if the Employee
4 does not become such limited term, probationary, or regular Employee, the vacation
5 allowance shall be automatically forfeited. It is provided, however, that a regular
6 Employee who receives a promotion through a provisional appointment shall be
7 considered to be a regular Employee and shall continue to earn vacation allowance.

8
9 7. Vacation for a Non-regular Employee Serving a Temporary Appointment
10 Outside the List (TAOL). A non-regular Employee serving on a TAOL basis shall not be
11 entitled to a vacation leave with pay. However, whenever the duration of the TAOL is for
12 longer than one (1) year, including any extensions granted for a specific appointment, the
13 non-regular Employee shall be entitled to (a) earn vacation leave beginning with the first
14 month of the second year in accordance with A.1. and A.2., and (b) use the vacation leave
15 accrued in accordance with the provisions of this Article. Whenever a non-regular
16 Employee's TAOL is ended, any vacation leave accrued shall be automatically forfeited.

17
18 B. Accumulation of Vacation Leave.

19
20 1. An Employee may accumulate up to twenty-one (21) days of vacation leave
21 per calendar year until the Employee accumulated the Employee's first forty-two (42) days.
22 Subsequently an Employee may accumulate not more than fifteen (15) days of vacation
23 leave per calendar year, even if the Employee's total accumulated days fall below forty-two
24 (42) days. However, vacation leave in excess of fifteen (15) days per year may be
25 accumulated for good cause when a request for such accumulation is approved by the
26 department head provided such request shall be accompanied by a stipulation that the
27 Employee shall take such excess vacation days at a specified time. If the Employee fails
28 to take this vacation at the time stipulated, the Employee shall forfeit the excess
29 accumulation of vacation leave unless for good reason an extension of time is granted by
30 the department head.

1
2 2. Vacation leave shall be administered on a calendar year basis and recorded
3 at the end of each calendar year. After the end of each year, the appointing authority will
4 furnish each Employee with a statement of the vacation leave credits remaining as of
5 December 31.

6
7 3. Any Employee who is entitled to an annual vacation may accumulate for the
8 succeeding year or years such unused portion of the Employee's vacation allowance as is
9 permitted above, provided that the total accumulation shall not exceed ninety (90) working
10 days at the end of the calendar year. If any recorded accumulation of vacation allowance
11 at the end of any calendar year shall exceed ninety (90) working days, the Employee shall
12 automatically forfeit the unused vacation allowance which is in excess of the allowable
13 ninety (90) working days.

14
15 4. Nothing in this Article contained shall be construed to prohibit the taking or to
16 require the forfeiture, of any vacation which is validly granted and the taking of which is
17 commenced on or before the last working day of any calendar year, notwithstanding that
18 the recording of the current accrued vacation allowance for such year on the last day
19 thereof might result in an accumulation of more than ninety (90) working days including the
20 working days of the vacation so granted and then being taken, but the period of such
21 vacation shall be regarded for all purposes as if the same had been entirely taken on or
22 before the last day of such calendar year.

23
24 5. Whenever the Employee's accumulated vacation credit exceeds ninety (90)
25 working days the Employee shall receive cash payment in lieu of vacation to the extent of
26 the excess if, upon investigation by the Comptroller of the State or the respective county
27 director of finance, it is found that the excess vacation credit resulted from the Employee's
28 inability to be allowed vacation time off because of orders of the Employee's appointing
29 authority; otherwise the Employee shall automatically forfeit the excess.

1 6. Whenever an Employee is unable to take the Employee's scheduled
2 vacation because of illness, the Employee shall be permitted to reschedule the
3 Employee's vacation; however, if the duration of illness is such that the vacation cannot be
4 rescheduled within the calendar year and to protect against the forfeiture of excess
5 vacation, the Employee shall be permitted to substitute vacation for sick leave or take such
6 excess vacation immediately upon the conclusion of such sick leave.

7
8 7. Nothing contained in this Article shall be construed to require the forfeiture of
9 vacation credits when an Employee terminates on or before the last working day of the
10 calendar year, notwithstanding the fact that the recording of current accrued vacation for
11 the year on the last day may result in an accumulation of more than ninety (90) working
12 days.

13
14 C. Taking Vacation Leave Granted.

15
16 1. When a vacation is requested on a proper application by an Employee, it
17 shall be granted and taken at such time or times as the department head may designate;
18 provided, that it shall be as close to the requested period as conditions in the department
19 will permit, and so as to prevent any forfeiture of vacation allowance.

20
21 2. When a vacation is granted, it may include, in accordance with the law and
22 at the request of the Employee, all vacation allowance accrued up to the end of the
23 Employee's last full month of service immediately preceding the commencement of the
24 vacation. For non-regular Employees who earn vacation allowance pursuant to A.7, the
25 vacation granted may include, at the request of the Employee, all vacation allowance
26 accrued up to the commencement of the vacation.

27
28 3. Whenever an Employee's vacation leave which has been approved on the
29 appropriate leave application form is rescinded, non-refundable travel and lodging
30 expenses incurred by the Employee shall be reimbursed by the Employer.

1
2 4. No vacation leave of less than one (1) hour may be granted. However,
3 when payment in lieu of vacation is legally permissible, or when the Employee's service
4 will not continue at the expiration of the vacation, such payment may include a prorated
5 amount for any fraction of a working day of vacation allowance to which the Employee is
6 entitled. (Remove)

7
8 D. Vacation Charged Only for Working Hours.

9
10 1. Employees on vacation shall have charged against their vacation
11 allowances all working hours or fraction to the nearest one-fourth (1/4) hour thereof which
12 occur during the period of the Employee's vacation.

13
14 2. Employees normally working eight (8) hour days, other than between the
15 hours of 7:45 a.m. and 4:30 p.m. and/or other than between Monday and Friday inclusive,
16 shall have charged against their vacation allowances only those hours or fraction to the
17 nearest 1/4 hour thereof they were scheduled to work or would have worked had they not
18 taken vacations.

19
20 E. Priority of Scheduling Vacation Leave. Priority in scheduling annual leave
21 shall be given to Employees on the basis of seniority within the office. The priority shall be
22 rotated in descending order according to seniority to assure that each Employee will
23 receive priority scheduling at least once.

24
25 F. Recall from Vacation.

26
27 1. An Employee may be recalled to duty before the expiration of any granted
28 vacation when, in the opinion of the department head, the Employee's services are
29 required. In such event the Employee shall be paid for all work performed at the rate of
30 one and one-half (1 1/2) times the Employee's regular rate of pay during such period the

1 Employee is recalled from vacation and shall be granted unused vacation days at a time
2 mutually agreed upon.

3
4 2. An Employee who is summoned during vacation to serve as a witness or
5 juror in any judicial proceedings, except those which may involve or arise out of the
6 Employee's outside employment or personal business or private affairs shall, if the
7 Employee serves, be permitted to reschedule the Employee's vacation for another
8 mutually agreed upon time.

9
10 G. Advance Vacation. Advance vacation shall be granted only where an
11 Employee has exhausted all earned vacation allowance and is detained out of the State of
12 Hawai'i for a cause which the Employee establishes to the satisfaction of the department
13 head to be out of the Employee's control. An Employee so detained shall immediately
14 communicate with the department head and request such advance vacation and, if the
15 same is granted, it shall be considered as taken with the express understanding that if
16 such leave is not later earned during the term of employment the unearned portion of the
17 vacation pay so advanced will be repaid, on demand of the department head to the
18 Employer by the Employee or the Employee's executors and administrators out of the
19 Employee's estate, if the Employee is deceased, or deductions may be made for such
20 unearned portion from any salary due the Employee, or from any monies in the annuity
21 savings fund of the Employee's retirement system of the Employer to the credit of the
22 Employee.

23
24
25 H. Effect of Transfer to Position in Which Vacation Allowance is Not Earnable.
26 When an Employee is transferred from or otherwise relinquishes one position in which
27 vacation allowance may be earned, and accepts employment in another position in the
28 service of the Employer in which vacation allowance may not be earned, the Employee
29 may be deemed, for purposes of receiving pay in lieu of vacation, including any lapsed
30 vacation in excess of the maximum allowed, to have terminated the Employee's services.

1 But in the event that the Employee is not eligible under the circumstances to receive pay in
2 lieu of vacation, the acceptance of such new employment shall not of itself have the effect
3 of forfeiting any vacation allowance to which the Employee is then entitled.

4
5 I. Pay for Vacation Allowance Upon Termination and When Moving Between
6 Jurisdictions of the State.

7
8 1. Whenever a termination of services takes place, the Employee is to be paid,
9 in accordance with section 78-23, Hawai'i Revised Statutes, for the Employee's vacation
10 allowance either in a lump sum or in the normal manner as provided in subsection 2.

11
12 2. When payment in a lump sum is made to an Employee hired on or before
13 June 30, 1997, the sum payable for vacation allowance shall be equal to the amount of
14 compensation to which the Employee would be entitled or which the Employee would be
15 allowed during the vacation period if the Employee were permitted to take the Employee's
16 vacation in the normal manner. Whenever an Employee is discharged for cause or when
17 payment in a lump sum is made to an Employee hired after June 30, 1997, the lump sum
18 vacation allowance payable shall be computed on the basis of the Employee's
19 accumulated vacation hours multiplied by the Employee's hourly rate of pay as of the
20 effective date of discharge or termination.

21
22 3. However, if the Employee is rehired within seven (7) calendar days by the
23 Employer and will continue to earn vacation allowance, such a payment shall not be made.

24
25 4. When an Employee moves from one Employer jurisdiction to another to
26 accept employment in a position in which vacation allowance is earned, the Employee
27 shall be given credit for the vacation earned or accumulated in the jurisdiction from which
28 the Employee transferred, and the director of finance of the State or the equivalent officers
29 of the counties, Judiciary, and the Hawai'i Health Systems Corporation, as the case may
30 be, shall make the appropriate transfer of funds to implement the transfer. However, the

1 Employee may request and receive payment of a portion of or all of the Employee's
2 vacation credits accumulated up to the effective date of the movement.

3
4 ~~[5. An Employee who, pursuant to the U.S. Universal Military Service and~~
5 ~~Training Act or other Federal statute is called or ordered and reports either voluntarily or~~
6 ~~involuntarily for active military duty with a branch of the U.S. Armed Forces shall be~~
7 ~~deemed to have terminated the Employee's services for the purposes of this Article. The~~
8 ~~Employee's choice of lump sum payment for the Employee's vacation allowance will not of~~
9 ~~itself cause the forfeiture of the Employee's unused sick leave credits.]~~

10
11 J. In the event that a vacation request is denied by the department head, the
12 Employee may request to be furnished the reasons for the denial in writing.

1 **ARTICLE 42 - MILITARY LEAVE**
2

3 A. Military Leave With Pay.
4

5 1. Employees whose appointment is for six (6) months or more shall,
6 while on active duty or during periods of camps of instruction or field maneuvers
7 as members of the Hawai'i national guard, air national guard, naval militia,
8 organized reserves, including the officers' reserve corps and the enlisted reserve
9 corps, under call of the President of the United States or the governor of the
10 State, be placed on leave with pay status for a period not exceeding fifteen (15)
11 working days in any calendar year, except as provided in subparagraph A.2. No
12 such person shall be subjected by any person, directly or indirectly, by reason of
13 absence to any loss or diminution of vacation or holiday privileges or be
14 prejudiced by reason of the absence with reference to promotion or continuance
15 of employment or reemployment.
16

17 2. If an Employee is called to active duty or required to report for
18 camp training or field maneuvers by official military orders a second time within a
19 calendar year, the Employee may elect to use up to fifteen (15) working days of
20 the succeeding calendar year; provided that the Employee's entitlement to the
21 working days advanced shall be canceled from the succeeding calendar year,
22 and the Employee shall so agree in writing. The Employee who is advanced
23 leave shall be required to reimburse the Employer an amount equivalent to the
24 days advanced in the event the Employee leaves government employment prior
25 to completion of a year's service in the succeeding year from which leave was
26 advanced, except in the case of death of the Employee.
27

28 B. Military Leave Without Pay.

1
2
3 1. Employees shall be entitled to military leave without pay for service
4 in the United States Armed Forces.

5
6 2. The duration of military leave without pay shall not exceed five (5)
7 years provided that Employees whose period of employment is less than five (5)
8 years, the military leave without pay shall not exceed the specified period of
9 employment.

10
11 3. The Employee has the option to 1) substitute any available
12 paid vacation leave time for otherwise unpaid leave or 2) be paid their
13 available vacation leave time in a lump sum payment. The Employee's
14 choice of lump sum payment for vacation allowance will not of itself cause
15 the forfeiture of unused sick leave credits.

16
17 [3] 4. Upon conclusion of the military leave without pay, Employees shall
18 have reemployment rights in accordance with Chapter 43 of Title 38 of the United
19 States Code.

20
21 [4] 5. Replacements for Employees on Military Leave Without Pay.

22
23 a. In filling a position which became vacant by military leave
24 without pay, the appointing authority may appoint a replacement
25 Employee and shall inform the replacement the status of the
26 replacement's employment and the provisions of this Agreement relating
27 to military leaves without pay.

28
29 b. A replacement employed in the position from which military
30 leave was granted shall be displaced so that the position may be filled
31 again by the former Employee returning to government employment.

1 Replacement Employees with regular status shall be returned to their
2 former positions or other comparable positions deemed appropriate by the
3 ~~[director of personnel services]~~ Employer. In the event there are no such
4 positions, the replacement Employees shall be subject to Article 9,
5 Reduction-In-Force.
6

7 ~~[5]~~ 6. Administration and enforcement of the provision relating to military
8 leave without pay shall be in accordance with applicable laws and regulations.
9

10 a. Appeals with regard to military leave without pay shall be
11 filed with the Federal Department of Labor who is responsible for
12 administering and enforcing the respective provisions covering military
13 leave without pay.
14

15 b. Appeals relative to military leave without pay shall not be
16 filed through the grievance procedure found in the collective bargaining
17 agreement.
18

19 C. Leave for Pre-Induction Examination. An Employee who is absent
20 from work for the purpose of undergoing physical examination prior to induction
21 into the United States Armed Forces shall be granted leave with pay for such
22 purpose, and the leave shall not be charged against the Employee's vacation
23 allowance.

ARTICLE 54

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Delete the existing language in this Article in its entirety and replace with the following:

A. "Health Benefit Plan" shall mean the medical PPO, HMO, prescription drug, dental, vision and dual coverage medical plans.

B. Effective July 1, 2017

Subject to the applicable provisions of Chapter 87A and 89, Hawaii Revised Statutes, the Employer shall pay monthly contributions which include the cost of any Hawaii Employer-Union Health Benefits Trust Fund (Trust Fund) administrative fees to the Trust Fund effective July 1, 2017, not to exceed the monthly contribution amounts as specified below:

1. For each Employee-Beneficiary with no dependent-beneficiaries enrolled in the following Trust Fund health benefits plans:

<u>BENEFIT PLAN</u>	<u>TOTAL EMPLOYER MONTHLY CONTRIBUTION</u>
a. <u>Medical (PPO or HMO) (medical, drug & chiro)</u>	<u>\$335.00</u>
b. <u>Dental</u>	<u>\$ 19.44</u>
c. <u>Vision</u>	<u>\$ 3.90</u>
d. <u>Dual coverage (medical, drug & chiro)</u>	<u>\$ 25.54</u>

The Employer shall pay the same monthly contribution for each member enrolled in a self only medical plan (PPO or HMO), regardless of which plan is

1 chosen; provided that the dollar amount contributed by the Employer shall not
2 cause the employer share to exceed 84.3% of the total premium.

3
4 2. For each Employee-Beneficiary with one dependent-beneficiary
5 enrolled in the following Trust Fund health benefit plans:

BENEFIT PLAN	TOTAL EMPLOYER MONTHLY CONTRIBUTION
a. Medical (PPO or HMO) (medical, drug & chiro)	\$812.48
b. Dental	\$ 38.88
c. Vision	\$ 7.20
d. Dual coverage (medical, drug & chiro)	\$ 63.42

13
14 The Employer shall pay the same monthly contribution for each member
15 enrolled in a two-party medical plan (PPO or HMO), regardless of which plan is
16 chosen; provided that the dollar amount contributed by the Employer shall not
17 cause the employer share to exceed 84.3% of the total premium.

18
19 3. For each Employee-Beneficiary with two or more dependent-
20 beneficiaries enrolled in the following Trust Fund health benefit plans:

BENEFIT PLAN	TOTAL EMPLOYER MONTHLY CONTRIBUTION
a. Medical (PPO or HMO) (medical, drug & chiro)	\$1,033.06
b. Dental	\$ 63.96
c. Vision	\$ 9.42
d. Dual coverage (medical, drug & chiro)	\$ 70.50

1 The Employer shall pay the same monthly contribution for each member
2 enrolled in a family medical plan (PPO or HMO), regardless of which plan is
3 chosen; provided that the dollar amount contributed by the Employer shall not
4 cause the employer share to exceed 84.3% of the total premium.

5
6 4. For each Employee-Beneficiary enrolled in the Trust Fund group
7 life insurance plan, the Employer shall pay \$4.12 per month which reflects one
8 hundred percent (100%) of the monthly premium and any administrative fees.

9
10 C. Effective July 1, 2018

11
12 Subject to the applicable provisions of Chapter 87A and 89, Hawaii Revised
13 Statutes, effective July 1, 2018 for plan year 2018-2019, with the exception of
14 items C1a., C2a., C3a., and C4., which shall be the dollar amounts noted, the
15 Employer shall pay a specific dollar amount equivalent to sixty percent (60%) of
16 the final premium rates established by the Trust Fund Board for the respective
17 health benefit plan, plus sixty percent (60%) of any administrative fees.

18
19 1. The amounts paid by the Employer shall be based on the plan year
20 2018-2019 final monthly premium rates established by the Trust Fund for each
21 Employee-Beneficiary with no dependent-beneficiaries enrolled in the following
22 Trust Fund health plans:

- 23
24 a. Medical (PPO or HMO) (medical, drug, & chiro) \$368.50
25 b. Dental
26 c. Vision
27 d. Dual coverage (medical, drug & chiro)
28

1 The Employer shall pay the same monthly contribution for each member
2 enrolled in a self only medical plan (PPO or HMO), regardless of which plan is
3 chosen; provided that the dollar amount contributed by the Employer shall not
4 cause the employer share to exceed 84.3% of the total premium.

5
6 2. The amounts paid by the Employer shall be based on the plan year
7 2018-2019 final monthly premium rates established by the Trust Fund for each
8 Employee-Beneficiary with one dependent-beneficiary enrolled in the following
9 Trust Fund health plans:

- 10
11 a. Medical (PPO or HMO) (medical, drug, & chiro) \$893.72
12 b. Dental
13 c. Vision
14 d. Dual coverage (medical, drug & chiro)

15
16 The Employer shall pay the same monthly contribution for each member
17 enrolled in a two-party medical plan (PPO or HMO), regardless of which plan is
18 chosen; provided that the dollar amount contributed by the Employer shall not
19 cause the employer share to exceed 84.3% of the total premium.

20
21 3. The amounts paid by the Employer shall be based on the plan year
22 2018-2019 final monthly premium rates established by the Trust Fund for each
23 Employee-Beneficiary with two or more dependent-beneficiaries enrolled in the
24 following Trust Fund health plans:

- 25
26 a. Medical (PPO or HMO) (medical, drug, & chiro) \$1,136.36
27 b. Dental
28 c. Vision

1 d. Dual coverage (medical, drug & chiro)

2
3 The Employer shall pay the same monthly contribution for each member
4 enrolled in a family medical plan (PPO or HMO), regardless of which plan is
5 chosen; provided that the dollar amount contributed by the Employer shall not
6 cause the employer share to exceed 84.3% of the total premium.

7
8 4. For each Employee-Beneficiary enrolled in the Trust Fund group life
9 insurance plan, the Employer shall pay \$4.12 per month which reflects one
10 hundred percent (100%) of the monthly premium and any administrative fees.

11
12 D. No later than three (3) weeks after the Trust Fund Board formally
13 establishes and adopts the final premium rates for Fiscal Year 2018-2019, the
14 Office of Collective Bargaining shall distribute the final calculation of the
15 Employers' monthly contribution amounts for each health benefit plan.

