



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

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 UWAINE
VACANT

ADMINISTRATOR
DEREK M. MIZUNO

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. 2838

February 5, 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 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 staff

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 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.



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
The Senate
Committee on Judiciary and Labor

Testimony by
Hawaii Government Employees Association

February 5, 2016

**S.B. 2838 – 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, 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.

Respectfully submitted,

Randy Perreira
Executive Director