



STATE OF HAWAII
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

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TESTIMONY BY SANDRA YAHIRO
ADMINISTRATOR, HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE COMMITTEE ON LABOR & PUBLIC EMPLOYMENT
ON
HOUSE BILL NO. 916

February 10, 2015, 9:00 a.m.

RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Chair Nakashima, Vice Chair Keohokalole, and Members of the Committee:

The Hawaii Union-Employer Health Benefits Trust Fund (EUTF) Board of Trustees supports this bill. Over the past 18 months, the other post-employment benefits trust fund (OPEB Trust) managed by the EUTF Board of Trustees has more than doubled in size from \$314.8 million at June 30, 2013 to \$710.0 million at December 31, 2014. With the passage of Act 268, SLH 2013 that requires pre-funding of the OPEB Trust by the State and counties, the OPEB Trust is projected to grow to \$2.4 billion by July 1, 2019. To address the growth in the investable assets of the OPEB Trust, the EUTF Board of Trustees in consultation with their investment consultant, Pension Consulting Alliance (PCA), investigated introducing new asset classes to complement the existing U.S. and international equities, U.S. fixed income and real estate investment trust (REIT) asset classes. The EUTF staff discovered that

EUTF's Mission: We care for the health and well being of our beneficiaries by striving to provide quality benefit plans that are affordable, reliable, and meet their changing needs. We provide service that is excellent, courteous, compassionate, and informative.

two (covered calls and commodities) out of the three asset classes that the EUTF Board of Trustees were considering were not permissible under the existing EUTF statute, HRS 87A-24, that governs the investment of EUTF moneys. HRS 87A-24 references the Employees' Retirement System (ERS) of the State of Hawaii's statute, HRS 88-119, that governs permissible investment types. However, HRS 87A-24 only references certain sections of HRS 88-119 and not the entire section.

As the OPEB Trust grows, its asset allocation will begin to resemble that of the ERS. As such, the EUTF Board of Trustees requests that they be permitted to invest in the same asset classes of the ERS through the proposed amendment to HRS 87A-24.

Thank you for the opportunity to testify.