16
17 E. Payment for Plans Eliminated or Abolished. The Employer shall make
18 no payments for any and all premiums for any portion or part of a Trust Fund
19 health benefit plan that the Trust Fund Board eliminates or abolishes.

20
21 F. Rounding Employer's Monthly Contribution. Whenever the Employer's
22 monthly contribution (premium plus administrative fee) to the Trust Fund is less
23 than one hundred percent (100%) of the monthly premium amount, such monthly
24 contribution shall be rounded to the nearest cent as provided below:

25
26 1. When rounding to the nearest cent results in an even amount,
27 such even amount shall be the Employer's monthly contribution. For example:

1 (a) \$11.397 = \$11.40 = \$11.40 (Employer's monthly contribution)

2 (b) \$11.382 = \$11.38 = \$11.38 (Employer's monthly contribution)

3

4 2. When rounding to the nearest cent results in an odd amount,
5 round to the lower even cent, and such even amount shall be the Employer's
6 monthly contribution. For example:

7

8 (a) \$11.392 = \$11.39 = \$11.38 (Employer's monthly contribution)

9 (b) \$11.386 = \$11.39 = \$11.38 (Employer's monthly contribution)

10

11 All employer contributions effective July 1, 2017 and contributions for
12 items C.1a., C.2a., and C.3a., effective July 1, 2018 reflect the rounding described
13 in item F. Employer contributions effective July 1, 2018 for items C.1 b, c, d; C.2
14 b, c, d; and C.3 b, c, d shall be rounded as described in item F. after the Trust
15 Fund Board formally establishes and adopts the final premium rates for Fiscal
16 Year 2018-2019.

17

18 G. If an agreement covering periods beyond the term of this Agreement is
19 not executed by June 30, 2019, Employer contributions to the Trust Fund shall be
20 the same monthly contribution amounts paid in plan year 2018-2019 for the
21 Health Benefit Plan approved by the Trust Fund including any monthly
22 administrative fees.

ATTACHMENT
BARGAINING UNIT 04

2017 – 2019 INTEREST ARBITRATION
TENTATIVE AGREEMENTS

<u>Article</u>	<u>Title</u>
35	Vacation Leave
42	Military Leave

ARTICLE 35 - VACATION LEAVE

A. Earning of Vacation Leave.

1. All Employees shall earn vacation leave at the rate of fourteen (14) hours for each month of service. For the purpose of this Article, a workday is defined as an eight-hour (8) workday.

2. If such Employees render less than a month of service, their vacation allowance for such month shall be computed as follows:

Actual Straight Time

Hours of Service

Working Hours of Leave

For 0 to 31	0
For 32 to 55	4
For 56 to 79	6
For 80 to 103	8
For 104 to 127	10
For 128 to 151	12
For 152 or more	14

The term "actual straight time hours of service" shall include paid holidays.

3. Individuals who are employed on a temporary, contractual or substitute basis while on vacation from another position in the State government or any political subdivision of the State shall not earn vacation allowance for such employment.

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4. Vacation allowance shall accrue to an Employee while on leave with pay unless specifically prohibited by the Agreement.

5. No vacation allowance shall accrue:

a. During the period of any vacation leave or sick leave granted when the employment terminates or is to terminate at the end of such leave;

b. During the period the Employee is on leave without pay, except for the period on leave for disability and is being paid Workers' Compensation therefore;

c. During any period of valid suspension which is sustained in the event an appeal is made by the Employee;

d. During any period of unauthorized leave;

e. During any period the Employee is on educational leave; or

f. During any period of leave with pay pending investigation if the Employee:

- 1) is subsequently discharged/dismissed;
- 2) resigns or retires prior to the discharge/dismissal; or
- 3) resigns or retires during the investigation.

1 6. Vacation for an Employee Serving a Provisional Appointment. An
2 Employee serving a provisional appointment shall not be entitled to a vacation
3 leave with pay. However, a provisional appointee shall be entitled to earn and
4 accrue vacation allowances during the term of provisional appointment and if
5 upon the termination of provisional appointment the Employee receives
6 probationary or limited term or permanent appointment in the same position, the
7 Employee shall be credited with the allowances earned and accrued during the
8 provisional appointment and if the Employee does not become such limited term,
9 probationary, or regular Employee, the vacation allowance shall be automatically
10 forfeited. It is provided, however, that a regular Employee who receives a
11 promotion through a provisional appointment shall be considered to be a regular
12 Employee and shall continue to earn vacation allowance.

13

14 7. Vacation for a Non-regular Employee Serving a Temporary
15 Appointment Outside the List (TAOL). A non-regular Employee serving on a
16 TAOL basis shall not be entitled to a vacation leave with pay. However,
17 whenever the duration of the TAOL is for longer than one year, including any
18 extensions granted for a specific appointment, the non-regular Employee shall be
19 entitled to (a) earn vacation leave beginning with the first month of the second
20 year in accordance with A.1. and A.2. and (b) use the vacation leave accrued in
21 accordance with the provisions of this Article. Whenever a non-regular
22 Employee's TAOL is ended, any vacation leave accrued shall be automatically
23 forfeited.

24

25 B. Accumulation of Vacation Leave.

26

27 1. An Employee may accumulate up to twenty-one (21) days of
28 vacation leave per calendar year until the Employee accumulated the first
29 forty-two (42) days. Subsequently an Employee may accumulate not more than

1 fifteen (15) days of vacation leave per calendar year, even if the total
2 accumulated days fall below forty-two (42) days. However, vacation leave in
3 excess of fifteen (15) days per year may be accumulated for good cause when a
4 request for such accumulation is approved by the department head provided
5 such request shall be accompanied by a stipulation that the Employee shall take
6 such excess vacation days at a specified time. If the Employee fails to take this
7 vacation at the time stipulated, the Employee shall forfeit the excess
8 accumulation of vacation leave unless for good reason an extension of time is
9 granted by the department head.

10
11 2. Vacation leave shall be administered on a calendar year basis and
12 recorded at the end of each calendar year. After the end of each year, the
13 appointing authority will furnish each Employee with a statement of the vacation
14 leave credits remaining as of December 31.

15
16 3. Any Employee who is entitled to an annual vacation may
17 accumulate for the succeeding year or years such unused portion of vacation
18 allowance as is permitted above, provided that the total accumulation shall not at
19 the end of any calendar year shall exceed ninety (90) working days, the
20 Employee shall exceed ninety (90) working days at the end of the calendar year.
21 If any recorded accumulation of vacation allowance automatically forfeit the
22 unused vacation allowance which is in excess of the allowable ninety (90)
23 working days.

24
25 4. Nothing in this Article contained shall be construed to prohibit the
26 taking or to require the forfeiture, of any vacation which is validly granted and the
27 taking of which is commenced on or before the last working day of any calendar
28 year, notwithstanding that the recording of the current accrued vacation
29 allowance for such year on the last day thereof might result in an accumulation of

1 more than ninety (90) working days including the working days of the vacation so
2 granted and then being taken, but the period of such vacation shall be regarded
3 for all purposes as if the same had been entirely taken on or before the last day
4 of such calendar year.

5
6 5. Whenever the Employee's accumulated vacation credit exceeds
7 ninety (90) working days the Employee shall receive cash payment in lieu of
8 vacation to the extent of the excess if, upon investigation by the Comptroller of
9 the State or the respective county director of finance, it is found that the excess
10 vacation credit resulted from the Employee's inability to be allowed vacation time
11 off because of orders of the appointing authority; otherwise the Employee shall
12 automatically forfeit the excess.

13
14 6. Whenever an Employee is unable to take scheduled vacation
15 because of illness, the Employee shall be permitted to reschedule the
16 Employee's vacation; however, if the duration of illness is such that the vacation
17 cannot be rescheduled within the calendar year and to protect against the
18 forfeiture of excess vacation, the Employee shall be permitted to substitute
19 vacation for sick leave or take such excess vacation immediately upon the
20 conclusion of such sick leave.

21
22 7. Nothing contained in this Article shall be construed to require the
23 forfeiture of vacation credits when an Employee terminates on or before the last
24 working day of the calendar year, notwithstanding the fact that the recording of
25 current accrued vacation for the year on the last day may result in an
26 accumulation of more than ninety (90) working days.

27
28 C. Taking Vacation Leave Granted.
29

1 1. When a vacation is requested on a proper application by an
2 Employee, it shall be granted and taken at such time or times as the department
3 head may designate; provided, that it shall be as close to the requested period as
4 conditions in the department will permit, and so as to prevent any forfeiture of
5 vacation allowance.

6
7 2. When a vacation is granted, it may include, in accordance with the
8 law and at the request of the Employee, all vacation allowance accrued up to the
9 end of the Employee's last full month of service immediately preceding the
10 commencement of the vacation. For non-regular Employees who earn vacation
11 allowance pursuant to A.7, the vacation granted may include, at the request of
12 the Employee, all vacation allowance accrued up to the commencement of the
13 vacation.

14
15 3. Whenever an Employee's vacation leave which has been approved
16 on the appropriate leave application form is rescinded, non-refundable travel and
17 lodging expenses incurred by the Employee shall be reimbursed by the
18 Employer.

19
20 4. No vacation leave of less than one (1) hour may be granted.
21 However, when payment in lieu of vacation is legally permissible, or when the
22 Employee's service will not continue at the expiration of the vacation, such
23 payment may include a prorated amount for any fraction of a working day of
24 vacation allowance to which the Employee is entitled.

25
26 D. Vacation Charged Only for Working Hours.
27

1 1. Employees on vacation shall have charged against their vacation
2 allowances all working hours or fraction to the nearest 1/4 hour thereof which
3 occur during the period of the Employee's vacation.

4
5 2. Employees normally working eight-hour (8) days, other than
6 between the hours of 7:45 a.m. and 4:30 p.m. and/or other than between Monday
7 and Friday inclusive, shall have charged against their vacation allowances only
8 those hours or fraction to the nearest 1/4 hour thereof they were scheduled to
9 work or would have worked had they not taken vacations.

10
11 E. Priority of Scheduling Vacation Leave. Priority in scheduling annual
12 leave shall be given to Employees on the basis of seniority within the office. The
13 priority shall be rotated in descending order according to seniority to assure that
14 each Employee will receive priority scheduling at least once.

15
16 F. Recall from Vacation.

17
18 1. An Employee may be recalled to duty before the expiration of any
19 granted vacation when, in the opinion of the department head, the Employee's
20 services are required. In such event the Employee shall be paid for all work
21 performed at the rate of one and one-half (1 1/2) times the Employee's regular
22 rate of pay during such period the Employee is recalled from vacation and shall
23 be granted unused vacation days at a time mutually agreed upon.

24
25 2. An Employee who is summoned during vacation to serve as a
26 witness in any judicial proceeding in connection with the duties and
27 responsibilities of the Employee's position on work related matters shall be
28 compensated at one and one-half (1 1/2) times the Employee's regular rate of
29 pay during the scheduled vacation period the Employee is required to serve and

1 the Employee's unused vacation leave shall be rescheduled at a time mutually
2 agreed upon.

3

4 3. An Employee who is summoned during vacation to serve as a
5 witness or juror in any judicial proceedings, except those which may involve or
6 arise out of the Employee's outside employment or personal business or private
7 affairs shall, if the Employee serves, be permitted to reschedule the Employee's
8 vacation for another mutually agreed upon time.

9

10 G. Advance Vacation. Advance vacation shall be granted only where
11 an Employee has exhausted all earned vacation allowance and is detained out of
12 the State of Hawai'i for a cause which the Employee establishes to the
13 satisfaction of the department head to be out of the Employee's control. An
14 Employee so detained shall immediately communicate with the department head
15 and request such advance vacation and, if the same is granted, it shall be
16 considered as taken with the express understanding that if such leave is not later
17 earned during the term of employment the unearned portion of the vacation pay
18 so advanced will be repaid, on demand of the department head to the Employer
19 by the Employee or the Employee's executors and administrators out of the
20 Employee's estate, if the Employee is deceased, or deductions may be made for
21 such unearned portion from any salary due the Employee, or from any monies in
22 the annuity savings fund of the Employee's retirement system of the Employer to
23 the credit of the Employee.

24

25 H. Effect of Transfer to Position in Which Vacation Allowance Is Not
26 Earnable. When an Employee is transferred from or otherwise relinquishes one
27 position in which vacation allowance may be earned, and accepts employment in
28 another position in the service of the Employer in which vacation allowance may
29 not be earned, the Employee may be deemed, for purposes of receiving pay in

1 lieu of vacation, including any lapsed vacation in excess of the maximum
2 allowed, to have terminated services. But in the event that the Employee is not
3 eligible under the circumstances to receive pay in lieu of vacation, the
4 acceptance of such new employment shall not of itself have the effect of forfeiting
5 any vacation allowance to which the Employee is then entitled.

6
7 1. Pay for Vacation Allowance Upon Termination and When Moving
8 Between Jurisdictions of the State.

9
10 1. Whenever a termination of services takes place, the Employee is to
11 be paid, in accordance with Section 78-23, Hawai'i Revised Statutes, for
12 vacation allowance either in a lump sum or in the normal manner as provided in
13 subsection 2.

14
15 2. When payment in a lump sum is made to an Employee hired on or
16 before June 30, 1997, the sum payable for vacation allowance shall be equal to
17 the amount of compensation to which the Employee would be entitled or would
18 be allowed during the vacation period if the Employee were permitted to take the
19 Employee's vacation in the normal manner. Whenever an Employee is
20 discharged for cause or when payment in a lump sum is made to an Employee
21 hired after June 30, 1997, the lump sum vacation allowance payable shall be
22 computed on the basis of the Employee's accumulated vacation hours multiplied
23 by the Employee's hourly rate of pay as of the effective date of discharge or
24 termination.

25
26 3. However, if the Employee is rehired within seven (7) calendar days
27 by the Employer and will continue to earn vacation allowance, such a payment
28 shall not be made.

1 4. When an Employee moves from one Employer jurisdiction to
2 another to accept employment in a position in which vacation allowance is
3 earned, the Employee shall be given credit for the vacation earned or
4 accumulated in the jurisdiction from which the Employee transferred, and the
5 director of finance of the State or the equivalent officers of the counties,
6 Judiciary, and the Hawai'i Health Systems Corporation, as the case may be,
7 shall make the appropriate transfer of funds to implement the transfer. However,
8 the Employee may request and receive payment of a portion of or all of the
9 Employee's vacation credits accumulated up to the effective date of the
10 movement.

11
12 ~~[5. — An Employee who, pursuant to the U.S. Universal Military Service~~
13 ~~and Training Act or other Federal statute is called or ordered and reports either~~
14 ~~voluntarily or involuntarily for active military duty with a branch of the U.S. Armed~~
15 ~~Forces shall be deemed to have terminated services for the purposes of this~~
16 ~~Article. The Employee's choice of lump sum payment for vacation allowance will~~
17 ~~not of itself cause the forfeiture of unused sick leave credits.]~~

18
19 J. In the event that a vacation request is denied by the department
20 head, the Employee may request the reasons for the denial in writing be
21 furnished.
22

ARTICLE 42 - MILITARY LEAVE

A. Military Leave With Pay.

1. Employees whose appointment is for six (6) months or more shall, while on active duty or during periods of camps of instruction or field maneuvers as members of the Hawai'i national guard, air national guard, naval militia, organized reserves, including the officers' reserve corps and the enlisted reserve corps, under call of the President of the United States or the governor of the State, be placed on leave with pay status for a period not exceeding fifteen (15) working days in any calendar year, except as provided in subparagraph A.2. No such person shall be subjected by any person, directly or indirectly, by reason of absence to any loss or diminution of vacation or holiday privileges or be prejudiced by reason of the absence with reference to promotion or continuance of employment or reemployment.

2. If an Employee is called to active duty or required to report for camp training or field maneuvers by official military orders a second time within a calendar year, the Employee may elect to use up to fifteen (15) working days of the succeeding calendar year; provided that the Employee's entitlement to the working days advanced shall be canceled from the succeeding calendar year, and the Employee shall so agree in writing. The Employee who is advanced leave shall be required to reimburse the Employer an amount equivalent to the days advanced in the event the Employee leaves government employment prior to completion of a year's service in the succeeding year from which leave was advanced, except in the case of death of the Employee.

B. Military Leave Without Pay.

1 1. The following Employees shall be entitled to military leave without pay
2 for service in the United States Armed Forces:

- 3
- 4 a. Employees serving initial probational appointments.
- 5 b. Regular Employees serving permanent or new probational
- 6 appointments.
- 7
- 8 c. Regular Employees serving temporary appointments and who
- 9 have not forfeited their rights to the position in which they last held permanent
- 10 appointment.
- 11
- 12 d. Exempt Employees serving other than temporary appointments.
- 13

14 2. The duration of the military leave without pay shall be for no more than

15 five (5) years.

16

17 **3. The Employee has the option to 1) substitute any available paid**

18 **vacation leave time for otherwise unpaid leave or 2) be paid their available**

19 **vacation leave time in a lump sum payment. The Employee's choice of lump**

20 **sum payment for vacation allowance will not of itself cause the forfeiture of**

21 **unused sick leave credits.**

22

23 [3]4. Upon conclusion of the military leave without pay, Employees shall

24 have reemployment rights in accordance with Chapter 43 of Title 38 of the United

25 States Code.

26

27 [4]5. Replacements for Employees on military leave without pay.

28

- 29 a. In filling a position which became vacant by military leave
- 30 without pay, the appointing authority may appoint a replacement Employee

1 and shall inform the replacement the status of the replacement's employment
2 and the provisions of this Agreement relating to military leaves without pay.

3
4 b. A replacement employed in the position from which military
5 leave was granted shall be displaced so that the position may be filled again
6 by the former Employee returning to government employment. Replacement
7 Employees with regular status shall be returned to their former positions or
8 other comparable positions deemed appropriate by the ~~[director of personnel~~
9 ~~services]~~ **Employer**. In the event there are no such positions, the
10 replacement Employees shall be subject to Article 9, Layoff.

11
12 C. Leave for Pre-Induction Examination. An Employee who is absent
13 from work for the purpose of undergoing physical examination prior to induction into
14 the United States Armed Forces shall be granted leave with pay for such purpose,
15 and the leave shall not be charged against the Employee's vacation allowance.

Bargaining Unit 04
TENTATIVE AGREEMENT
Employer James K. Nishimura
Union [Signature]
Date 4/25/17

ARTICLE 52

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Delete the existing language in this Article in its entirety and replace with the following:

A. "Health Benefit Plan" shall mean the medical PPO, HMO, prescription drug, dental, vision and dual coverage medical plans.

B. Effective July 1, 2017

Subject to the applicable provisions of Chapter 87A and 89, Hawaii Revised Statutes, the Employer shall pay monthly contributions which include the cost of any Hawaii Employer-Union Health Benefits Trust Fund (Trust Fund) administrative fees to the Trust Fund effective July 1, 2017, not to exceed the monthly contribution amounts as specified below:

1. For each Employee-Beneficiary with no dependent-beneficiaries enrolled in the following Trust Fund health benefits plans:

<u>BENEFIT PLAN</u>	<u>TOTAL EMPLOYER MONTHLY CONTRIBUTION</u>
a. <u>Medical (PPO or HMO) (medical, drug & chiro)</u>	<u>\$335.00</u>
b. <u>Dental</u>	<u>\$ 19.44</u>
c. <u>Vision</u>	<u>\$ 3.90</u>
d. <u>Dual coverage (medical, drug & chiro)</u>	<u>\$ 25.54</u>

The Employer shall pay the same monthly contribution for each member enrolled in a self only medical plan (PPO or HMO), regardless of which plan is

1 chosen; provided that the dollar amount contributed by the Employer shall not
2 cause the employer share to exceed 84.3% of the total premium.

3
4 2. For each Employee-Beneficiary with one dependent-beneficiary
5 enrolled in the following Trust Fund health benefit plans:

BENEFIT PLAN	TOTAL EMPLOYER MONTHLY CONTRIBUTION
a. Medical (PPO or HMO) (medical, drug & chiro)	\$812.48
b. Dental	\$ 38.88
c. Vision	\$ 7.20
d. Dual coverage (medical, drug & chiro)	\$ 63.42

13
14 The Employer shall pay the same monthly contribution for each member
15 enrolled in a two-party medical plan (PPO or HMO), regardless of which plan is
16 chosen; provided that the dollar amount contributed by the Employer shall not
17 cause the employer share to exceed 84.3% of the total premium.

