

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON JUDICIARY AND LABOR
ON
SENATE BILL NO. 2556

February 11, 2016

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

Senate Bill No. 2556 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 this measure which will help in the payment of the State's ARC and reduce the EUTF's unfunded actuarial accrued liability (UAAL). Although Act 268, SLH 2013, requires ARC funding of 60% for FY 17, 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, and any additional appropriations to pay off the UAAL will be beneficial as well.



DAVID Y. IGE
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TESTIMONY BY DEREK MIZUNO
ADMINISTRATOR, HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON JUDICIARY AND LABOR
ON
SENATE BILL NO. 2556

February 11, 2016, 9:00 a.m.

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

Chair Keith-Agaran, Vice Chair Shimabukuro, and Members of the Committee:

The Hawaii Employer-Union Health Benefits Trust Fund (EUTF) Board of Trustees has not had an opportunity to take 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

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.

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 testify.



The Senate Committee on Judiciary and Labor
Thursday, February 11, 2016
9:00 a.m., Room 016

RE: SB 2556, Making An Appropriation For The Annual Required Contribution for The Hawaii Employer-Union Health Benefits Trust Fund

Attention: Chair Gilbert Keith-Agaran, Vice Chair Maile Shimabukuro and Members of the Committee

The University of Hawaii Professional Assembly (UHPA) **supports the passage** of **SB 2556** that seeks to appropriate the required contribution towards the The Hawaii Employer-Union Health Benefits Trust Fund (EUTF).

The EUTF provides medical, drug, vision, dental, chiropractic and life benefits for both active and retired beneficiaries of the trust fund. UHPA supports the appropriate funding of the trust fund to ensure that these benefits continue to be available to all EUTF beneficiaries.

UHPA supports the passage of SB 2556.

Respectively submitted,

Kristeen Hanselman
Executive Director

**University of Hawaii
Professional Assembly**