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



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 LABOR & PUBLIC EMPLOYMENT
ON
**SENATE BILL NO. 2556, S.D. 1**

March 15, 2016, 10:30 a.m.

RELATING TO THE INVESTMENTS OF THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Chair Nakashima, Vice Chair Keohokalole, 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

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.

DAVID Y. IGE
GOVERNOR

LATE

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 LABOR AND PUBLIC EMPLOYMENT
ON
SENATE BILL NO. 2556, S.D. 1

March 15, 2016
10:30 a.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, 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.

LATE

The House Committee on Labor & Public Employment
Tuesday, March 15, 2016
10:30 a.m., Room 309

**RE: AMENDED SB 2556, SD1 MAKING AN APPROPRIATION FOR THE ANNUAL REQUIRED CONTRIBUTION FOR THE HAWAII EMPLOYER-UNION BENEFITS TRUST FUND**

Attention: Chair Mark Nakashima, Vice Chair Jarrett Keohokalole and Members of the Committee

The University of Hawaii Professional Assembly (UHPA) urges the committee to
The University of Hawaii Professional Assembly (UHPA) **opposes the intent of SB 2556** that seeks to make an additional appropriation above the the required contribution towards the The Hawaii Employer-Union Health Benefits Trust Fund (EUTF).

This measure seeks to appropriate funds above and beyond those already in statute. Anything above and beyond the statutory requirement will be taking away funding from other high priority items facing our community, such as homelessness, educational programs, and infrastructure. This measure assumes that at some future date, there will be a rapid decline in the fiscal integrity of the EUTF or some sort of catastrophic event that will require the additional funding. There are far more pressing concerns for our community at this time.

UHPA **opposes the intent of SB 2556**.

Respectively submitted,

Kristeen Hanselman

Kristeen Hanselman
Executive Director

University of Hawaii
Professional Assembly

1017 Palm Drive ✦ Honolulu, Hawaii 96814-1928
Telephone: (808) 593-2157 ✦ Facsimile: (808) 593-2160
Website: www.uhpa.org

HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

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

AFSCME
LOCAL 152, AFL-CIO

LATE

The Twenty-Eighth Legislature, State of Hawaii
House of Representatives
Committee on Labor and Public Employment

Testimony by
Hawaii Government Employees Association

March 15, 2016

**S.B. 2556, S.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, 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 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 much needed state programs, such as homelessness, education, and infrastructure. 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 request the Committee defer action on this measure.

Respectfully submitted,

Randy Perreira
Executive Director

888 MILILANI STREET, SUITE 601 HONOLULU, HAWAII 96813-2991