18
19 3. For each Employee-Beneficiary with two or more dependent-
20 beneficiaries enrolled in the following Trust Fund health benefit plans:

BENEFIT PLAN	TOTAL EMPLOYER MONTHLY CONTRIBUTION
a. Medical (PPO or HMO) (medical, drug & chiro)	\$1,033.06
b. Dental	\$ 63.96
c. Vision	\$ 9.42
d. Dual coverage (medical, drug & chiro)	\$ 70.50

1 The Employer shall pay the same monthly contribution for each member
2 enrolled in a family medical plan (PPO or HMO), regardless of which plan is
3 chosen; provided that the dollar amount contributed by the Employer shall not
4 cause the employer share to exceed 84.3% of the total premium.

5
6 4. For each Employee-Beneficiary enrolled in the Trust Fund group
7 life insurance plan, the Employer shall pay \$4.12 per month which reflects one
8 hundred percent (100%) of the monthly premium and any administrative fees.

9
10 C. Effective July 1, 2018

11
12 Subject to the applicable provisions of Chapter 87A and 89, Hawaii Revised
13 Statutes, effective July 1, 2018 for plan year 2018-2019, with the exception of
14 items C1a., C2a., C3a., and C4., which shall be the dollar amounts noted, the
15 Employer shall pay a specific dollar amount equivalent to sixty percent (60%) of
16 the final premium rates established by the Trust Fund Board for the respective
17 health benefit plan, plus sixty percent (60%) of any administrative fees.

18
19 1. The amounts paid by the Employer shall be based on the plan year
20 2018-2019 final monthly premium rates established by the Trust Fund for each
21 Employee-Beneficiary with no dependent-beneficiaries enrolled in the following
22 Trust Fund health plans:

- 23
24 a. Medical (PPO or HMO) (medical, drug, & chiro) \$368.50
25 b. Dental
26 c. Vision
27 d. Dual coverage (medical, drug & chiro)
28

1 The Employer shall pay the same monthly contribution for each member
2 enrolled in a self only medical plan (PPO or HMO), regardless of which plan is
3 chosen; provided that the dollar amount contributed by the Employer shall not
4 cause the employer share to exceed 84.3% of the total premium.

5
6 2. The amounts paid by the Employer shall be based on the plan year
7 2018-2019 final monthly premium rates established by the Trust Fund for each
8 Employee-Beneficiary with one dependent-beneficiary enrolled in the following
9 Trust Fund health plans:

- 10
11 a. Medical (PPO or HMO) (medical, drug, & chiro) \$893.72
12 b. Dental
13 c. Vision
14 d. Dual coverage (medical, drug & chiro)

15
16 The Employer shall pay the same monthly contribution for each member
17 enrolled in a two-party medical plan (PPO or HMO), regardless of which plan is
18 chosen; provided that the dollar amount contributed by the Employer shall not
19 cause the employer share to exceed 84.3% of the total premium.

20
21 3. The amounts paid by the Employer shall be based on the plan year
22 2018-2019 final monthly premium rates established by the Trust Fund for each
23 Employee-Beneficiary with two or more dependent-beneficiaries enrolled in the
24 following Trust Fund health plans:

- 25
26 a. Medical (PPO or HMO) (medical, drug, & chiro) \$1,136.36
27 b. Dental
28 c. Vislon

1 d. Dual coverage (medical, drug & chiro)

2
3 The Employer shall pay the same monthly contribution for each member
4 enrolled in a family medical plan (PPO or HMO), regardless of which plan is
5 chosen; provided that the dollar amount contributed by the Employer shall not
6 cause the employer share to exceed 84.3% of the total premium.

7
8 4. For each Employee-Beneficiary enrolled in the Trust Fund group life
9 insurance plan, the Employer shall pay \$4.12 per month which reflects one
10 hundred percent (100%) of the monthly premium and any administrative fees.

11
12 D. No later than three (3) weeks after the Trust Fund Board formally
13 establishes and adopts the final premium rates for Fiscal Year 2018-2019, the
14 Office of Collective Bargaining shall distribute the final calculation of the
15 Employers' monthly contribution amounts for each health benefit plan.

16
17 E. Payment for Plans Eliminated or Abolished. The Employer shall make
18 no payments for any and all premiums for any portion or part of a Trust Fund
19 health benefit plan that the Trust Fund Board eliminates or abolishes.

20
21 F. Rounding Employer's Monthly Contribution. Whenever the Employer's
22 monthly contribution (premium plus administrative fee) to the Trust Fund is less
23 than one hundred percent (100%) of the monthly premium amount, such monthly
24 contribution shall be rounded to the nearest cent as provided below:

25
26 1. When rounding to the nearest cent results in an even amount,
27 such even amount shall be the Employer's monthly contribution. For example:
28

1 (a) \$11.397 = \$11.40 = \$11.40 (Employer's monthly contribution)

2 (b) \$11.382 = \$11.38 = \$11.38 (Employer's monthly contribution)

3

4 2. When rounding to the nearest cent results in an odd amount,
5 round to the lower even cent, and such even amount shall be the Employer's
6 monthly contribution. For example:

7

8 (a) \$11.392 = \$11.39 = \$11.38 (Employer's monthly contribution)

9 (b) \$11.386 = \$11.39 = \$11.38 (Employer's monthly contribution)

10

11 All employer contributions effective July 1, 2017 and contributions for
12 items C.1a., C.2a., and C.3a., effective July 1, 2018 reflect the rounding described
13 in item F. Employer contributions effective July 1, 2018 for items C.1 b, c, d; C.2
14 b, c, d; and C.3 b, c, d shall be rounded as described in item F. after the Trust
15 Fund Board formally establishes and adopts the final premium rates for Fiscal
16 Year 2018-2019.

17

18 G. If an agreement covering periods beyond the term of this Agreement is
19 not executed by June 30, 2019, Employer contributions to the Trust Fund shall be
20 the same monthly contribution amounts paid in plan year 2018-2019 for the
21 Health Benefit Plan approved by the Trust Fund including any monthly
22 administrative fees.

HLRB Case Nos. 16-1-02-160, 16-1-9-162, 16-1-13-163, and 16-1-08-161

IMPASSE ARBITRATION AWARD FOR BARGAINING UNITS 02, 08, 09, AND 13

In the Matter of the Interest Arbitration between

*HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME, LOCAL 152, AFL-CIO*

Exclusive Representative for BU 02, 08, 09 and 13

And

*STATE OF HAWAII (GOVERNOR DAVID IGE),
CITY AND COUNTY OF HONOLULU (MAYOR KIRK CALDWELL),
COUNTY OF HAWAII (MAYOR HARRY KIM)
COUNTY OF MAUI (MAYOR ALAN M. ARAKAWA),
COUNTY OF KAUAI (MAYOR BERNARD P. CARVALHO);
JUDICIARY (CHIEF JUSTICE MARK RECKTENWALD);
HAWAII HEALTH SYSTEMS CORPORATION (BOARD OF DIRECTORS)
UNIVERSITY OF HAWAII (DAVID LASSNER, PRESIDENT, UH)*

Public Employers

ARBITRATION PANEL

Henry Kanda

Nora Nomura

James Nishimoto

Neutral Arbitrator and Chair

Union Panel Member

Employer Panel Member

APPEARANCES

On behalf of the HGEA (Union):

Alan C. Davis

Sylvia Courtney

On behalf of the Public Employers:

State of Hawaii, Judiciary, Hawaii Health Systems Corporation, University of Hawaii:

James E. Halvorson, Esquire Deputy Attorney General

City and County of Honolulu:

Paul Hoshino, Esquire Deputy Corporation Counsel

Leslie Chinn, Esquire: Deputy Corporation Counsel

County of Hawaii:

Belinda Castillo Hall, Esquire Deputy Corporation Counsel

County of Maui:

Gary Murai, Esquire Deputy Corporation Counsel

Christie Trenholme, Esquire Deputy Corporation Counsel

County of Kauai:

Adam P. Roversi, Esquire Deputy County Attorney

University of Hawaii

Richard H. Thomason, Director of Collective Bargaining and Employee Relations

WITNESSES

For the Employer, State of Hawaii

Wesley Machida, Director of Budget and Finance, State of Hawaii (BU 03/04)

Patrick Kilbourne, Managing Director, Berkeley Research Group

Ralph Schultz, Program and Budget Analysis Manager, State Budget and Finance
(BU 03/04)

For the Employer, University of Hawaii

Kalbert Young, Chief Financial Officer, University of Hawaii (BU 03/04)

For the Employer, Hawaii Health Systems Corporation (HHSC)

Edward Chu, Chief Financial Officer, HHSC (BU 03/04)

For the Employer, City and County of Honolulu

Nelson H. Koyanagi, Director of Budget and Fiscal Services, C&C of Honolulu
(BU 03/04)

For the Employer, County of Hawaii

Deanna Sako, Deputy Director of Finance, County of Hawaii (BU 03/04)

For the Employer, County of Kauai

Ken M. Shimonishi, Director of Finance, County of Kauai (BU 03/04)

For the HGEA, Union

Timothy F. Reilly, Certified Public Accountant (CPA), Self-employed: Timothy F.
Reilly, CPA (BU 03/04)

Michael Messina, Associate Director of Research, AFSCME

Kevin Nakata, Business Agent HGEA, BU 02 Union Spokesperson

Walt Niemczura, Research Support Specialist, BU 08 President

Joan Takano, Field Specialist HGEA, BU 13 Union Spokesperson

Lorena Kauhi, Acting Hawaii Division Chief, BU 09 Union Spokesperson

PROCEDURAL BACKGROUND

This arbitration proceeding arises out of an impasse in collective bargaining negotiations between the HGEA and the Public Employers involving Bargaining Unit 02, Blue Collar Supervisory Employees; Bargaining Unit 08, Administrative, Professional and Technical Employees of the University of Hawaii; Bargaining Unit 09, Registered Professional Nurses; and Bargaining Unit 13, Professional and Scientific Employees; for the contract period beginning July 1, 2017. The impasse was declared on October 24, 2016, by the Hawaii Labor Relations Board (HLRB). Mediation, as mandated by Chapter 89, Hawaii Revised Statutes, proved to be unsuccessful. On December 16, 2016, the parties entered into a Memorandum of Agreement which spelled out the terms of an alternate impasse procedure (as opposed to the procedure outlined in Chapter 89, HRS) for BU 02, 08 and 09. Another alternate impasse procedure for BU 13 was agreed to on January 12, 2017, which enabled the unit to join the other three units for this round of arbitration. Subsequently, Ms. Nora Nomura was named to the Arbitration Panel by the Union and Mr. James Nishimoto was selected by the Employer group. Letters dated December 30, 2016 and January 12, 2017, informed HLRB of the selection of Mr. Henry Kanda as neutral and chair of this Arbitration Panel.

Following the alternate impasse procedure, the parties exchanged written final positions on January 6, 2017, for BU 02, 08 and 09. On January 12, 2017, the final positions for BU 13 were exchanged. Tentative agreements were reached on articles governing Vacation Leave and Military Leave for BU 09 and Vacation Leave, Military Leave and School Food Services Manager for BU 02. The other two units did not reach tentative agreements on any issues. The tentative agreements for BU 02 and BU 09 will become part of the arbitration award. The parties agreed not to modify any other contractual provisions with the exception of Salaries, Hawaii Employer-Union Health Benefits (a provision outside of the scope of this arbitration proceeding) and Duration.

Prior to the arbitration hearing for the first set of bargaining units (BU 03 and BU 04), the parties stipulated that the written arguments, testimony and exhibits presented by the parties in reference to several statutory criteria found in Chapter 89-11, HRS, governing factors that the Arbitration Panel must consider in reaching a decision, would also be placed into evidence for the next arbitration proceeding involving BU 02, BU 08, BU 09 and BU 13. In other words, the parties would not have to repeat presenting such evidence and testimony for the two-day arbitration hearing which was held on February 16, 2017 through February 17, 2017. The two primary statutory criteria covered by the stipulated agreement involved the ability of the Public Employers to fund collective bargaining cost increases and are found in criteria "(4) The financial ability of the employer to meet these costs.... and (5) The present and future general economic condition of the counties and the State."

The alternate impasse memorandum also provided agreed upon dates of the arbitration hearing, delivery of the transcripts, and the exchange of closing briefs. These timelines were met and the parties exchanged closing briefs and delivered the same to the Arbitration Panel on the birthday of the neutral arbitrator, March 24, 2017. As agreed upon during the hearing, the briefs were concise and did not exceed 20 pages in length. The parties had a chance to review a draft

of the arbitration decision for “completeness, technical correctness and clarity” and have submitted recommendations for desired changes or adjustments to the report. The Panel has issued this final arbitration decision this 24th day of April, 2017.

STATUTORY CRITERIA IN CHAPTER 89-11, HAWAII REVISED STATUTES

f) An arbitration panel in reaching its decision shall give weight to the following factors and shall include in its written report or decision an explanation of how the factors were taken into account:

- (1) The lawful authority of the employer, including the ability of the employer to use special funds only for authorized purposes or under specific circumstances because of limitations imposed by federal or state laws or county ordinances, as the case may be;
- (2) Stipulations of the parties;
- (3) The interests and welfare of the public;
- (4) The financial ability of the employer to meet these costs; provided that the employer's ability to fund cost items shall not be predicated on the premise that the employer may increase or impose new taxes, fees, or charges, or develop other sources of revenues;
- (5) The present and future general economic condition of the counties and the State;
- (6) Comparison of wages, hours, and conditions of employment of the employees involved in the arbitration proceeding with the wages, hours, and conditions of employment of other persons performing similar services, and of other state and county employees in Hawaii;
- (7) The average consumer prices for goods or services, commonly known as the cost of living;
- (8) The overall compensation presently received by the employees, including direct wage compensation, vacation, holidays and excused time, insurance and pensions, medical and hospitalization benefits, the continuity and stability of employment, and all other benefits received;
- (9) Changes in any of the foregoing circumstances during the pendency of the arbitration proceedings; and
- (10) Such other factors, not confined to the foregoing, which are normally or traditionally taken into consideration in the determination of wages, hours and conditions of employment through voluntary collective bargaining, mediation, arbitration, or otherwise between the parties, in the public service or in private employment.

The statute leaves to the discretion of the Arbitration Panel the weight to be given these criteria. The Panel has carefully considered each criteria and has provided appropriate weight as per the evidence and discussions by the parties.

ISSUES AT IMPASSE

Employer Proposal for Bargaining Units 02, 08, 09 and 13:

Salaries:

Effective July 1, 2017, provide a one-time, lump sum payment equivalent to 1.0% of the Employee's salary in existence on June 30, 2017.

Effective July 1, 2018, provide a one-time, lump sum payment equivalent to 1.0% of the Employee's salary in existence on June 30, 2018.

No step movements during the period July 1, 2017 through June 30, 2019.

Duration:

Two-year contract for the period July 1, 2017 through June 30, 2019.

Union Proposal for BU 02:

Salaries:

Effective July 1, 2017, Employees shall receive an across-the-board salary increase of 10.0%.

Effective July 1, 2018, Employees shall receive an across-the-board salary increase of 10.0%.

Effective July 1, 2017 through June 30, 2019, eligible Employees shall receive their step movements.

All classes in the unit shall be repriced to a higher pay grade by the end of the first year of the contract period (June 30, 2018).

Duration:

Two-year contract for the period July 1, 2017 through June 30, 2019.

Union Proposal for BU 08:

Salaries:

Effective July 1, 2017, Employees eligible for a step movement in accordance with Paragraph A of Article 24 (Compensation Adjustment) shall receive their step movements on their step movement dates. This is a new step movement proposal for inclusion in the contract.

Effective July 1, 2017, Employees shall receive an across-the-board salary increase of 8.0%.

Effective July 1, 2018, continuation of the new step movement plan.

Effective July 1, 2018, Employees shall receive an across-the-board salary increase of 8.0%.

Duration:

Two-year contract for the period July 1, 2017 through June 30, 2019.

Union Proposal for BU 09:

Salaries:

Effective July 1, 2017, Employees shall receive an across-the-board salary increase of 10.0%.

Effective July 1, 2017 through June 30, 2019, eligible Employees shall receive their step movements using a schedule with a new maximum step, L-5 (with rates that are 2.5% higher than the old Step L-4).

Effective July 1, 2018, Employees shall receive an across-the-board salary increase of 10.0%.

Duration:

Two-year contract for the period July 1, 2017 through June 30, 2019.

Union Proposal for BU 13:

Salaries:

Effective July 1, 2017, add two new maximum steps (M1 and M2) that are 4.0% higher, respectively, beginning with the old maximum rate of Step M. Continuation of the step movement plan using the schedule with the new maximum steps. Note: Article 14 Compensation Adjustment remained open to allow for changes in language to reflect the two new steps.

Effective July 1, 2017, Employees shall receive an across-the-board salary increase of 6.0%.

Effective July 1, 2018, Employees shall receive an across-the-board salary increase of 6.0%.

Effective July 1, 2019, Employees shall receive an across-the-board salary increase of 6.0%.

Effective July 1, 2019, Employees on the maximum step as of June 30, 2019 and Employees not administratively assigned to the salary schedule shall receive a \$1,500.00 lump-sum payment.

Effective July 1, 2020, Employees shall receive an across-the-board salary increase of 6.0%.

Effective July 1, 2021, Employees shall receive an across-the-board salary increase of 6.0%.

Effective July 1, 2022, Employees shall receive an across-the-board salary increase of 6.0%.

Effective July 1, 2022, Employees on the maximum step as of June 30, 2022 and Employees not

administratively assigned to the salary schedule shall receive a \$1,500.00 lump-sum payment.

Duration:

Six-year contract for the period July 1, 2017 through June 30, 2023.

OR

Salaries:

Effective July 1, 2017, add two new maximum steps (M1 and M2) that are 4.0% higher, respectively, beginning with the old maximum rate of Step M. Continuation of the step movement plan using the schedule with the new maximum steps.

Effective January 1, 2018, Employees shall receive an across-the-board salary increase of 5.0%.

Effective July 1, 2018, Employees shall receive an across-the-board salary increase of 5.0%.

Effective January 1, 2019, Employees shall receive an across-the-board salary increase of 5.0%.

Effective July 1, 2018, Employees on the maximum step as of June 30, 2018 and Employees not administratively assigned to the salary schedule, shall receive a lump sum payment of \$1,500.00.

Effective July 1, 2019, Employees shall receive an across-the-board salary increase of 5.0%.

Effective January 1, 2020, Employees shall receive an across-the-board salary increase of 5.0%.

Effective July 1, 2020, Employees shall receive an across-the-board salary increase of 5.0%.

Effective January 1, 2021, Employees shall receive an across-the-board salary increase of 5.0%.

Effective July 1, 2020, Employees on the maximum step as of June 30, 2020 and Employees not administratively assigned to the salary schedule, shall receive a lump-sum bonus of \$1,500.00.

Duration:

Four-year contract for the period July 1, 2017 through June 30, 2021.

OR

Salaries:

Effective July 1, 2017, add two new maximum steps (M1 and M2) that are 4.0% higher, respectively, beginning with the old maximum rate of Step M. Continuation of the step movement plan using the schedule with the new maximum steps.

Effective July 1, 2017, Employees shall receive an across-the-board salary increase of 7.0%.

Effective January 1, 2018, Employees shall receive an across-the-board salary increase of 7.0%.

Effective July 1, 2018, Employees shall receive an across-the-board salary increase of 7.0%.

Effective January 1, 2019, Employees shall receive an across-the-board salary increase of 7.0%.

Duration:

Two-year contract for the period July 1, 2017 through June 30, 2019.

TENTATIVE AGREEMENTS

Tentative agreements for Bargaining Unit 02 were reached on Article 35 Vacation Leave, Article 44 Military Leave and Article 45 School Food Service Manager as shown on the attachment. Bargaining Unit 08 and Bargaining Unit 13 had no tentative agreements. Bargaining Unit 09 also reached tentative agreement on Article 41 Vacation Leave and Article 51 Military leave (see attachment). The tentative agreements for BU 02 and BU 09, along with other articles in the four contracts that have not been amended, and the award on Salaries and Duration from this arbitration decision shall form the basis for the new collective bargaining agreements for BU 02, BU 08, BU 09 and BU 13 effective July 1, 2017. The pending agreement on the Hawaii Employer-Union Health Benefits Trust Fund articles will also be incorporated into the contracts.

