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GOVERNOR

**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 SENATE COMMITTEE ON WAYS AND MEANS  
ON  
**SENATE BILL NO. 2838**

February 17, 2016, 9:15 a.m.

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

Chair Tokuda, Vice Chair Dela Cruz, 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

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estate investment trust (REIT) asset classes. Through this process, the EUTF staff 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 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.