



DAVID Y. IGE  
GOVERNOR

**STATE OF HAWAII**  
**HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND**

P.O. BOX 2121  
HONOLULU, HAWAII 96805-2121  
Oahu (808) 586-7390  
Toll Free 1(800) 295-0089  
[www.eutf.hawaii.gov](http://www.eutf.hawaii.gov)

**BOARD OF TRUSTEES**  
CELESTE Y.K. NIP, *CHAIRPERSON*  
JULIA ZEGHMI, *VICE-CHAIRPERSON*  
AUDREY HIDANO, *SECRETARY-TREASURER*  
RODERICK BECKER  
LINDA CURRIVAN MUSTO  
WESLEY MACHIDA  
JAMES NISHIMOTO  
VIRGINIA PRESSLER  
CLIFFORD UWAIINE

**ADMINISTRATOR**  
DEREK M. MIZUNO

**ASSISTANT ADMINISTRATOR**  
DONNA A. TONAKI

**TESTIMONY BY DEREK MIZUNO**  
**ADMINISTRATOR, HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND**  
**DEPARTMENT OF BUDGET AND FINANCE**  
**STATE OF HAWAII**  
**TO THE HOUSE COMMITTEE ON FINANCE**  
**ON**  
**SENATE BILL NO. 2556, S.D. 1, H.D. 1**

April 5, 2016, 2:31 p.m.

**MAKING AN APPROPRIATION FOR THE ANNUAL REQUIRED CONTRIBUTION FOR  
THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND**

Chair Luke, Vice Chair Nishimoto, and Members of the Committee:

The Hawaii Employer-Union Health Benefits Trust Fund (EUTF) Board of Trustees has not taken a position on this bill. However, the Committee should be aware of the impact to the EUTF. Additional contributions above the Act 268 requirement for FY2017, 60% of the Annual Required Contribution (ARC), will reduce the ARC in the future. For example, the EUTF's actuary, Gabriel Roeder Smith & Company, compared the actual ARC for FY2017 and FY2018 calculated as part of July 1, 2015 actuarial valuation versus the expected ARC for those same years from the July 1, 2013 actuarial valuation. The State's actual ARC for FY2017 and FY2018 is \$744 million and \$770 million, respectively, as compared to the projected amount from the July 1, 2013 actuarial valuation of \$777 million and \$802 million, respectively. The decrease in the ARC of \$33 million and \$32 million is due to the State's contributions in FY2014 and

**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.

FY2015 in excess of the Act 268 requirement totaling \$134.4 million and positive health trend results reducing the actuarial accrued liability by \$332 million.

Thank you for the opportunity to submit testimony.



## HAWAII GOVERNMENT EMPLOYEES ASSOCIATION

AFSCME Local 152, AFL-CIO

RANDY PERREIRA, Executive Director • Tel: 808.543.0011 • Fax: 808.528.0922

The Twenty-Eighth Legislature, State of Hawaii  
House of Representatives  
Committee on Finance

Testimony by  
Hawaii Government Employees Association

April 5, 2016

S.B. 2556, S.D. 1, H.D. 1 – MAKING AN  
APPROPRIATION FOR THE ANNUAL REQUIRED  
CONTRIBUTION FOR THE HAWAII EMPLOYER-  
UNION HEALTH BENEFITS TRUST FUND

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO, opposes S.B. 2556, S.D. 1, H.D. 1, which makes an additional appropriation for the payment for the annual required contribution for the Hawaii Employer-Union Health Benefits Trust Fund (EUTF).

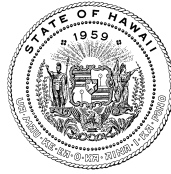
Although the current appropriation amount in S.B. 2556, S.D. 1, H.D. 1 is blanked out, we respectfully argue that the regimented payment structure as delineated in Act 268, Session Laws of Hawaii 2013, which requires each public employer to contribute 60% of the annual required contribution (ARC) for fiscal year 2016, is prudent policy that was rigorously vetted and should be followed. Making supplemental appropriations upward of hundreds of millions of dollars to address the ARC is overkill and at the direct expense of funding a myriad of critical state programs. Additionally, throughout this legislative session, we have consistently advocated to protect the retirement benefits of employees who will be adversely affected by the privatization of the Maui Region of the Hawaii Health Systems Corporation. Instead of permanently obligating hundreds of millions of general fund dollars into an irrevocable trust fund, our state budget must be nimble to meet critical needs now.

We respectfully implore the Committee to prioritize the needs of its current workforce and employees in the Maui Region, many of whom face uncertainty and economic hardship, before considering additional prefunding for future benefits. We respectfully request the Committee defer action on this measure.

Respectfully submitted,

Randy Perreira  
Executive Director

DAVID Y. IGE  
GOVERNOR



WESLEY K. MACHIDA  
DIRECTOR

RODERICK K. BECKER  
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM  
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
OFFICE OF THE PUBLIC DEFENDER

**STATE OF HAWAII  
DEPARTMENT OF BUDGET AND FINANCE**

P.O. BOX 150  
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE  
BUDGET, PROGRAM PLANNING AND  
MANAGEMENT DIVISION  
FINANCIAL ADMINISTRATION DIVISION  
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

**TESTIMONY BY WESLEY K. MACHIDA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE HOUSE COMMITTEE ON FINANCE  
ON  
SENATE BILL NO. 2556, S.D. 1, H.D. 1**

April 5, 2016  
2:31 p.m.

**MAKING AN APPROPRIATION FOR THE ANNUAL REQUIRED CONTRIBUTION FOR  
THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND**

Senate Bill No. 2556, S.D. 1, H.D. 1, appropriates an unspecified amount of general funds for FY 2016-17 to the Department of Budget and Finance for the payment of the annual required contribution (ARC) for the Hawaii Employer-Union Health Benefits Trust Fund (EUTF).

The Department of Budget and Finance supports the intent of this measure which will help in the payment of the State's ARC and reduce the EUTF's unfunded actuarial accrued liability (UAAL). It should be noted that the FY 17 Executive Supplemental Budget includes 100% of ARC payments, \$409,687,000, for other post-employment benefits pre-funding. Accelerating funding of the ARC to 100% in FY 17 instead of FY 19 will allow the State to reduce its ARC payment needs in the long term. Any additional appropriations that the Legislature would want to make to pay off the UAAL will be beneficial as well.