ANALYSIS OF STATUTORY CRITERIA

1. **The lawful authority of the employer, including the ability of the employer to use special funds only for authorized purposes or under specific circumstances because of limitations imposed by federal or state laws or county ordinances, as the case may be.**

Based on the presentations of the two parties during the course of the hearing and their closing briefs, this factor is not being challenged.

2. **Stipulations of the parties.**

The parties have agreed to an alternative impasse procedure which includes the present arbitration proceedings. They have further stipulated that the testimonies, exhibits and written briefs on the subject of the Employers' ability to fund collective bargaining increases that were used in the BU 03 and BU 04 arbitration, would be also used in the proceedings for BU 02, 08, 09 and 13. Furthermore, the parties agreed that the closing briefs submitted to the Arbitration Panel would be no more than 20 pages in length. Timelines for the hearing, receipt of transcripts, closing briefs, and the final arbitration decisions were carefully outlined so that the arbitration award could meet the timetable for legislative action. Parties were not opposed to the Arbitration Panel's decision to release the award at the same time as the arbitration award for BU 03 and BU 04.

3. The interests and welfare of the public.

The State and the counties have the obligation of providing needed government services to the general public without huge tax burdens to the citizens of the State. In turn, the determination of appropriate salary and benefit levels must be such that government can recruit and retain qualified employees.

4. The financial ability of the employer to meet these costs.... and

5. The present and future economic condition of the counties and the State.

For the most part, the following analysis is based on the testimony and exhibits presented at the hearing for BU 03/04:

The Public Employers have argued that the Employers' proposal on salaries is affordable while the Union's "exorbitant" proposal on salaries is way beyond the financial capabilities of the jurisdictions. Employer Exhibit #15 shows a chart that outlines the Union's proposal based on out-of-pocket (OOP) expenses and the increase-to-base (ITB) costs. BU 02's two-year proposal shows a 24.8% OOP cost and a 26.11% ITB cost. BU 08 has a two-year cost of 28.71% (OOP) and 40.82% (ITB). BU 09 has a two-year proposal that provides a 20.52% OOP cost and an ITB cost of 22.61%. BU 13 has a 2-year package resulting in increases of 24.24% OOP and 35.0% ITB; a 4-year package with projected increases of 35.65% OOP and 55.65% ITB; a 6-year proposal with rates of 49.52% OOP and 64.94% ITB.

According to Employer Exhibit #9, the Union's biennium cost for their various packages for BU 02, 03, 04, 08, 09, and 13 is approximately \$491,589,873. This represents general fund costs only for the State of Hawaii. The Panel could not find the estimated costs for all jurisdictions as previously shown for the BU 03 and BU 04 packages.

The costs for the Employers' package versus the Union's package are miles apart. Usually, the parties become more reasonable and have proposals much closer to each other when facing an arbitration proceeding. The differences between the present offers are more in line with the beginning stages of bargaining. When packages are closer, the Arbitration Panel has an easier time in determining what issue or issues are the most pressing and the final decision can reflect such factors.

State of Hawaii:

According to Mr. Wesley Machida, the Director of Budget and Finance, the HGEA's proposal for BU 02, 03, 04, 08, 09 and 13 would cost \$492 million for a two-year package and \$1.7 billion for a four-year contract. Mr. Machida has concluded that the State "does not have the financial ability to pay the cost of the HGEA's unrealistic wage proposal." The issues governing the State of Hawaii's budget include the "projected slowdown in the economy, lower than projected actual tax collections, uncertainty with federal policies enacted by the new administration, \$23 billion in State debt obligations that must be paid, \$18 billion in unfunded liabilities, increases in pension and health

benefits, significant backlog in deferred maintenance, and increase in wages through collective bargaining.” (Employer Brief for BU 02, 08, 09, 13 page 2).

The Employers’ closing brief for the subject units also stated that the projected slowdown in the State’s economy has led to a reduction in General Excise Tax revenue and individual tax collections that resulted in the Council on Revenues dropping its revenue growth projections for Fiscal Year 2017 from 5.5% to 3% and then again to 2.5%. For FY 18 and FY 19, the Council revised their revenue projections down from 5% to 4%. Accordingly, the State Legislature is looking to trim some \$250 million from the State’s current budget. The State also faces \$18 billion in pension and health benefit liabilities that must be paid by the Employers and accordingly, has several credit rating agencies reporting that Hawaii has among the highest debt per capita. The pension board is requiring the Employers’ contribution requirements to increase over \$200 million in 2018 and another \$200 million in 2019.

The State offered evidence that for every 1% increase in wages for all 14 bargaining units, the cost would be approximately \$85.4 million. The State estimated that even with its proposal of an annual 1.0% bonus, the jurisdiction would be facing a deficit of \$185 million for FY 18 and \$618 million for FY 19. If the panel awarded decisions for BU 02, 03, 04, 08, 09 and 13 based on their current positions, the projected general fund deficit would balloon to \$394 million in FY 18 and \$1.4 billion in FY 19.

Finally, the contention that the State had a \$1.7 billion in unrestricted fund balance at the end of FY 2016 should be taken with caution since the \$1 billion fund balance reported in the newspaper had been spent and that these “unassigned funds” actually included funds that were encumbered (contracts that must be paid); the GAAP balance included accrued tax revenues that had not yet been received by the Tax Department; and with the recent Council of Revenues projections, the general fund balance cited is not sufficient to balance the financial plan even with the Employers’ wage proposal. (Employer Brief for BU 02, 08, 09, 13 page 7)

C&C of Honolulu:

Mr. Nelson Koyanagi, the City and County of Honolulu’s Director of Budget and Fiscal Services, stated that the second largest source of funding for the City was the transient accommodations tax (TAT) which is projected to decrease by \$4.4 million (total allocation would then be \$41 million) in FY 2018 and will remain capped at that figure thereafter. He also indicated that in FY 18, \$24 million in general funds will no longer be available for general purposes as these are designated for four (4) Charter-mandated funds. Mr. Koyanagi stated that “expenditures will increase much faster than revenues due to increasing expenses for debt service and certain fringe benefits.” For example, as people live longer, OPEB costs are increasing so that the jurisdictions must pay 100% of these costs in FY 19 as opposed to the current rate of 80%. Also the Retirement System Board has adopted new rates for funding to the ERS system that may conceivably cost an additional \$80 million per year.

The City estimated that the Employers' pay proposal will contribute to a deficit position of \$165 million in FY 18 and \$380 million in FY 19. The Union's proposal would result in an estimated budget deficit of \$233 million in FY 18 and \$785 million in FY 2019. Mr. Koyanagi testified that of the \$315.4 million in general fund balance, only \$38.6 million are unassigned funds that can conceivably be used to fund a wage increase (\$110.3 million designated as the Rainy Day fund; \$65.1 million for contracts and other City obligations; \$101.4 million to balance the FY 17 budget). (Employer Brief for BU 02, 08, 09, 13 pages 8 - 10)

County of Hawaii:

Deputy Finance Director Deanna Sako testified that unlike the other jurisdictions that have seen some degree of economic upturn, the County of Hawaii has not experienced a similar recovery. Ms. Sako stated that salaries, wages, and fringe benefits have increased from "51.8% of the general fund budget in FY 2008 to 61.7% in FY 2017." The County had to resort to increasing the property tax rates in FY 2011 and FY 2014 "as revenues were not keeping pace with increasing labor, benefits, and operating expenses." Consequently, the County's property tax rates are "among the highest in the State." In the last four years, all County departments have had to cut non-essential cost items and have deferred replacing equipment. Its fund balance is the "lowest since 2008." "FY 16 CAFR year ended with \$0 unassigned fund balance therefore there is no unaccounted for monies." (Employer Brief for BU 02, 08, 09, 13, page 11).

County of Maui:

The County of Maui did not present any witness or testimony on its finances and stated for the record that the County 'joins in the arguments and positions advanced by the State of Hawaii, County of Kauai, County of Hawaii, and City and County of Honolulu."

County of Kauai:

The County of Kauai has testified, through Director of Finance Ken Shimonishi, that no matter what happens in this arbitration, the County will face a "budgetary deficit" and "really has no financial ability to meet (collective bargaining) costs" based on the premise that it should not increase taxes or other sources of revenue to meet such costs. However, the County of Kauai "respectfully requests that the honorable panel institute the Employers' proposal of a one percent (1%) lump sum for all bargaining units." It noted that the County's general fund balance decreased from a high of \$68.8 million to a low of \$33.62 million in FY 2013. The balances have shown small increases since then and have grown to \$48.02 million in FY 2016. To aid in the revenue stream, the County increased their real property tax rates across most categories in FY 2015. County of Kauai Exhibit #1 (page 5) indicates that Fitch Ratings downgraded Kauai County from AA to AA- in April of 2014. In April of 2016, Fitch kept the rates at AA-. (Employer Brief for BU 02, 08, 09, 13 pages 11 - 13)

Every county jurisdiction voiced their concerns that their share of the transient accommodations tax is slated to decrease in 2018 and remain capped at the lower rate for subsequent years. Currently the State and counties are required to pay 80% of the annual required contribution for other post employee benefits (OPEB) in FY 2018 and this amount will increase to 100% in FY 2019. Furthermore, the Employees Retirement System (ERS) Board adopted new rates for the Employer payment into the Retirement System with rates ranging from a 45.6% increase for regular employees to a 70% increase for Fire and Police personnel. Additionally, there is a recent law that requires Employers to pay more for Employees who are "spikers," (those who try to gain a higher retirement rate by working considerable overtime during their last years of employment). Every jurisdiction is faced with the growing unfunded liabilities for the pension fund and the health benefit unfunded liabilities. The growth in these liabilities is a direct result of higher wages and the longevity of those who have retired.

Hawaii Health Systems Corporation:

According to Mr. Edward Chu, the Hawaii Health Systems Corporation Chief Financial Officer, HHSC is "broke." To mitigate the effects of insufficient finances, the HHSC closed 38 beds in the two Oahu-based hospitals and reduced its workforce by 42 employees. It is noted that while the State budgeted general funds to pay for collective bargaining increases in the past, however, for years since then, the State Budget and Finance has not authorized general funds for such purposes. If they do provide funding through emergency appropriations, it is of a limited amount. In lieu of general funds, the State has allowed the ceiling for special funds expenditures to increase at the same level as the cost of the salary increases. However, as there are no real funds attached to these appropriations, HHSC continues to struggle to pay for any collective bargaining costs (Transcripts for BU 03/04 Vol. I page 144 and page 150).

University of Hawaii:

The University of Hawaii has two primary sources of revenue, the Legislative appropriated general fund subsidies and special funds derived primarily from tuition income. According to Mr. Kalbert Young, the UH Chief Financial Officer, the Legislature appropriated \$433 million to the UH system which comprises about 38% of the operating budget. "Expenditures are anticipated to outpace revenues in all categories." The University has employed a series of tuition increases to meet the ever growing needs of the system. However, these tuition increases are making UH less affordable and as a result the Board of Regents approved a new rate schedule that has no tuition increase for the next academic year. The UH must try to cope with less revenue in meeting payroll and other expenses for the foreseeable future. (Employer Brief for BU 02, 08, 09, 13 page 13)

Union's Response:

The Union contended that based on Mr. Timothy Reilly's review, "the Employers are enjoying robust financial health and have plenty of resources to fund reasonable wage increase." His analysis is based on the review of the respective "Comprehensive Annual Financial Reports (CAFRS) for FY 2000 through FY 2016, taxation data from the State Department of Taxation, assessed valuations, independent rating agencies and other related materials." Mr. Reilly stated that CAFRS are the "appropriate tools to analyze the employer's financial condition" (Transcript for BU 03/04 Vol. III, page 342).

Mr. Reilly's review of Standard & Poor's (S&P), Moody's Investor Services, Fitch ICBA, and the GFOA showed that these bonding agencies determine financial health using such measurement statistical goals as having balances ranging from 5% of available funds (S&P); to 5% to 10% of unreserved fund balances (Fitch); or to having a minimum unreserved fund balance of 8% to 17% of regular general fund expenditures (GFOA). Mr. Reilly reported "that the unrestricted and unrestricted fund balances use by Moody's is much larger than the fund balances he uses" (Union Exhibit #29, Tab 1, pages 15 - 16). Based on these measurements, Mr. Reilly has stated that "the finances of the employers in these proceedings are healthy."

In terms of the analysis of each of the jurisdictions, Mr. Reilly asserted that with the "spectacular" growth of the economy, the State of Hawaii's financials have been strong. There was strong growth in revenues in "2011, 2012, 2013 and 2015. Except for 2014, the growth in the State's unrestricted fund balances grew by double digits." Said unrestricted fund balances grew from \$32.9 million in 2010 to the \$1.8 billion in 2016. This last balance translated to 27.14% of total revenues and 28.15% of total expenditures. Mr. Reilly indicated that based on measurements of total revenues to unrestricted fund balances (27.14%) and unrestricted fund balances compared to total expenditures (28.15%), such measurements "far exceeded the benchmark standards recommended by Standard and Poors, Moody's and Fitch" (Union Brief BU 03 & 04 page 13). In September of 2016, the Governor announced that Moody's and S&P had upgraded the State of Hawaii's general obligation credit rating to its "highest ever bond ratings and the strongest credit position the state had ever achieved (Union Exhibits #12 and #29).

Mr. Reilly further commented that the State Department of Business, Economic Development and Tourism (DBEDT) reported that new tourism arrival records show record growth for 5 years in a row and that the construction industry added 1,600 jobs. State general fund tax revenues were up \$66.2 million which was 4.6% higher than the same period in 2015. These DBEDT statistics were taken from excerpts from Union Exhibit #23.

For the City and County of Honolulu, the Union argued that this jurisdiction is currently facing "remarkable financial health" as evidenced by tax revenue increases that show growth from \$934.5 million in 2011 to \$1.2 billion in 2016. Based on a chart prepared by Mr. Reilly, the benchmark comparison of unrestricted fund balances to total revenues grew from 14.6% in 2009 to 22.78% in 2016. Unrestricted fund balances as a percentage

of total expenditures grew from 14.68% in 2009 to 22.63% in 2016 (Union Brief for BU 03/04 page 16). He concluded that the “City’s financial position is strong and continues to grow stronger due to its healthy and diversified economy, the accumulation of reserves, the large increase in assessed property values through 2017, and the continuing growth in residential values” (Union Brief for BU 03/04 page 16).

Although the County of Maui did not provide direct testimony during the course of the hearing, Mr. Reilly remarked that in 2016, the balance of actual revenues over actual expenditures reached \$12,538,000. Mr. Reilly also testified that the “historical revenue and expenditure benchmark comparisons remain very healthy” (Union Brief for BU 03/04 page 17). It is noted that the chart does indicate that both the balance as a percentage of total revenues (23.13%) and balance as a percentage of total expenditures (22.86%) are at its lowest point in eight years.

For the County of Hawaii, the Union testified that this jurisdiction has “experienced significant positive revenue and expenditure variances since 2009. Although there was a dip in the revenue ratio of balance to total revenues (12.06%) and balance as a percentage of total expenditures (11.97%), Mr. Reilly concluded that the revenue and expenditure ratios remain healthy (Union Brief for BU 03 & 04 page 18). Similar to the Maui data, the 2016 ratios for the balance as a percentage of revenues are the lowest in eight years while the balance as a percentage of expenditures are the second lowest in eight years.

Mr. Reilly has determined that the County of Kauai’s benchmark comparisons of revenues and expenditures exceeded the benchmark ratios used by any of the bonding agencies. In 2016, the balance as a percentage of total revenues was 33.62% and the balance as a percentage of total expenditures was 36.2%. These ratios are the highest it has been since 2013. (Union Brief for BU 03/04 pages 18 - 19)

Despite the fiscal condition of the Hawaii Health Systems Corporation, Mr. Reilly stated that the “HHSC has maintained strong cash and investment balances; that the HHSC’s financial health has been maintained by the State’s ongoing support; and that the transfer of HHSC’s Maui facilities to Kaiser Permanente will have an important and positive impact on HHSC’s finances” (Union Brief for BU 03 & 04 page 19).

The Union’s Closing Brief for BU 03 and 04 did not comment on the financial condition of the University of Hawaii since it was not considered an Employer for the two units. Their analysis was covered in the Closing Brief for Units 02, 08, 09 and 13 (UH is an Employer for BU 08). In that brief, Mr. Reilly commented that the University’s unrestricted cash balance and current assets are “very healthy at \$528.4 million.” He also stated that the revenue ratio was calculated to be 24.32% and the expenditure ratio to unrestricted net assets/net position was at 22.64%. In conclusion, Mr. Reilly said UH has “maintained strong cash and investment balances; that all public universities need state subsidies to cover ongoing operations; and that the University of Hawaii is not an exception.” (Union Brief for BU 02, 08, 09, 13 page 17).

6. **Comparison of wages, hours, and conditions of employment of the employees involved in the arbitration proceeding with the wages, hours, and conditions of employment of other persons performing similar services, and of other state and county employees in Hawaii; and**

8. The overall compensation presently received by the employees, including direct wage compensation, vacation, holidays and excused time, insurance and pensions, medical and hospitalization benefits, the continuity and stability of employment, and all other benefits received.

The Employers have consistently argued that the best comparisons for wages, hours and conditions of employment rest with comparisons of similar jobs within the State of Hawaii. To illustrate the intent of the criteria, the Employers presented their Exhibit #3 which was a State House of Representatives standing committee report that stated "Your Committee is also concerned that arbitrators have been misinterpreting factor 6 of Chapter 89-11(d) to include mainland jurisdictions as the primary basis for measuring the reasonableness of final offers. In order to make it clear that local state and county circumstances should be the controlling consideration in factor 6, your Committee has amended line 10 on page 5 of this bill by replacing the word "generally" with the phrase "in Hawaii."

While the Legislative intent may be clear per the cited committee report, grammatically, the language does leave it wide-open for interpretation that mainland comparisons are allowed. The phrase "in Hawaii" should have modified "comparisons of other persons performing similar services" as well as "other state and county employees." This Arbitration Panel has, however, given stronger weight to comparisons within the State of Hawaii when such data was provided, but has given mainland comparisons its due consideration.

The Employers have chosen the data from the Hawaii Employers Council (HEC) as the basis for its comparisons. The Union objected to all the information in the Employers' exhibits utilizing HEC data because the survey included a statement that such information could not be used without the written approval of the Hawaii Employers Council. The Employers stated that they had received such approval in prior years through verbal communication with the Employers Council but no written approval was ever obtained. Perhaps the Employers should consider obtaining written permission before future arbitrations. Of interest to this Arbitration Panel was the submittal of Union Exhibit #2, a copy of an arbitration decision dated January 31, 1997 with Ms. Bonnie Bogue as the neutral arbitrator. In support of their wage position, the HGEA submitted private sector comparisons using data from the **Hawaii Employers Council** (survey data 1995). In this case, the Employers refuted the data because of noted problems with real comparability of job classifications and because the comparisons did not reflect total compensation package comparisons.

The Panel does not fault either party for changing positions on this subject matter as the parties can and should utilize information that best enhances their own proposal at a certain point in time.

Notwithstanding this change of heart, the Employers' current analysis of the HEC survey data, has led to their conclusion that BU 02, 08, 09 and 13 salaries and benefits are "21% higher than the Hawaii labor market." When viewing salaries alone, the Employers

admit that the government salaries are somewhat below the local labor market ("97% or 99%"). To make up for this slight disparity, the Employers stated that the benefits for the subject Employees are "83% higher than the Hawaii labor market. Local government Employees receive benefits that represent 71% of payroll and that amount is "significantly higher than those received by employees locally and nationally." (Employer Brief for BU 02, 08, 09, 13 page 16)

The Employers chose to highlight BU 09 Registered Professional Nurses for comparative purposes. As viewed on Employer Exhibit #15 page 42, the Employers concluded that the wages paid to BU 09 nurses were comparable to nurses employed elsewhere in the State of Hawaii from analysis of the HEC data. The Employers' expert witness, Mr. Patrick Kilbourne also stated that "compared to civilian nurses employed by the Federal government in Hawaii, BU 09 (Employees) make 38% more than the nurses that work for the Federal government in Hawaii" (Transcript for BU 02, 08, 09, 13 Volume I page 97). To obtain this comparison, Mr. Kilbourne took every nurse in BU 09 and based on their experience and qualifications and placed these individuals on the general schedule of the Federal government. For example, they would take a RN III, SR 20, and place that nurse on the GS 10 schedule to see how much money that State nurse would make if that individual worked for the Federal government. Transcript for BU 02, 08, 09, 13 Volume I pages 96 - 97.

