



STATE OF HAWAII
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

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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 HOUSE COMMITTEE ON FINANCE
ON
SENATE BILL NO. 2838 S.D.1

March 30, 2016, 2:00 p.m.

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

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

The Hawaii Union-Employer Health Benefits Trust Fund (EUTF) Board of Trustees strongly supports this bill. Over the past 30 months, the other post-employment benefits trust fund (OPEB Trust) managed by the EUTF Board of Trustees has more than tripled in size from \$314.8 million at June 30, 2013 to \$1.0 billion at December 31, 2015. 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 increase to \$7.4 billion within the next 10 years. 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), has been investigating new asset classes (e.g. covered calls, commodities, private real estate and private equity) to complement the existing U.S. and international equities, U.S. fixed income and U.S. real estate investment trust (REIT) asset classes. Through this process, the EUTF

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.

discovered that the majority of these new asset classes are 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 ERS' 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 should begin to resemble that of the ERS. As such, the EUTF Board of Trustees requests that the EUTF 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.



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION

AFSCME Local 152, AFL-CIO

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

Testimony by
Hawaii Government Employees Association

March 30, 2016

**S.B. 2838, S.D. 1 – RELATING TO INVESTMENTS
OF THE HAWAII EMPLOYER-UNION
HEALTH BENEFITS TRUST FUND**

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO strongly supports the purpose and intent of S.B. 2838, S.D. 1, which repeals certain restrictions on investments that can be made by the Hawaii Employer-Union Health Benefits Trust Fund. The other post-employment benefit fund is anticipated to grow as the state and counties increase their prefunding contributions. Allowing the EUTF the flexibility to invest their funds in a similar fashion as the Employees' Retirement System will maximize the fund's returns and assist in curbing the unfunded liability.

Thank you for the opportunity to testify in strong support of S.B. 2838, S.D. 1.

Respectfully submitted,

for Randy Perreira
Executive Director