Mr. Kilbourne also utilized a mainland survey comparing wages in all 50 states. He rationalized that if mainland comparisons are to be used, these comparisons should be "comprehensive rather than cherry picking the most expensive jurisdictions to compare." For comparative classes in BU 02 and BU 09, it appears that Hawaii's compensation fares well with other mainland States. However, the survey does show that BU 13 classes are at the opposite end of the spectrum (5 classes fall at the bottom of the survey). Employer Exhibit #15, Attachment 38.

The Union's expert witness, Mr. Michael Messina prepared Union Exhibits showing comparisons between BU 02, BU 09 and BU 13 salaries with similar classes in jurisdictions within Alaska, Washington, Oregon and California. With the exception of BU 09 Nurses, the salaries of BU 02 and BU 13 classes (minimum and maximum rates) were well below the compensation paid to similar classes in the mainland jurisdictions. When these salary comparisons were adjusted based on the cost of living index for the jurisdictions in the exhibits, the salaries of BU 02 and BU 13 classes showed an even greater disparity with the salaries of the mainland jurisdictions. With the cost of living adjustments, BU 09 salaries are only 5.1% higher than the average minimum rates and 24.6% below average at the maximum rates. It is noted that BU 08 comparisons were not made as BU 08 Employees within the UH system has a unique compensation system called broad banding that makes it difficult to make wage comparisons with other university systems. Mr. Messina stated that, possibly, "Connecticut may be the only State university" with a similar broad banding compensation concept. (Transcript for BU 02, 08, 09, 13 Volume II page 191)

What is a striking difference in findings between the Employers and the Union is the comparison of BU 09 salaries with salaries of Federal nurses in Hawaii. Mr. Messina asserted that nurses at Tripler Hospital are paid \$6,000 more at the minimum step and

\$8,500 more at the maximum rate than comparable rates for BU 09 nurses. The Employers' witness Mr. Kilbourne countered that BU 09 nurses make 38% more than the Federal government nurses. Both parties attempted to show the Panel that their facts were correct and the conclusions reached were appropriate. Such issues as using the wrong salary schedule, using the wrong GS rating, and using the inappropriate geographic location were among the discrepancies cited.

The preceding issue is one example where having one side having minimum/maximum data and the other party only trying to have comparisons with average salaries become troublesome to the Arbitration Panel. The parties should be able to provide all aspects of salary comparison information and not limit the comparisons to the way they have always done it. In the case of the Hawaii Employers Council survey, the exhibits show that besides the average salary data, information relating to median salary rates and average minimum/average maximum rates are available. If there are insufficient companies that have these minimum/maximum rates, salary information on the 10th percentile and 90th percentile can be interpreted to reflect average starting rates and average maximum rates, with data at the extreme ends deleted. Since the Union could have direct communication with the West Coast jurisdictions and various Federal agencies, they may be able to request average salary information along with the minimum and maximum schedule rates. Comparisons based on minimum rates, average salaries and maximum rates reflect different points of view and should be helpful for comparative wage analysis purposes.

Another highlighted issue is related to BU 08's contention that the Arbitration Panel should provide for language for a step movement plan. The Panel understands that there is currently in place a "broadbanding" concept where Employees can move along the horizontal pay structure if a job has changed significantly or for meritorious service. These "movements" are outside of the collective bargaining process. However, the Union has concluded that there are problems with the inconsistency of these types of step movements (Transcript for BU 02, 08, 09, 13 Volume I pages 31 - 44). Therefore, the Union has proposed a step movement plan that recognizes longevity, includes a periodic review process and funding to insure implementation. The Panel believes it would be in the best interests of both parties to work together to resolve this concern.

Other issues of significance included a proposal for repricing for all classes in BU 02, creation of a new maximum step (L-5) for BU 09, and an addition of two new maximum steps (M1 and M2) for BU 13. The repricing proposal requires more justification in order to have the Panel address this issue. The creation of new maximum steps has a consequence of making step movement costs even more expensive. As it was determined in the analysis for Bargaining Units 03 and 04, higher step movement costs may result in lower across-the-board salary increases. For BU 03 especially, their compensation rates have become troublesome when comparing beginning Blue Collar salaries to those of lower level White Collar rates.

7. The average consumer prices for goods or services, commonly known as the cost of living.

Both the Employers and the Union presented exhibits and testimony on how the units' salary adjustments have fared in comparison to the rises in the Honolulu Consumer Price Index (CPI U). The Employers took a five-year view and concluded that the negotiated increases for BU 02, 08, 09 and 13 have kept pace with the rise in the Honolulu CPI-U. The Union went back ten years and concluded that the wages paid to the BU 02 have not kept pace with changes to the CPI-U by a margin of 5.5% (Union Exhibit #80). For BU 08, the HCPI exceeded pay increase by approximately 8.4% (Union Exhibit #83). BU 09 increases were higher than the index by a margin on 8.5% (Union Exhibit #98). And finally, BU 13 salary adjustments were 4.8% below the HCPI (Union Exhibit #91). It is noted that the value of step increases and lump sum bonuses were not factored into these charts. Based on past arbitration decisions, there is a supposition that depending on how far one goes back in time and what collective bargaining costs are included into the equation, the parties can find evidence that reinforces their own conclusions on how Employee pay increases fared against increases in the cost of living.

For the Arbitration Panel, the most critical measure in this analysis is the time period prior to and during the new contract period. In calendar year 2016, the Honolulu CPI-U increased 2.0%. Only the Union offered an estimate for 2017 based on a Moody's forecast that showed an increase of 2.7%. However, review of Union Exhibit #24 (page 5) indicates that the Department of Business, Economic Development and Tourism (DBEDT) has estimated that the Honolulu Consumer Price Index will increase by 2.4% in 2017 and by 2.5% in 2018.

The Union also used cost of living within jurisdictions being surveyed as a means of adjusting real wages paid to employees with the cost of living in the area. Utilizing the C2ER from the Council for Community and Economic Research, an index was derived that Mr. Messina could use to show how the wages paid to BU 02, 09 and 13 Employees, adjusted for cost of living, fared in comparison to the other jurisdictions.

According to the Bureau of Labor Statistics, the Consumer Price Index (CPI) data cannot "show whether prices or living costs are higher or lower in that area relative to another area or to the United States as a whole." Suffice to say that prices in Hawaii are significantly higher than in most other parts in the mainland.

9. Changes in any of the foregoing circumstances during the pendency of the arbitration proceedings.

Since the conclusion of the arbitration hearings, the Council on Revenues has revised their revenue forecast downward on March 13, 2017. The Council revised revenue projection for FY 2016-2017 is now set at 2.5% (from 3.0%). The forecasts for the following fiscal years (FY 18 and FY 19) were also revised lower from 4.5% to 4.0%. In their closing brief, the Employers felt that the 2.5% revenue growth "might be overly optimistic." The Governor and the State Legislature are now working on revised budgets to fit these revenue projections.

Also, much speculation on how much monies would be required for the unfunded liabilities for the State Retirement System, the Health Fund for retirees and other post-employment benefit obligations, the latest report indicated that the additional monies for these liabilities would be paid over a longer period of time. Where State Budget Director, Wesley Machida, budgeted an additional \$200 million to help with the unfunded liabilities, the latest budget draft reflects a \$100 million payment for these liabilities. These financial decisions will be further revised and changed as the Legislature works with the smaller than expected revenue stream.

Of interest to this Panel was Maui Mayor Arakawa's announcement that he would be recommending increases to the property tax rates and other increases to various tax structures in order to upgrade certain county infrastructure such as sewers and water services. Since Maui County did not testify in these hearings, it was assumed and continues to be assumed that the financial condition of this jurisdiction is stable, notwithstanding Mayor Arakawa's press release.

In general, these circumstances, reinforces the Employers' contention that they have a multitude of needs with only limited sources for revenues and this situation is affecting the Employers' ability to fund collective bargaining increases for this negotiation period.

10. **Such other factors, not confined to the foregoing, which are normally or traditionally taken into consideration in the determination of wages, hours and conditions of employment through voluntary collective bargaining, mediation, arbitration, or otherwise between the parties, in the public service or in private employment.**

According to Employer Exhibit #12 (page 21), data derived from the Hawaii Employers Council show that in 2016, the average wage increase for all groups of employees in Hawaii was 3.0%. Office and technical employees received wage increases averaging 2.0% during the same time period. Another factor typically falling into this category is the turnover rates for the subject group. Employer Exhibit #15 (page 12) revealed an average turnover rate of 9.04% over the period FY 2012 through FY 2016 for the four bargaining units. In comparison, the HEC data also showed the average turnover rate for Hawaii based companies was 17.1% and the average rate for U.S. State and local governments was 17.3%. A low turnover rate does indicate satisfaction with wages, hours and conditions of employment.

Recruitment information would be another source of data that this Panel could use to determine if a salary structure was conducive for recruitment purposes. Unfortunately, neither party presented any such data. Only the State Executive Branch provided any measurable data, however, without a breakdown by bargaining units. Over a three-year period, recruitment was held for 1,900 to 2,300 vacancies per year. Between 37,200 to 41,000 qualified individuals applied for those openings every year (Employer Exhibit #13, Attachment 12). Recruitment for vacancies in the majority of vacancies within the four bargaining units is limited to residents within the State of Hawaii.

Yet another factor that plays a significant role in the Panel's decision are salary increases negotiated by any of the fourteen (14) bargaining units. During the course of this

arbitration proceeding, no other unit had reached a settlement for the subject contract period. However, an arbitration panel for Bargaining Unit 11, Fire Fighters, recently released its decision on April 17, 2017 and Bargaining Unit 5, Teachers, reached a tentative agreement on April 21, 2017. Those decisions were reviewed as they do impact this award.

Conclusion:

The Arbitration Panel has concluded that while the Employers should be able to pay for salary adjustments higher than the two 1% bonus payments proposed for the four bargaining units, their financial resources will definitely not be able to fund the level of salary adjustments proposed by the HGEA. While the financial ability of the Employers to meet collective bargaining increases played a crucial role in this arbitration, other findings addressed by the parties were also important in the decision making process.

As stated in the arbitration decision for BU 03 and 04, the salary comparison data with the West Coast jurisdictions showed the usual inequality between Hawaii's compensation schedules and those of the larger and "richer" jurisdictions, the one noted exception being the Registered Nurses' compensation. This disparity has continued to be a thorn in the side of the State as shown by the well documented movement of "Hawaiians" to the mainland for greater employment and financial opportunities. Until Hawaii can attract high tech businesses and other highly compensated industries and reduce its dependency away from the service/ tourism/ agricultural/ military based economies, the Employers ability to compensate its Employees will continue to lag behind the jurisdictions cited. Although this conclusion should not be used as an excuse for the acceptance of lower compensation, the reality is such that the revenue stream for Hawaii's Public Sector Employers will not grow to the extent needed for Employee compensation as advocated by the Union(s). A very relevant consideration is that for the vast majority of vacancies in the four bargaining units, recruitment efforts are limited to applicants from the State of Hawaii. Mainland comparisons would have taken a much greater role in the analysis if the Hawaii Employers actively recruited for qualified applicants outside of the State.

In terms of comparisons within the State, the Hawaii Employers Council data indicated that salaries and benefits paid to BU 02, BU 08, BU 09 and BU 13 Employees are for the most part significantly higher than their private industry counter-parts in Hawaii. The HEC data also showed that the average pay increases within the State in 2016 was approximately 3.0%. Pay increases for office/clerical employees were a little lower at 2.0%.

A review of the HCPI (Honolulu Consumer Price Index) revealed that the index increased by 2.0% in 2016. Moody's predicted a 2.7% increase for 2017 (most likely for the nation as a whole); while DBEDT predicted a Honolulu rate of increase of 2.4% in 2017 and 2.5% for 2018.

Based on the foregoing, the Panel feels that the Employees of BU 02, BU 08, BU 09 and BU 13 should receive salary increases of at least 2.0% per year. Other issues such as the addition of more steps to the salary schedule, repricing of the entire bargaining unit or the creation of a new step movement plan (BU 08) does not appear appropriate at this time.

The one issue that needs to be further addressed is the movement of eligible Employees horizontally across the salary schedule (step movements) based on negotiated time-in-grade criteria. Employees feel strongly that step movements are an integral part of their compensation while the Employers are only agreeable to such movements when they can afford it. To determine the cost impact of incremental increases, Mr. Ralph Schultz was asked to prepare a

costing for step movements by bargaining unit. His costing revealed that step movement costs varied from BU 08's zero (0) cost to 2.26% ITB (increase to base) for the biennium for BU 13. His figures also showed that the average cost of step movements for all the bargaining units was approximately 1.2% (ITB) per year.

The Panel has concluded that step movements should be granted to those bargaining units with a step movement plan, with some measure of offset provided to those units that have no step movement plan or with a plan that has minimal cost impact.

The Arbitration Panel has arrived with an arbitrated decision that follows. It is understood that the award is subject to legislative approval by each jurisdiction. Once funding is approved, it is understood that the Employers shall initiate implementation action to fulfill the provisions of the award.

AWARD:

Article 51 Salaries for BU 02

Effective July 1, 2017:

1. All Employees shall receive a 2.0% across-the-board increase.
2. Employees not administratively assigned to the salary schedule (SR NA) shall receive a 2.0% increase to their basic rate of pay.
3. Eligible Employees shall be entitled to step movements on their respective step movement dates.

Effective January 1, 2018:

1. As an offset to the small step movement cost, all Employees shall receive a 1.2% across-the-board increase.
2. Employees not administratively assigned to the salary schedule (SR NA) shall receive a 1.2% increase to their basic rate of pay.

Effective July 1, 2018:

1. All Employees shall receive a 2.25% across-the-board increase.
2. Employees not administratively assigned to the salary schedule (SR NA) shall receive a 2.25% increase to their basic rate of pay.
3. Eligible Employees shall be entitled to step movements on their respective step movement dates.

Effective January 1, 2019:

1. As an offset to the small step movement cost, all Employees shall receive a 1.2% across-the-board increase.
2. Employees not administratively assigned to the salary schedule (SR NA) shall receive a 1.2% increase to their basic rate of pay.

Article 54 Duration for BU 02

This Agreement shall become effective July 1, 2017 and shall remain in effect to and including June 30, 2019.

Article 39 Salaries for BU 08

Effective July 1, 2017:

1. All Employees shall receive a 2.0% across-the-board increase.
2. Employees not administratively assigned to the salary schedule (SR NA) shall receive a 2.0% increase to their basic rate of pay.

Effective January 1, 2018:

1. In lieu of step movements, all Employees shall receive a 1.2% across-the-board increase.
2. Employees not administratively assigned to the salary schedule (SR NA) shall receive a 1.2% increase to their basic rate of pay.

Effective July 1, 2018:

1. All Employees shall receive a 2.25% across-the-board increase.
2. Employees not administratively assigned to the salary schedule (SR NA) shall receive a 2.25% increase to their basic rate of pay.

Effective January 1, 2019:

1. In lieu of step movements, all Employees shall receive a 1.2% across-the-board increase.
2. Employees not administratively assigned to the salary schedule (SR NA) shall receive a 1.2% increase to their basic rate of pay.

Article 44 Duration for BU 08

This Agreement shall become effective July 1, 2017 and shall remain in effect to and including June 30, 2019.

Article 56 Salaries for BU 09

Effective July 1, 2017:

1. All Employees shall receive a 2.0% across-the-board increase.
2. Employees not administratively assigned to the salary schedule (SR NA) shall receive a 2.0% increase to their basic rate of pay.
3. Eligible Employees shall be entitled to step movements on their respective step movement dates.

Effective July 1, 2018:

1. All Employees shall receive a 2.25% across-the-board increase.
2. Employees not administratively assigned to the salary schedule (SR NA) shall receive a 2.25% increase to their basic rate of pay.
3. Eligible Employees shall be entitled to step movements on their respective step movement dates.

Effective January 1, 2019:

1. As an offset for the small step movement cost, all Employees shall receive a 1.2% across-the-board increase.
2. Employees not administratively assigned to the salary schedule (SR NA) shall receive a 1.2% increase to their basic rate of pay.

Article 56 Duration for BU 09

This Agreement shall become effective July 1, 2017 and shall remain in effect to and including June 30, 2019.

Article 51 Salaries for BU 13

Effective July 1, 2017:

1. All Employees shall receive a 2.0% across-the-board increase.
2. Employees not administratively assigned to the salary schedule (SR NA) shall receive a 2.0% increase to their basic rate of pay.
3. Eligible Employees shall be entitled to step movements on their respective step movement dates.

Effective July 1, 2018:

1. All Employees shall receive a 2.25% across-the-board increase.
2. Employees not administratively assigned to the salary schedule (SR NA) shall receive a 2.25% increase to their basic rate of pay.
3. Eligible Employees shall be entitled to step movements on their respective step movement dates.

Article 54 Duration for BU 13

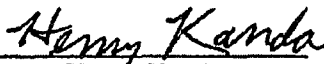
This Agreement shall become effective July 1, 2017 and shall remain in effect to and including June 30, 2019.


New Provision for *Duration Articles for BU 02, 08, 09, and 13.*


In the context of Chapter 89-1 and the possibility of significant changes that may impact Chapter 89-4, Payroll Deductions and other provisions of Chapter 89, the Employer and Union shall engage in a dialogue and as appropriate negotiations to promote harmonious and cooperative relations in order to protect the public by assuring effective and orderly operations of government.

The tentative agreements agreed to by the parties on Vacation Leave, Military Leave and School Food Service Manager for Bargaining Unit 02 and Vacation Leave and Military Leave for Bargaining Unit 09, shall be incorporated into the final agreement, along with all the Articles not amended and this Arbitration Award. Added to this award will be the agreement reached on the Hawaii Employer-Union Health Benefits Trust Fund and the new language on union membership in the Duration Article. All these documents shall be incorporated into successor Agreements for Bargaining Unit 02, Bargaining Unit 08, Bargaining Unit 09 and Bargaining Unit 13, effective July 1, 2017 to and including June 30, 2019.

Decision Date: April 27, 2017


Henry Kanda
Neutral Chair


Nora Nomura
Union Panel Member
(X) Concur () Dissent


James Nishimoto
Employer Panel Member
(X) Concur () Dissent

2017 – 2019 INTEREST ARBITRATION
TENTATIVE AGREEMENTS

<u>Article</u>	<u>Title</u>
35	Vacation Leave
44	Military Leave
45	School Food Service Manager

Bargaining Unit 02
TENTATIVE AGREEMENT
Employer [Signature]
Union [Signature]
Date 1/5/2017

ARTICLE 35 - VACATION LEAVE

A. Earning of Vacation Leave.

1. All Employees shall earn vacation leave at the rate of fourteen (14) hours for each month of service. For the purpose of this Article, a workday is defined as an eight (8) hour workday.

2. If such Employees render less than a month of service, their vacation allowance for such month shall be computed as follows:

Actual Straight Time Hours of Service	Working Hours of Leave
For 0 to 31	0
For 32 to 55	4
For 56 to 79	6
For 80 to 103	8
For 104 to 127	10
For 128 to 151	12
For 152 or more	14

The term "actual straight time hours of service" shall include paid holidays.

3. Individuals who are employed on a temporary, contractual or substitute basis while on vacation from another position in the State government or any political subdivision of the State shall not earn vacation allowance for such employment.

1 4. Vacation allowance shall accrue to an Employee while the Employee
2 is on leave with pay unless specifically prohibited by the Agreement.

3
4 5. No vacation allowance shall accrue:

5
6 a. During the period of any vacation leave or sick leave granted
7 when the employment terminates or is to terminate at the end of such leave;

8
9 b. During the period the Employee is on leave without pay,
10 except for the period the Employee is on leave for disability and is being paid
11 Workers' Compensation therefore;

12
13 c. During any period of valid suspension which is sustained in
14 the event an appeal is made by the Employee;

15
16 d. During any period of unauthorized leave;

17
18 e. During any period the Employee is on educational leave; or

19
20 f. During any period of leave with pay pending investigation if the
21 Employee:

22
23 1. is subsequently discharged/dismissed;

24 2. resigns or retires prior to the discharge/dismissal; or

25 3. resigns or retires during the investigation.

26
27 6. Vacation for an Employee Serving a Provisional Appointment. An
28 Employee serving a provisional appointment shall not be entitled to a vacation with
29 pay. However, a provisional appointee shall be entitled to earn and accrue
30 vacation allowances during the term of the Employee's provisional appointment and
31 if upon the termination of the Employee's provisional appointment the Employee

1 receives probationary or limited term or permanent appointment in the same
2 position, the Employee shall be credited with the allowances earned and accrued
3 during the provisional appointment and if the Employee does not become such
4 limited term, probationary, or regular Employee, the vacation allowance shall be
5 automatically forfeited. It is provided, however, that a regular Employee who
6 receives a promotion through a provisional appointment shall be considered to be a
7 regular Employee and shall continue to earn vacation allowance.

8
9 7. Vacation for a Non-regular Employee Serving a Temporary
10 Appointment Outside the List (TAOL). A non-regular Employee serving on a TAOL
11 basis shall not be entitled to a vacation leave with pay. However, whenever the
12 duration of the TAOL is for longer than one (1) year, including any extensions
13 granted for a specific appointment, the non-regular Employee shall be entitled to (a)
14 earn vacation leave beginning with the first month of the second year in accordance
15 with A.1. and A.2., and (b) use the vacation leave accrued in accordance with the
16 provisions of this Article. Whenever a non-regular Employee's TAOL is ended, any
17 vacation leave accrued shall be automatically forfeited.

18
19 B. Accumulation of Vacation Leave.

20
21 1. An Employee may accumulate up to twenty-one (21) days of vacation
22 leave per calendar year until the Employee accumulated the Employee's first
23 forty-two (42) days. Subsequently an Employee may accumulate not more than
24 fifteen (15) days of vacation leave per calendar year, even if the Employee's total
25 accumulated days fall below forty-two (42) days. However, vacation leave in
26 excess of fifteen (15) days per year may be accumulated for good cause when a
27 request for such accumulation is approved by the department head provided such
28 request shall be accompanied by a stipulation that the Employee shall take such
29 excess vacation days at a specified time. If the Employee fails to take this vacation
30 at the time stipulated, the Employee shall forfeit the excess accumulation of

1 vacation leave unless for good reason an extension of time is granted by the
2 department head.

3
4 2. Vacation leave shall be administered on a calendar year basis and
5 recorded at the end of each calendar year. After the end of each year, the
6 appointing authority will furnish each Employee with a statement of the vacation
7 leave credits remaining as of December 31.

8
9 3. Any Employee who is entitled to an annual vacation may accumulate
10 for the succeeding year or years such unused portion of the Employee's vacation
11 allowance as is permitted above, provided that the total accumulation shall not
12 exceed ninety (90) working days at the end of the calendar year. If any recorded
13 accumulation of vacation allowance at the end of any calendar year shall exceed
14 ninety (90) working days, the Employee shall automatically forfeit the unused
15 vacation allowance which is in excess of the allowable ninety (90) working days.

16
17 4. Nothing in this Article contained shall be construed to prohibit the
18 taking or to require the forfeiture, of any vacation which is validly granted and the
19 taking of which is commenced on or before the last working day of any calendar
20 year, notwithstanding that the recording of the current accrued vacation allowance
21 for such year on the last day thereof might result in an accumulation of more than
22 ninety (90) working days including the working days of the vacation so granted and
23 then being taken, but the period of such vacation shall be regarded for all purposes
24 as if the same had been entirely taken on or before the last day of such calendar
25 year.

26
27 5. Whenever the Employee's accumulated vacation credit exceeds
28 ninety (90) working days the Employee shall receive cash payment in lieu of
29 vacation to the extent of the excess if, upon investigation by the Comptroller of the
30 State or the respective county director of finance, it is found that the excess
31 vacation credit resulted from the Employee's inability to be allowed vacation time off

1 because of orders of the Employee's appointing authority; otherwise the Employee
2 shall automatically forfeit the excess.

3

4 6. Whenever an Employee is unable to take the Employee's scheduled
5 vacation because of illness, the Employee shall be permitted to reschedule the
6 Employee's vacation; however, if the duration of illness is such that the vacation
7 cannot be rescheduled within the calendar year and to protect against the forfeiture
8 of excess vacation, the Employee shall be permitted to substitute vacation for sick
9 leave or take such excess vacation immediately upon the conclusion of such sick
10 leave.

11

12 7. Nothing contained in this Article shall be construed to require the
13 forfeiture of vacation credits when an Employee terminates on or before the last
14 working day of the calendar year, notwithstanding the fact that the recording of
15 current accrued vacation for the year on the last day may result in an accumulation
16 of more than ninety (90) working days.

17

18 C. Taking Vacation Leave Granted.

19

20 1. When a vacation is requested on a proper application by an
21 Employee, it shall be granted and taken at such time or times as the department
22 head may designate; provided, that it shall be as close to the requested period as
23 conditions in the department will permit, and so as to prevent any forfeiture of
24 vacation allowance.

25

26 2. When a vacation is granted, it may include, in accordance with the
27 law and at the request of the Employee, all vacation allowance accrued up to the
28 end of the Employee's last full month of service immediately preceding the
29 commencement of the vacation. For non-regular Employees who earn vacation
30 allowance pursuant to A.7, the vacation granted may include, at the request of the

1 Employee, all vacation allowance accrued up to the commencement of the
2 vacation.

3
4 3. Whenever an Employee's vacation leave which has been approved
5 on the appropriate leave application form is rescinded, non-refundable travel and
6 lodging expenses incurred by the Employee shall be reimbursed by the Employer.

7
8 4. No vacation leave of less than one (1) hour may be granted.
9 However, when payment in lieu of vacation is legally permissible, or when the
10 Employee's service will not continue at the expiration of the vacation, such payment
11 may include a prorated amount for any fraction of a working day of vacation
12 allowance to which the Employee is entitled.

13
14 D. Vacation Charged Only for Working Hours.

15
16 1. Employees on vacation shall have charged against their vacation
17 allowances all working hours or fraction to the nearest one-fourth (1/4) hour thereof
18 which occur during the period of the Employee's vacation.

19
20 2. Employees normally working eight (8) hour days, other than between
21 the hours of 7:45 a.m. and 4:30 p.m. and/or other than between Monday and Friday
22 inclusive, shall have charged against their vacation allowances only those hours or
23 fraction to the nearest 1/4 hour thereof they were scheduled to work or would have
24 worked had they not taken vacations.

25
26 E. Priority of Scheduling Vacation Leave. Priority in scheduling annual
27 leave shall be given to Employees on the basis of seniority within the office. The
28 priority shall be rotated in descending order according to seniority to assure that
29 each Employee will receive priority scheduling at least once.

30
31 F. Recall from Vacation.

1
2 1. An Employee may be recalled to duty before the expiration of any
3 granted vacation when, in the opinion of the department head, the Employee's
4 services are required. In such event the Employee shall be paid for all work
5 performed at the rate of one and one-half (1 1/2) times the Employee's regular rate
6 of pay during such period the Employee is recalled from the Employee's vacation
7 and shall be granted the Employee's unused vacation days at a time mutually
8 agreed upon.
9

10 2. An Employee who is summoned during the Employee's vacation to
11 serve as a witness in any judicial proceeding in connection with the duties and
12 responsibilities of the Employee's position on work related matters shall be
13 compensated at one and one-half (1 1/2) times the Employee's regular rate of pay
14 during the scheduled vacation period the Employee is required to serve and the
15 Employee's unused vacation leave shall be rescheduled at a time mutually agreed
16 upon.
17

18 3. An Employee who is summoned during the Employee's vacation to
19 serve as a witness or juror in any judicial proceedings, except those which may
20 involve or arise out of the Employee's outside employment or the Employee's
21 personal business or private affairs shall, if the Employee serves, be permitted to
22 reschedule the Employee's vacation for another mutually agreed upon time.
23

24 G. Advance Vacation. Advance vacation shall be granted only where an
25 Employee has exhausted all earned vacation allowance and is detained out of the
26 State of Hawai'i for a cause which the Employee establishes to the satisfaction of
27 the department head to be out of the Employee's control. An Employee so
28 detained shall immediately communicate with the department head and request
29 such advance vacation and, if the same is granted, it shall be considered as taken
30 with the express understanding that if such leave is not later earned during the term
31 of employment the unearned portion of the vacation pay so advanced will be

1 repaid, on demand of the department head to the Employer by the Employee or the
2 Employee's executors and administrators out of the Employee's estate, if the
3 Employee is deceased, or deductions may be made for such unearned portion from
4 any salary due the Employee, or from any monies in the annuity savings fund of the
5 Employee's retirement system of the Employer to the credit of the Employee.

6
7 H. Effect of Transfer to Position in Which Vacation Allowance is Not
8 Earnable. When an Employee is transferred from or otherwise relinquishes one
9 position in which vacation allowance may be earned, and accepts employment in
10 another position in the service of the Employer in which vacation allowance may not
11 be earned, the Employee may be deemed, for purposes of receiving pay in lieu of
12 vacation, including any lapsed vacation in excess of the maximum allowed, to have
13 terminated the Employee's services. But in the event that the Employee is not
14 eligible under the circumstances to receive pay in lieu of vacation, the acceptance
15 of such new employment shall not of itself have the effect of forfeiting any vacation
16 allowance to which the Employee is then entitled.

17
18 I. Pay for Vacation Allowance Upon Termination and When Moving
19 Between Jurisdictions of the State.

20
21 1. Whenever a termination of services takes place, the Employee is to
22 be paid, in accordance with Section 78-23, Hawai'i Revised Statutes, for the
23 Employee's vacation allowance either in a lump sum or in the normal manner as
24 provided in subsection 2.

25
26 2. When payment in a lump sum is made to an Employee hired on or
27 before June 30, 1997, the sum payable for vacation allowance shall be equal to the
28 amount of compensation to which the Employee would be entitled or which the
29 Employee would be allowed during the vacation period if the Employee were
30 permitted to take the Employee's vacation in the normal manner. Whenever an
31 Employee is discharged for cause or when payment in a lump sum is made to an

1 Employee hired after June 30, 1997, the lump sum vacation allowance payable
2 shall be computed on the basis of the Employee's accumulated vacation hours
3 multiplied by the Employee's hourly rate of pay as of the effective date of discharge
4 or termination.

5
6 3. However, if the Employee is rehired within seven (7) calendar days
7 by the Employer and will continue to earn vacation allowance, such a payment shall
8 not be made.

9
10 4. When an Employee moves from one Employer jurisdiction to another
11 to accept employment in a position in which vacation allowance is earned, the
12 Employee shall be given credit for the vacation earned or accumulated in the
13 jurisdiction from which the Employee transferred, and the director of finance of the
14 State or the equivalent officers of the counties, Judiciary, and the Hawai'i Health
15 Systems Corporation, as the case may be, shall make the appropriate transfer of
16 funds to implement the transfer. However, the Employee may request and receive
17 payment of a portion of or all of the Employee's vacation credits accumulated up to
18 the effective date of the movement.

19
20 ~~[5. An Employee who, pursuant to the U.S. Universal Military Service~~
21 ~~and Training Act or other Federal statute is called or ordered and reports either~~
22 ~~voluntarily or involuntarily for active military duty with a branch of the U.S. Armed~~
23 ~~Forces shall be deemed to have terminated the Employee's services for the~~
24 ~~purposes of this Article. The Employee's choice of lump sum payment for the~~
25 ~~Employee's vacation allowance will not of itself cause the forfeiture of the~~
26 ~~Employee's unused sick leave credits.]~~

27
28 J. In the event that a vacation request is denied by the department
29 head, the Employee may request to be furnished the reasons for the denial in
30 writing.

Bargaining Unit 02
TENTATIVE AGREEMENT
Employer JSU
Union FE
Date 1/5/2017

1 **ARTICLE 44 - MILITARY LEAVE**

2
3 A. **Military Leave With Pay.**

4
5 1. Employees whose appointment is for six (6) months or more shall, while
6 on active duty or during periods of camps of instruction or field maneuvers as members
7 of the Hawai'i national guard, air national guard, naval militia, organized reserves,
8 including the officers' reserve corps and the enlisted reserve corps, under call of the
9 President of the United States or the governor of the State, be placed on leave with
10 pay status for a period not exceeding fifteen (15) working days in any calendar year,
11 except as provided in subparagraph A.2. No such person shall be subjected by any
12 person, directly or indirectly, by reason of absence to any loss or diminution of vacation
13 or holiday privileges or be prejudiced by reason of the absence with reference to
14 promotion or continuance of employment or reemployment.

15
16 2. If an Employee is called to active duty or required to report for camp
17 training or field maneuvers by official military orders a second time within a calendar
18 year, the Employee may elect to use up to fifteen (15) working days of the succeeding
19 calendar year; provided that the Employee's entitlement to the working days advanced
20 shall be canceled from the succeeding calendar year, and the Employee shall so agree
21 in writing. The Employee who is advanced leave shall be required to reimburse the
22 Employer an amount equivalent to the days advanced in the event the Employee
23 leaves government employment prior to completion of a year's service in the
24 succeeding year from which leave was advanced, except in the case of death of the
25 Employee.

26
27 B. **Military Leave Without Pay.**

1 1. The following Employees shall be entitled to military leave without
2 pay for service in the United States Armed Forces:

3
4 a. Employees serving initial probational appointments.

5
6 b. Regular Employees serving permanent or new probational
7 appointments.

8
9 c. Regular Employees serving temporary appointments and who
10 have not forfeited their rights to the position in which they last held
11 permanent appointment.

12
13 d. Exempt Employees serving other than temporary
14 appointments.

15
16 2. The duration of the military leave without pay shall be for no more
17 than five (5) years.

18
19 **3. The Employee has the option to 1) substitute any available**
20 **paid vacation leave time for otherwise unpaid leave or 2) be paid their**
21 **available vacation leave time in a lump sum payment. The Employee's**
22 **choice of lump sum payment for vacation allowance will not of itself cause**
23 **the forfeiture of unused sick leave credits.**

24
25 [3]4. Upon conclusion of the military leave without pay, Employees shall
26 have reemployment rights in accordance with Chapter 43 of Title 38 of the United
27 States Code.

28
29 [4]5. Replacements for Employees on military leave without pay.

1 a. In filling a position which became vacant by military leave
2 without pay, the appointing authority may appoint a replacement Employee
3 and shall inform the replacement the status of the replacement's
4 employment and the provisions of this Agreement relating to military leaves
5 without pay.

6
7 b. A replacement employed in the position from which military
8 leave was granted shall be displaced so that the position may be filled again
9 by the former Employee returning to government employment.
10 Replacement Employees with regular status shall be returned to their former
11 positions or other comparable positions deemed appropriate by the [~~director~~
12 of personnel services] Employer. In the event there are no such positions,
13 the replacement Employees shall be subject to Article 9, Layoff.

14
15 C. Leave for Pre-Induction Examination. An Employee who is absent
16 from work for the purpose of undergoing physical examination prior to induction into
17 the United States Armed Forces shall be granted leave with pay for such purpose,
18 and the leave shall not be charged against the Employee's vacation allowance.

UNIT 02
TENTATIVE AGREEMENT
Employer JKN
Union AFME
Date 1/5/2017

ARTICLE 45 - SCHOOL FOOD SERVICE MANAGER

- 1 A. No change to existing language.
- 2 B. All School Food Service Managers shall be on duty six (6) working days
- 3 prior to the reporting date of students according to the Board of Education approved
- 4 Official School Calendar and [two (2)] three (3) working days after the last scheduled
- 5 day for [teachers] students according to the Board of Education approved Official
- 6 School Calendar. School Food Service Managers shall be paid but not required to report
- 7 to work on the day between semesters.
- 8 All School Food Service Managers shall be compensated, when requested, for any
- 9 work they perform during their vacations at their hourly rate of pay for each hour of work
- 10 performed in addition to their vacation pay.
- 11 C. through I. No change to existing language.

ARTICLE 52

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Delete the existing language in this Article in its entirety and replace with the following:

A. "Health Benefit Plan" shall mean the medical PPO, HMO, prescription drug, dental, vision and dual coverage medical plans.

B. Effective July 1, 2017

Subject to the applicable provisions of Chapter 87A and 89, Hawaii Revised Statutes, the Employer shall pay monthly contributions which include the cost of any Hawaii Employer-Union Health Benefits Trust Fund (Trust Fund) administrative fees to the Trust Fund effective July 1, 2017, not to exceed the monthly contribution amounts as specified below:

1. For each Employee-Beneficiary with no dependent-beneficiaries enrolled in the following Trust Fund health benefits plans:

<u>BENEFIT PLAN</u>	<u>TOTAL EMPLOYER MONTHLY CONTRIBUTION</u>
a. <u>Medical (PPO or HMO) (medical, drug & chiro)</u>	<u>\$335.00</u>
b. <u>Dental</u>	<u>\$ 19.44</u>
c. <u>Vision</u>	<u>\$ 3.90</u>
d. <u>Dual coverage (medical, drug & chiro)</u>	<u>\$ 25.54</u>

The Employer shall pay the same monthly contribution for each member enrolled in a self only medical plan (PPO or HMO), regardless of which plan is

1 chosen; provided that the dollar amount contributed by the Employer shall not
2 cause the employer share to exceed 84.3% of the total premium.

3
4 2. For each Employee-Beneficiary with one dependent-beneficiary
5 enrolled in the following Trust Fund health benefit plans:

BENEFIT PLAN	TOTAL EMPLOYER MONTHLY CONTRIBUTION
a. Medical (PPO or HMO) (medical, drug & chiro)	\$812.48
b. Dental	\$ 38.88
c. Vision	\$ 7.20
d. Dual coverage (medical, drug & chiro)	\$ 63.42

13
14 The Employer shall pay the same monthly contribution for each member
15 enrolled in a two-party medical plan (PPO or HMO), regardless of which plan is
16 chosen; provided that the dollar amount contributed by the Employer shall not
17 cause the employer share to exceed 84.3% of the total premium.

18
19 3. For each Employee-Beneficiary with two or more dependent-
20 beneficiaries enrolled in the following Trust Fund health benefit plans:

BENEFIT PLAN	TOTAL EMPLOYER MONTHLY CONTRIBUTION
a. Medical (PPO or HMO) (medical, drug & chiro)	\$1,033.06
b. Dental	\$ 63.96
c. Vision	\$ 9.42
d. Dual coverage (medical, drug & chiro)	\$ 70.50

1 The Employer shall pay the same monthly contribution for each member
2 enrolled in a family medical plan (PPO or HMO), regardless of which plan is
3 chosen; provided that the dollar amount contributed by the Employer shall not
4 cause the employer share to exceed 84.3% of the total premium.

5
6 4. For each Employee-Beneficiary enrolled in the Trust Fund group
7 life insurance plan, the Employer shall pay \$4.12 per month which reflects one
8 hundred percent (100%) of the monthly premium and any administrative fees.

9
10 C. Effective July 1, 2018

11
12 Subject to the applicable provisions of Chapter 87A and 89, Hawaii Revised
13 Statutes, effective July 1, 2018 for plan year 2018-2019, with the exception of
14 items C1a., C2a., C3a., and C4., which shall be the dollar amounts noted, the
15 Employer shall pay a specific dollar amount equivalent to sixty percent (60%) of
16 the final premium rates established by the Trust Fund Board for the respective
17 health benefit plan, plus sixty percent (60%) of any administrative fees.

18
19 1. The amounts paid by the Employer shall be based on the plan year
20 2018-2019 final monthly premium rates established by the Trust Fund for each
21 Employee-Beneficiary with no dependent-beneficiaries enrolled in the following
22 Trust Fund health plans:

- 23
24 a. Medical (PPO or HMO) (medical, drug, & chiro) \$368.50
25 b. Dental
26 c. Vision
27 d. Dual coverage (medical, drug & chiro)
28

1 The Employer shall pay the same monthly contribution for each member
2 enrolled in a self only medical plan (PPO or HMO), regardless of which plan is
3 chosen; provided that the dollar amount contributed by the Employer shall not
4 cause the employer share to exceed 84.3% of the total premium.

5
6 2. The amounts paid by the Employer shall be based on the plan year
7 2018-2019 final monthly premium rates established by the Trust Fund for each
8 Employee-Beneficiary with one dependent-beneficiary enrolled in the following
9 Trust Fund health plans:

- 10
11 a. Medical (PPO or HMO) (medical, drug, & chiro) \$893.72
12 b. Dental
13 c. Vision
14 d. Dual coverage (medical, drug & chiro)
15

16 The Employer shall pay the same monthly contribution for each member
17 enrolled in a two-party medical plan (PPO or HMO), regardless of which plan is
18 chosen; provided that the dollar amount contributed by the Employer shall not
19 cause the employer share to exceed 84.3% of the total premium.
20

21 3. The amounts paid by the Employer shall be based on the plan year
22 2018-2019 final monthly premium rates established by the Trust Fund for each
23 Employee-Beneficiary with two or more dependent-beneficiaries enrolled in the
24 following Trust Fund health plans:

- 25
26 a. Medical (PPO or HMO) (medical, drug, & chiro) \$1,136.36
27 b. Dental
28 c. Vision

1 d. Dual coverage (medical, drug & chiro)

2
3 The Employer shall pay the same monthly contribution for each member
4 enrolled in a family medical plan (PPO or HMO), regardless of which plan is
5 chosen; provided that the dollar amount contributed by the Employer shall not
6 cause the employer share to exceed 84.3% of the total premium.

7
8 4. For each Employee-Beneficiary enrolled in the Trust Fund group life
9 insurance plan, the Employer shall pay \$4.12 per month which reflects one
10 hundred percent (100%) of the monthly premium and any administrative fees.

11
12 D. No later than three (3) weeks after the Trust Fund Board formally
13 establishes and adopts the final premium rates for Fiscal Year 2018-2019, the
14 Office of Collective Bargaining shall distribute the final calculation of the
15 Employers' monthly contribution amounts for each health benefit plan.

16
17 E. Payment for Plans Eliminated or Abolished. The Employer shall make
18 no payments for any and all premiums for any portion or part of a Trust Fund
19 health benefit plan that the Trust Fund Board eliminates or abolishes.

20
21 F. Rounding Employer's Monthly Contribution. Whenever the Employer's
22 monthly contribution (premium plus administrative fee) to the Trust Fund is less
23 than one hundred percent (100%) of the monthly premium amount, such monthly
24 contribution shall be rounded to the nearest cent as provided below:

25
26 1. When rounding to the nearest cent results in an even amount,
27 such even amount shall be the Employer's monthly contribution. For example:

1 (a) \$11.397 = \$11.40 = \$11.40 (Employer's monthly contribution)

2 (b) \$11.382 = \$11.38 = \$11.38 (Employer's monthly contribution)

3

4 2. When rounding to the nearest cent results in an odd amount,
5 round to the lower even cent, and such even amount shall be the Employer's
6 monthly contribution. For example:

7

8 (a) \$11.392 = \$11.39 = \$11.38 (Employer's monthly contribution)

9 (b) \$11.386 = \$11.39 = \$11.38 (Employer's monthly contribution)

10

11 All employer contributions effective July 1, 2017 and contributions for
12 items C.1a., C.2a., and C.3a., effective July 1, 2018 reflect the rounding described
13 in item F. Employer contributions effective July 1, 2018 for items C.1 b, c, d; C.2
14 b, c, d; and C.3 b, c, d shall be rounded as described in item F. after the Trust
15 Fund Board formally establishes and adopts the final premium rates for Fiscal
16 Year 2018-2019.

17

18 G. If an agreement covering periods beyond the term of this Agreement is
19 not executed by June 30, 2019, Employer contributions to the Trust Fund shall be
20 the same monthly contribution amounts paid in plan year 2018-2019 for the
21 Health Benefit Plan approved by the Trust Fund including any monthly
22 administrative fees.

2017 – 2019 INTEREST ARBITRATION
TENTATIVE AGREEMENTS

<u>Article</u>	<u>Title</u>
41	Vacation Leave
51	Military Leave

1 **ARTICLE 41 - VACATION LEAVE**

2
3 A. Earning of Vacation Leave. All Employees shall earn vacation leave at
4 the rate of fourteen (14) hours for each month of service. For the purpose of this
5 Article, a workday is defined as an eight (8) hour workday.

6
7 B. If such Employee renders less than a month of service, their vacation
8 allowance for such month shall be computed as follows:

9

Actual Straight Time Hours of Service	Working Hours of Leave
For 0 to 31	0
For 32 to 55	4
For 56 to 79	6
For 80 to 103	8
For 104 to 127	10
For 128 to 151	12
For 152 or more	14

18

19 The term "actual straight time hours of service" shall include paid holidays.

20
21 C. Individuals who are employed on a temporary, contractual, or
22 substitute basis while on vacation from another position in the State government or
23 any political subdivision of the State shall not earn vacation allowance for such
24 employment.

25
26 D. Vacation allowance shall accrue to an Employee while the Employee is
27 on leave with pay unless specifically prohibited.

28
29 E. No vacation allowance shall accrue:

1 1. During the period of any vacation leave or sick leave granted when the
2 employment terminates or is to terminate at the end of such leave.

3

4 2. During the period the Employee is on leave without pay, except for the
5 period the Employee is on leave for disability and is being paid workers'
6 compensation therefore.

7

8 3. During any period of valid suspension which is sustained in the event
9 an appeal is made by the Employee.

10

11 4. During any period of unauthorized leave.

12

13 5. During any period the Employee is on educational/sabbatical leave.

14

15 6. During any period of leave with pay pending investigation if the
16 Employee:

17

18 a. is subsequently discharged/dismissed;

19 b. resigns or retires prior to the discharge/dismissal; or

20 c. resigns or retires during the investigation.

21

22 F. Vacation for an Employee Serving a Provisional Appointment or
23 Temporary Appointment Outside the List.

24

25 1. Any Employee serving a provisional appointment shall not be entitled
26 to a vacation with pay. However, a provisional appointee shall be entitled to earn
27 and accrue vacation allowance during the term of the appointee's provisional
28 appointment and if upon the termination of the provisional appointment the
29 Employee receives probationary or limited term or permanent appointment in the
30 same position, the Employee shall be credited with the allowances earned and
31 accrued during the provisional appointment and if the Employee does not become

1 such limited term, probationary, or regular Employee, the vacation allowance shall
2 be automatically forfeited. It is provided, however, that a regular Employee who
3 receives a promotion through a provisional appointment shall be considered to be a
4 regular Employee and shall continue to earn vacation allowance.

5

6 2. Vacation for a Non-Regular Employee Serving a Temporary
7 Appointment Outside the List (TAOL). A non-regular Employee serving on a TAOL
8 basis shall not be entitled to a vacation leave with pay. However, whenever the
9 duration of the TAOL is for longer than one (1) year, including any extensions
10 granted for a specific appointment, the non-regular Employee shall be entitled to (a)
11 earn vacation leave beginning with the first month of the second year in accordance
12 with A.1. and A.2., and (b) use the vacation leave accrued in accordance with the
13 provisions of this Article. Whenever a non-regular Employee's TAOL is ended, any
14 vacation leave accrued shall be automatically forfeited.

15

16 G. Accumulation of Vacation. An Employee may accumulate not more
17 than fifteen (15) days of vacation leave per calendar year. However, vacation leave
18 in excess of fifteen (15) days per year may be accumulated for good cause when a
19 request for such accumulation is approved by the department head provided such
20 request shall be accompanied by a stipulation that the Employee shall take such
21 excess vacation days at a specified time. If the Employee fails to take this vacation
22 at the time stipulated, the Employee shall forfeit the excess accumulation of vacation
23 leave unless for good reason an extension of time is granted by the department
24 head.

25

26 H. Vacation leave shall be administered on a calendar year basis and
27 recorded at the end of each calendar year.

28

29 1. After the end of each year, the appointing authority will furnish each
30 Employee with a statement of the vacation leave credits remaining as of
31 December 31.

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31

2. Nothing contained in this Article shall be construed to require the forfeiture of vacation credits when an Employee terminates on or before the last working day of the calendar year, notwithstanding the fact that the recording of current accrued vacation for the year on the last day may result in an accumulation of more than ninety (90) working days.

I. Any Employee who is entitled to an annual vacation may accumulate for the succeeding year or years such unused portion of the Employee's vacation allowance as is permitted above, provided that the total accumulation shall not exceed ninety (90) working days at the end of the calendar year. If any recorded accumulation of vacation allowance at the end of any calendar year shall exceed ninety (90) working days, the Employee shall automatically forfeit the unused vacation allowance which is in excess of the allowable ninety (90) working days.

J. Nothing in this Article contained shall be construed to prohibit the taking or to require the forfeiture of any vacation which is validly granted and the taking of which is commenced on or before the last working day of any calendar year, notwithstanding that the recording of the current accrued vacation allowance for such year on the last day thereof might result in an accumulation of more than ninety (90) working days including the working days of the vacation so granted and then being taken, but the period of such vacation shall be regarded for all purposes as if the same had been entirely taken on or before the last day of such calendar year.

K. Nothing in this Article contained shall be construed to prohibit the lawful payment of pay in lieu of vacation.

L. Whenever an Employee is unable to take her scheduled vacation because of illness, she shall be permitted to reschedule her vacation; however, if the duration of illness is such that the vacation cannot be rescheduled within the

1 calendar year and to protect against the forfeiture of excess vacation, the Employee
2 shall be permitted to substitute vacation for sick leave or take such excess vacation
3 immediately upon the conclusion of such sick leave.
4

5 M. Employee's Duty to Give Notice of Vacation. It shall be the duty of an
6 Employee desiring to take vacation to submit to the appropriate department head on
7 a form prescribed by the Employer or the Employer's representative, an application
8 therefore a sufficient time in advance of the proposed commencement date of such
9 vacation to enable such department head to make arrangements for the necessary
10 readjustment of work in the department. However, the requirement for advance
11 notice may be waived when emergency situations arise.
12

13 N. Taking Vacation Leave Granted. When a vacation is requested on a
14 proper application by an Employee, it shall be granted and taken at such time or
15 times as the department head may designate; provided, that it shall be as close to
16 the requested period as conditions in the department will permit, and so as to
17 prevent any forfeiture of vacation allowance.
18

19 Whenever an Employee's vacation leave which has been approved on the
20 appropriate leave application form is rescinded, non-refundable travel and lodging
21 expenses incurred by the Employee shall be reimbursed by the Employer.
22

23 O. In the event that a vacation request is denied by the department
24 head, the department shall furnish in writing, the reasons for the denial upon the
25 Employee's request.
26

27 P. When a vacation is granted, it may include, at the request of the
28 Employee, all vacation allowance accrued up to the end of the Employee's last full
29 month of service immediately preceding the commencement of the vacation. For
30 non-regular Employees who earn vacation allowance pursuant to F.2., the vacation
31 granted may include, at the request of the Employee, all vacation allowance accrued

1 up to the commencement of the vacation.

2

3 Q. No vacation leave of less than one (1) hour may be granted.
4 However, when payment in lieu of vacation is legally permissible, or when the
5 Employee's service will not continue at the expiration of the vacation, such payment
6 may include a prorated amount for any fraction of a working day of vacation
7 allowance to which the Employee is entitled as provided in this Article.

8

9 R. Vacation--How Charged. Employees shall have charged against
10 their vacation allowances only those days or hours, as applicable, they were
11 scheduled to work or would have worked had they not taken vacation.

12

13 S. Recall from Vacation.

14

15 1. An Employee may be recalled to duty before the expiration of any
16 granted vacation, when, in the opinion of the department head the Employee's
17 services are required. In such event the Employee shall be paid for all work
18 performed at the rate of one and one-half (1/2) times the Employee's regular rate of
19 pay during such period the Employee's services are required and shall be granted
20 the unused vacation days at a time mutually agreed upon.

21

22 2. An Employee who is summoned during her vacation to serve as a
23 witness in any judicial proceeding in connection with the duties and responsibilities
24 of her position on work related matters shall be compensated at one and one-half
25 (1/2) times her regular rate of pay during the scheduled vacation period she is
26 required to serve and her unused vacation leave shall be rescheduled at a time
27 mutually agreed upon.

28

29 3. An Employee who is summoned during her vacation to serve as a
30 witness or juror in any judicial proceedings, except those which may involve or arise
31 out of the Employee's outside employment or her personal business or private affairs

1 shall, if she serves, be permitted to reschedule her vacation for another mutually
2 agreed upon time.

3

4 T. Advance Vacation. Advance vacation shall be granted only where an
5 Employee has exhausted all earned vacation allowance and is detained out of the
6 State of Hawai'i for a cause which the Employee establishes to the satisfaction of
7 the department head to be out of the Employee's control. An Employee so detained
8 shall immediately communicate with the department head and request such advance
9 vacation and, if the same is granted, it shall be considered as taken with the express
10 understanding that if such leave is not later earned during the term of employment.
11 the unearned portion of the vacation pay so advanced will be repaid, on demand of
12 the department head to the Employer by the Employee or the Employee's executors
13 and administrators out of the Employee's estate. If the Employee is deceased, or
14 deductions may be made for such unearned portion from any salary due the
15 Employee or from any monies in the annuity savings fund of the Employee's
16 retirement system of the Employer to the credit of the Employee.

17

18 U. Effect of Transfer to Position in Which Vacation Allowance is Not
19 Earnable. When an Employee is transferred from or otherwise relinquishes one
20 position in which vacation allowance may be earned, and accepts employment in
21 another position in the service of the Employer in which vacation allowance may not
22 be earned, the Employee may be deemed, for purposes of receiving pay in lieu of
23 vacation, including any lapsed vacation in excess of the maximum allowed, to have
24 terminated employment. But in the event that the Employee is not eligible under the
25 circumstances to receive pay in lieu of vacation, the acceptance of such new
26 employment shall not of itself have the effect of forfeiting any vacation allowance to
27 which the Employee is then entitled.

28

29 V. Pay for Vacation Allowance Upon Separation and When Moving
30 Between Jurisdictions of the State. Whenever a separation from service takes
31 place, the Employee is to be paid, in accordance with section 78-23, Hawai'i

1 Revised Statutes, for the Employee's vacation allowance either in a lump sum or in
2 the normal manner as provided in subsection W.

3

4 W. When payment in a lump sum is made to an Employee hired on or
5 before June 30, 1997, the sum payable for vacation allowance shall be equal to the
6 amount of compensation to which the Employee would be entitled or which the
7 Employee would be allowed during the vacation period if the Employee were
8 permitted to take vacation in the normal manner. Whenever an Employee is
9 discharged for cause or when payment in a lump sum is made to an Employee hired
10 after June 30, 1997, the lump sum vacation allowance payable shall be computed on
11 the basis of the Employee's accumulated vacation hours multiplied by the
12 Employee's hourly rate of pay as of the effective date of discharge or termination.

13

14 X. However, if the Employee is rehired within seven (7) calendar days
15 by the Employer and will continue to earn vacation allowance, such a payment shall
16 not be made.

17

18 Y. When an Employee moves from one Employer jurisdiction to another
19 to accept employment in a position in which vacation allowance is earned, the
20 Employee shall be given credit for the vacation earned or accumulated in the
21 jurisdiction from which the Employee transferred, and the director of finance of the
22 State or the equivalent officers of the counties, Judiciary, and the Hawai'i Health
23 Systems Corporation, as the case may be, shall make the appropriate transfer of
24 funds to implement the transfer. However, the Employee may request and receive
25 payment of a portion of or all of the Employee's vacation credits accumulated up to
26 the effective date of the movement.

27

28 ~~ZI. An Employee who pursuant to the U.S. Universal Military Service and~~
29 ~~Training Act or other Federal Statute is called or ordered and reports either~~
30 ~~voluntarily or involuntarily for active military duty with a branch of the U.S. Armed~~
31 ~~Forces shall be deemed to have terminated employment for the purpose of this~~

1 ~~Article. The Employee's choice of lump sum payment for the vacation allowance will~~
2 ~~not of itself cause the forfeiture of the Employee's unused sick leave credits.]~~

3 **RESERVED.**

4

5 AA. Provisions of this Article shall be applied uniformly and without
6 discrimination.

Bargaining Unit 09
TENTATIVE AGREEMENT
Employer MCU
Union SU
Date 1-5-17

1 **ARTICLE 51 - MILITARY LEAVE**

2
3 A. Military Leave With Pay.

4
5 1. Employees whose appointment is for six (6) months or more shall,
6 while on active duty or during periods of camps of instruction or field maneuvers as
7 members of the Hawai'i National Guard, Air National Guard, naval militia, organized
8 reserves, including the officers' reserve corps and the enlisted reserve corps, under
9 call of the President of the United States or the Governor of the State, be placed on
10 leave with pay status for a period not exceeding fifteen (15) working days in any
11 calendar year, except as provided in subparagraph A.2. No such person shall be
12 subjected by any person, directly or indirectly, by reason of absence to any loss or
13 diminution of vacation or holiday privileges or be prejudiced by reason of the
14 absence with reference to promotion or continuance of employment or
15 reemployment.

16
17 2. If an Employee is called to active duty or required to report for camp
18 training or field maneuvers by official military orders a second time within a calendar
19 year, the Employee may elect to use up to fifteen (15) working days of military leave
20 with pay from the succeeding calendar year; provided that the Employee's
21 entitlement to the working days advanced shall be canceled from the succeeding
22 calendar year, and the Employee shall so agree in writing. The Employee who is
23 advanced military leave with pay shall be required to reimburse the Employer an
24 amount equivalent to the days advanced in the event the Employee leaves
25 employment prior to completion of a year's service in the succeeding year from
26 which leave was advanced, except in the case of death of the Employee.

27
28 B. Military Leave Without Pay.

1 1. The following Employees shall be entitled to military leave without pay
2 for service in the United States Armed Forces:

3
4 a. Employees serving initial probationary appointments.

5
6 b. Regular Employees serving permanent or new probationary
7 appointments.

8
9 c. Regular Employees serving temporary appointments and who
10 have not forfeited their rights to the position in which they last held permanent
11 appointment.

12
13 d. Exempt Employees serving other than temporary appointments.

14
15 2. The duration of the military leave without pay shall be for no more than
16 four (4) years plus a one (1) year voluntary extension of active duty when the
17 extension is at the request and for the convenience of the U.S. government.

18
19 3. The Employee has the option to 1) substitute any available paid
20 vacation leave time for otherwise unpaid leave or 2) be paid their available
21 vacation leave time in a lump sum payment. The Employee's choice of lump
22 sum payment for vacation allowance will not of itself cause the forfeiture of
23 unused sick leave credits.

24
25 [3]4. Upon conclusion of the military leave without pay, Employees shall
26 have reemployment rights in accordance with Chapter 43 of Title 38 of the United
27 States Code.

28
29 [4]5. Replacements for Employees on Military Leave Without Pay.

30
31 a. In filling a position which became vacant by military leave

1 without pay, the appointing authority may appoint a replacement Employee
2 and shall inform the replacement the status of the replacement's employment
3 and the provisions of this Agreement relating to military leaves without pay.
4

5 b. A replacement employed in the position from which military
6 leave was granted shall be displaced so that the position may be filled again
7 by the former Employee returning to government employment. Replacement
8 Employees with regular status shall be returned to their former positions or
9 other comparable positions deemed appropriate by the [~~director of personnel~~
10 ~~services~~] Employer. In the event there are no such positions, the
11 replacement Employees shall be subject to Article 12, Layoff and
12 Reemployment.
13

14 C. Leave for Pre-Induction Examination. An Employee who is absent
15 from work for the purpose of undergoing physical examination prior to induction into
16 the United States Armed Forces shall be granted leave with pay for such purpose,
17 and the leave shall not be charged against the Employee's vacation allowance.

ARTICLE 57

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Delete the existing language in this Article in its entirety and replace with the following:

A. "Health Benefit Plan" shall mean the medical PPO, HMO, prescription drug, dental, vision and dual coverage medical plans.

B. Effective July 1, 2017

Subject to the applicable provisions of Chapter 87A and 89, Hawaii Revised Statutes, the Employer shall pay monthly contributions which include the cost of any Hawaii Employer-Union Health Benefits Trust Fund (Trust Fund) administrative fees to the Trust Fund effective July 1, 2017, not to exceed the monthly contribution amounts as specified below:

1. For each Employee-Beneficiary with no dependent-beneficiaries enrolled in the following Trust Fund health benefits plans:

<u>BENEFIT PLAN</u>	<u>TOTAL EMPLOYER MONTHLY CONTRIBUTION</u>
a. <u>Medical (PPO or HMO) (medical, drug & chiro)</u>	<u>\$335.00</u>
b. <u>Dental</u>	<u>\$ 19.44</u>
c. <u>Vision</u>	<u>\$ 3.90</u>
d. <u>Dual coverage (medical, drug & chiro)</u>	<u>\$ 25.54</u>

The Employer shall pay the same monthly contribution for each member enrolled in a self only medical plan (PPO or HMO), regardless of which plan is

1 chosen; provided that the dollar amount contributed by the Employer shall not
2 cause the employer share to exceed 84.3% of the total premium.

3
4 2. For each Employee-Beneficiary with one dependent-beneficiary
5 enrolled in the following Trust Fund health benefit plans:

BENEFIT PLAN	TOTAL EMPLOYER MONTHLY CONTRIBUTION
a. Medical (PPO or HMO) (medical, drug & chiro)	\$812.48
b. Dental	\$ 38.88
c. Vision	\$ 7.20
d. Dual coverage (medical, drug & chiro)	\$ 63.42

13
14 The Employer shall pay the same monthly contribution for each member
15 enrolled in a two-party medical plan (PPO or HMO), regardless of which plan is
16 chosen; provided that the dollar amount contributed by the Employer shall not
17 cause the employer share to exceed 84.3% of the total premium.

18
19 3. For each Employee-Beneficiary with two or more dependent-
20 beneficiaries enrolled in the following Trust Fund health benefit plans:

BENEFIT PLAN	TOTAL EMPLOYER MONTHLY CONTRIBUTION
a. Medical (PPO or HMO) (medical, drug & chiro)	\$1,033.06
b. Dental	\$ 63.96
c. Vision	\$ 9.42
d. Dual coverage (medical, drug & chiro)	\$ 70.50

1 The Employer shall pay the same monthly contribution for each member
2 enrolled in a family medical plan (PPO or HMO), regardless of which plan is
3 chosen; provided that the dollar amount contributed by the Employer shall not
4 cause the employer share to exceed 84.3% of the total premium.

5
6 4. For each Employee-Beneficiary enrolled in the Trust Fund group
7 life insurance plan, the Employer shall pay \$4.12 per month which reflects one
8 hundred percent (100%) of the monthly premium and any administrative fees.

9
10 C. Effective July 1, 2018

11
12 Subject to the applicable provisions of Chapter 87A and 89, Hawaii Revised
13 Statutes, effective July 1, 2018 for plan year 2018-2019, with the exception of
14 items C1a., C2a., C3a., and C4., which shall be the dollar amounts noted, the
15 Employer shall pay a specific dollar amount equivalent to sixty percent (60%) of
16 the final premium rates established by the Trust Fund Board for the respective
17 health benefit plan, plus sixty percent (60%) of any administrative fees.

18
19 1. The amounts paid by the Employer shall be based on the plan year
20 2018-2019 final monthly premium rates established by the Trust Fund for each
21 Employee-Beneficiary with no dependent-beneficiaries enrolled in the following
22 Trust Fund health plans:

- 23
24 a. Medical (PPO or HMO) (medical, drug, & chiro) \$368.50
25 b. Dental
26 c. Vision
27 d. Dual coverage (medical, drug & chiro)
28

1 The Employer shall pay the same monthly contribution for each member
2 enrolled in a self only medical plan (PPO or HMO), regardless of which plan is
3 chosen; provided that the dollar amount contributed by the Employer shall not
4 cause the employer share to exceed 84.3% of the total premium.

5
6 2. The amounts paid by the Employer shall be based on the plan year
7 2018-2019 final monthly premium rates established by the Trust Fund for each
8 Employee-Beneficiary with one dependent-beneficiary enrolled in the following
9 Trust Fund health plans:

- 10
11 a. Medical (PPO or HMO) (medical, drug, & chiro) \$893.72
12 b. Dental
13 c. Vision
14 d. Dual coverage (medical, drug & chiro)
15

16 The Employer shall pay the same monthly contribution for each member
17 enrolled in a two-party medical plan (PPO or HMO), regardless of which plan is
18 chosen; provided that the dollar amount contributed by the Employer shall not
19 cause the employer share to exceed 84.3% of the total premium.

20
21 3. The amounts paid by the Employer shall be based on the plan year
22 2018-2019 final monthly premium rates established by the Trust Fund for each
23 Employee-Beneficiary with two or more dependent-beneficiaries enrolled in the
24 following Trust Fund health plans:

- 25
26 a. Medical (PPO or HMO) (medical, drug, & chiro) \$1,136.36
27 b. Dental
28 c. Vision

1 d. Dual coverage (medical, drug & chiro)

2
3 The Employer shall pay the same monthly contribution for each member
4 enrolled in a family medical plan (PPO or HMO), regardless of which plan is
5 chosen; provided that the dollar amount contributed by the Employer shall not
6 cause the employer share to exceed 84.3% of the total premium.

7
8 4. For each Employee-Beneficiary enrolled in the Trust Fund group life
9 insurance plan, the Employer shall pay \$4.12 per month which reflects one
10 hundred percent (100%) of the monthly premium and any administrative fees.

11
12 D. No later than three (3) weeks after the Trust Fund Board formally
13 establishes and adopts the final premium rates for Fiscal Year 2018-2019, the
14 Office of Collective Bargaining shall distribute the final calculation of the
15 Employers' monthly contribution amounts for each health benefit plan.

16
17 E. Payment for Plans Eliminated or Abolished. The Employer shall make
18 no payments for any and all premiums for any portion or part of a Trust Fund
19 health benefit plan that the Trust Fund Board eliminates or abolishes.

20
21 F. Rounding Employer's Monthly Contribution. Whenever the Employer's
22 monthly contribution (premium plus administrative fee) to the Trust Fund is less
23 than one hundred percent (100%) of the monthly premium amount, such monthly
24 contribution shall be rounded to the nearest cent as provided below:

25
26 1. When rounding to the nearest cent results in an even amount,
27 such even amount shall be the Employer's monthly contribution. For example:

1 (a) \$11.397 = \$11.40 = \$11.40 (Employer's monthly contribution)

2 (b) \$11.382 = \$11.38 = \$11.38 (Employer's monthly contribution)

3

4 2. When rounding to the nearest cent results in an odd amount,
5 round to the lower even cent, and such even amount shall be the Employer's
6 monthly contribution. For example:

7

8 (a) \$11.392 = \$11.39 = \$11.38 (Employer's monthly contribution)

9 (b) \$11.386 = \$11.39 = \$11.38 (Employer's monthly contribution)

10

11 All employer contributions effective July 1, 2017 and contributions for
12 items C.1a., C.2a., and C.3a., effective July 1, 2018 reflect the rounding described
13 in item F. Employer contributions effective July 1, 2018 for items C.1 b, c, d; C.2
14 b, c, d; and C.3 b, c, d shall be rounded as described in item F. after the Trust
15 Fund Board formally establishes and adopts the final premium rates for Fiscal
16 Year 2018-2019.

17

18 G. If an agreement covering periods beyond the term of this Agreement is
19 not executed by June 30, 2019, Employer contributions to the Trust Fund shall be
20 the same monthly contribution amounts paid in plan year 2018-2019 for the
21 Health Benefit Plan approved by the Trust Fund including any monthly
22 administrative fees.

ARTICLE 40

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Delete the existing language in this Article in its entirety and replace with the following:

A. "Health Benefit Plan" shall mean the medical PPO, HMO, prescription drug, dental, vision and dual coverage medical plans.

B. Effective July 1, 2017

Subject to the applicable provisions of Chapter 87A and 89, Hawaii Revised Statutes, the Employer shall pay monthly contributions which include the cost of any Hawaii Employer-Union Health Benefits Trust Fund (Trust Fund) administrative fees to the Trust Fund effective July 1, 2017, not to exceed the monthly contribution amounts as specified below:

1. For each Employee-Beneficiary with no dependent-beneficiaries enrolled in the following Trust Fund health benefits plans:

<u>BENEFIT PLAN</u>	<u>TOTAL EMPLOYER MONTHLY CONTRIBUTION</u>
a. <u>Medical (PPO or HMO) (medical, drug & chiro)</u>	<u>\$335.00</u>
b. <u>Dental</u>	<u>\$ 19.44</u>
c. <u>Vision</u>	<u>\$ 3.90</u>
d. <u>Dual coverage (medical, drug & chiro)</u>	<u>\$ 25.54</u>

The Employer shall pay the same monthly contribution for each member enrolled in a self only medical plan (PPO or HMO), regardless of which plan is

1 chosen; provided that the dollar amount contributed by the Employer shall not
2 cause the employer share to exceed 84.3% of the total premium.
3

4 2. For each Employee-Beneficiary with one dependent-beneficiary
5 enrolled in the following Trust Fund health benefit plans:
6

7	<u>BENEFIT PLAN</u>	<u>TOTAL EMPLOYER MONTHLY</u>
8		<u>CONTRIBUTION</u>
9	a. <u>Medical (PPO or HMO) (medical, drug & chiro)</u>	<u>\$812.48</u>
10	b. <u>Dental</u>	<u>\$ 38.88</u>
11	c. <u>Vision</u>	<u>\$ 7.20</u>
12	d. <u>Dual coverage (medical, drug & chiro)</u>	<u>\$ 63.42</u>

13
14 The Employer shall pay the same monthly contribution for each member
15 enrolled in a two-party medical plan (PPO or HMO), regardless of which plan is
16 chosen; provided that the dollar amount contributed by the Employer shall not
17 cause the employer share to exceed 84.3% of the total premium.
18

19 3. For each Employee-Beneficiary with two or more dependent-
20 beneficiaries enrolled in the following Trust Fund health benefit plans:
21

22	<u>BENEFIT PLAN</u>	<u>TOTAL EMPLOYER MONTHLY</u>
23		<u>CONTRIBUTION</u>
24	a. <u>Medical (PPO or HMO) (medical, drug & chiro)</u>	<u>\$1,033.06</u>
25	b. <u>Dental</u>	<u>\$ 63.96</u>
26	c. <u>Vision</u>	<u>\$ 9.42</u>
27	d. <u>Dual coverage (medical, drug & chiro)</u>	<u>\$ 70.50</u>

28

1 The Employer shall pay the same monthly contribution for each member
2 enrolled in a family medical plan (PPO or HMO), regardless of which plan is
3 chosen; provided that the dollar amount contributed by the Employer shall not
4 cause the employer share to exceed 84.3% of the total premium.

5
6 4. For each Employee-Beneficiary enrolled in the Trust Fund group
7 life insurance plan, the Employer shall pay \$4.12 per month which reflects one
8 hundred percent (100%) of the monthly premium and any administrative fees.

9
10 C. Effective July 1, 2018

11
12 Subject to the applicable provisions of Chapter 87A and 89, Hawaii Revised
13 Statutes, effective July 1, 2018 for plan year 2018-2019, with the exception of
14 items C1a., C2a., C3a., and C4., which shall be the dollar amounts noted, the
15 Employer shall pay a specific dollar amount equivalent to sixty percent (60%) of
16 the final premium rates established by the Trust Fund Board for the respective
17 health benefit plan, plus sixty percent (60%) of any administrative fees.

18
19 1. The amounts paid by the Employer shall be based on the plan year
20 2018-2019 final monthly premium rates established by the Trust Fund for each
21 Employee-Beneficiary with no dependent-beneficiaries enrolled in the following
22 Trust Fund health plans:

- 23
24 a. Medical (PPO or HMO) (medical, drug, & chiro) \$368.50
25 b. Dental
26 c. Vision
27 d. Dual coverage (medical, drug & chiro)
28

1 The Employer shall pay the same monthly contribution for each member
2 enrolled in a self only medical plan (PPO or HMO), regardless of which plan is
3 chosen; provided that the dollar amount contributed by the Employer shall not
4 cause the employer share to exceed 84.3% of the total premium.

5
6 2. The amounts paid by the Employer shall be based on the plan year
7 2018-2019 final monthly premium rates established by the Trust Fund for each
8 Employee-Beneficiary with one dependent-beneficiary enrolled in the following
9 Trust Fund health plans:

- 10
11 a. Medical (PPO or HMO) (medical, drug, & chiro) \$893.72
12 b. Dental
13 c. Vision
14 d. Dual coverage (medical, drug & chiro)
15

16 The Employer shall pay the same monthly contribution for each member
17 enrolled in a two-party medical plan (PPO or HMO), regardless of which plan is
18 chosen; provided that the dollar amount contributed by the Employer shall not
19 cause the employer share to exceed 84.3% of the total premium.

20
21 3. The amounts paid by the Employer shall be based on the plan year
22 2018-2019 final monthly premium rates established by the Trust Fund for each
23 Employee-Beneficiary with two or more dependent-beneficiaries enrolled in the
24 following Trust Fund health plans:

- 25
26 a. Medical (PPO or HMO) (medical, drug, & chiro) \$1,136.36
27 b. Dental
28 c. Vision

1 d. Dual coverage (medical, drug & chiro)

2
3 The Employer shall pay the same monthly contribution for each member
4 enrolled in a family medical plan (PPO or HMO), regardless of which plan is
5 chosen; provided that the dollar amount contributed by the Employer shall not
6 cause the employer share to exceed 84.3% of the total premium.

7
8 4. For each Employee-Beneficiary enrolled in the Trust Fund group life
9 insurance plan, the Employer shall pay \$4.12 per month which reflects one
10 hundred percent (100%) of the monthly premium and any administrative fees.

11
12 D. No later than three (3) weeks after the Trust Fund Board formally
13 establishes and adopts the final premium rates for Fiscal Year 2018-2019, the
14 Office of Collective Bargaining shall distribute the final calculation of the
15 Employers' monthly contribution amounts for each health benefit plan.

16
17 E. Payment for Plans Eliminated or Abolished. The Employer shall make
18 no payments for any and all premiums for any portion or part of a Trust Fund
19 health benefit plan that the Trust Fund Board eliminates or abolishes.

20
21 F. Rounding Employer's Monthly Contribution. Whenever the Employer's
22 monthly contribution (premium plus administrative fee) to the Trust Fund is less
23 than one hundred percent (100%) of the monthly premium amount, such monthly
24 contribution shall be rounded to the nearest cent as provided below:

25
26 1. When rounding to the nearest cent results in an even amount,
27 such even amount shall be the Employer's monthly contribution. For example:
28

1 (a) \$11.397 = \$11.40 = \$11.40 (Employer's monthly contribution)

2 (b) \$11.382 = \$11.38 = \$11.38 (Employer's monthly contribution)

3

4 2. When rounding to the nearest cent results in an odd amount,
5 round to the lower even cent, and such even amount shall be the Employer's
6 monthly contribution. For example:

7

8 (a) \$11.392 = \$11.39 = \$11.38 (Employer's monthly contribution)

9 (b) \$11.386 = \$11.39 = \$11.38 (Employer's monthly contribution)

10

11 All employer contributions effective July 1, 2017 and contributions for
12 items C.1a., C.2a., and C.3a., effective July 1, 2018 reflect the rounding described
13 in item F. Employer contributions effective July 1, 2018 for items C.1 b, c, d; C.2
14 b, c, d; and C.3 b, c, d shall be rounded as described in item F. after the Trust
15 Fund Board formally establishes and adopts the final premium rates for Fiscal
16 Year 2018-2019.

17

18 G. If an agreement covering periods beyond the term of this Agreement is
19 not executed by June 30, 2019, Employer contributions to the Trust Fund shall be
20 the same monthly contribution amounts paid in plan year 2018-2019 for the
21 Health Benefit Plan approved by the Trust Fund including any monthly
22 administrative fees.

Bargaining Unit 13
TENTATIVE AGREEMENT
Employer James K. Nishimoto
Union Ry 12
Date 4/25/17

ARTICLE 52

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Delete the existing language in this Article in its entirety and replace with the following:

A. "Health Benefit Plan" shall mean the medical PPO, HMO, prescription drug, dental, vision and dual coverage medical plans.

B. Effective July 1, 2017

Subject to the applicable provisions of Chapter 87A and 89, Hawaii Revised Statutes, the Employer shall pay monthly contributions which include the cost of any Hawaii Employer-Union Health Benefits Trust Fund (Trust Fund) administrative fees to the Trust Fund effective July 1, 2017, not to exceed the monthly contribution amounts as specified below:

1. For each Employee-Beneficiary with no dependent-beneficiaries enrolled in the following Trust Fund health benefits plans:

<u>BENEFIT PLAN</u>	<u>TOTAL EMPLOYER MONTHLY CONTRIBUTION</u>
a. <u>Medical (PPO or HMO) (medical, drug & chiro)</u>	<u>\$335.00</u>
b. <u>Dental</u>	<u>\$ 19.44</u>
c. <u>Vision</u>	<u>\$ 3.90</u>
d. <u>Dual coverage (medical, drug & chiro)</u>	<u>\$ 25.54</u>

The Employer shall pay the same monthly contribution for each member enrolled in a self only medical plan (PPO or HMO), regardless of which plan is

1 chosen; provided that the dollar amount contributed by the Employer shall not
2 cause the employer share to exceed 84.3% of the total premium.

3
4 2. For each Employee-Beneficiary with one dependent-beneficiary
5 enrolled in the following Trust Fund health benefit plans:

BENEFIT PLAN	TOTAL EMPLOYER MONTHLY CONTRIBUTION
a. Medical (PPO or HMO) (medical, drug & chiro)	\$812.48
b. Dental	\$ 38.88
c. Vision	\$ 7.20
d. Dual coverage (medical, drug & chiro)	\$ 63.42

13
14 The Employer shall pay the same monthly contribution for each member
15 enrolled in a two-party medical plan (PPO or HMO), regardless of which plan is
16 chosen; provided that the dollar amount contributed by the Employer shall not
17 cause the employer share to exceed 84.3% of the total premium.

18
19 3. For each Employee-Beneficiary with two or more dependent-
20 beneficiaries enrolled in the following Trust Fund health benefit plans:

BENEFIT PLAN	TOTAL EMPLOYER MONTHLY CONTRIBUTION
a. Medical (PPO or HMO) (medical, drug & chiro)	\$1,033.06
b. Dental	\$ 63.96
c. Vision	\$ 9.42
d. Dual coverage (medical, drug & chiro)	\$ 70.50

1 The Employer shall pay the same monthly contribution for each member
2 enrolled in a family medical plan (PPO or HMO), regardless of which plan is
3 chosen; provided that the dollar amount contributed by the Employer shall not
4 cause the employer share to exceed 84.3% of the total premium.

5
6 4. For each Employee-Beneficiary enrolled in the Trust Fund group
7 life insurance plan, the Employer shall pay \$4.12 per month which reflects one
8 hundred percent (100%) of the monthly premium and any administrative fees.

9
10 C. Effective July 1, 2018

11
12 Subject to the applicable provisions of Chapter 87A and 89, Hawaii Revised
13 Statutes, effective July 1, 2018 for plan year 2018-2019, with the exception of
14 items C1a., C2a., C3a., and C4., which shall be the dollar amounts noted, the
15 Employer shall pay a specific dollar amount equivalent to sixty percent (60%) of
16 the final premium rates established by the Trust Fund Board for the respective
17 health benefit plan, plus sixty percent (60%) of any administrative fees.

18
19 1. The amounts paid by the Employer shall be based on the plan year
20 2018-2019 final monthly premium rates established by the Trust Fund for each
21 Employee-Beneficiary with no dependent-beneficiaries enrolled in the following
22 Trust Fund health plans:

- 23
24 a. Medical (PPO or HMO) (medical, drug, & chiro) \$368.50
25 b. Dental
26 c. Vision
27 d. Dual coverage (medical, drug & chiro)
28

1 The Employer shall pay the same monthly contribution for each member
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14 b, c, d; and C.3 b, c, d shall be rounded as described in item F. after the Trust
15 Fund Board formally establishes and adopts the final premium rates for Fiscal
16 Year 2018-2019.

17
18 G. If an agreement covering periods beyond the term of this Agreement is
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20 the same monthly contribution amounts paid in plan year 2018-2019 for the
21 Health Benefit Plan approved by the Trust Fund including any monthly
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