

DAVID Y. IGE
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EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

**STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE**

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ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY
TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON JUDICIARY AND LABOR
ON
SENATE BILL NO. 103

**February 9, 2017
9:05 a.m.
Room 016**

RELATING TO THE DISPOSITION OF EXCESS GENERAL FUNDS AUTHORIZED
UNDER ARTICLE VII, SECTION 6, OF THE CONSTITUTION OF THE STATE OF
HAWAII

Senate Bill No. 103 implements the State constitutional amendment of Senate Bill No. 2554 of the Regular Session of 2016 that was ratified on November 8, 2016, and authorizes the disposition of excess general fund revenues to pre-pay general obligation bond debt service or pension or other post-employment benefit liabilities.

The Department of Budget and Finance supports the implementation of this State constitutional amendment.

Thank you for your consideration of our comments.

DAVID Y. IGE
GOVERNOR



THOMAS WILLIAMS
EXECUTIVE DIRECTOR

KANOE MARGOL
DEPUTY EXECUTIVE DIRECTOR

STATE OF HAWAII
EMPLOYEES' RETIREMENT SYSTEM

TESTIMONY BY THOMAS WILLIAMS
EXECUTIVE DIRECTOR, EMPLOYEES' RETIREMENT SYSTEM
STATE OF HAWAII

TO THE SENATE COMMITTEE ON JUDICIARY AND LABOR
ON

SENATE BILL NO. 103

FEBRUARY 9, 2017, 9:00 A.M.
Room 016

RELATING TO THE DISPOSITION OF EXCESS GENERAL FUNDS AUTHORIZED UNDER
ARTICLE VII, SECTION 6, OF THE CONSTITUTION OF THE STATE OF HAWAII

Chair Keith-Agaran, Vice Chair Rhoads and Members of the Committee,

S.B. 103 establishes a statute to implement the amendment to the Constitution of the State of Hawaii resulting from S.B. 2554 which was passed during the regular session of 2016 and ratified on November 8, 2016.

S.B. 103 would expand the available uses for excess revenue to include payment of unfunded pension liabilities and/or debt service on the State's general obligation and would establish an additional pension funding source with the potential of reducing the long-term costs to taxpayers of paying for benefits which have already been earned and are protected by the State Constitution.

Maintaining the funding path progress of the Employees' Retirement System (ERS) is a strategic priority for its Board of Trustees as it seeks to reduce the financial burden to future generations of taxpayers while ensuring that its obligations are met to the more than 120,000 plan members and beneficiaries. As of June 30, 2016, the ERS has an unfunded liability of \$12.4 billion, a funded ratio of 54.7% and a 66-year funding period. The ERS Board appreciates the cooperative effort between the state administration, legislature and the citizens



Employees' Retirement System
of the State of Hawaii

of the State of Hawaii in ratifying the S.B. 2554 amendment to the State Constitution and supports this proposal.

On behalf of the Board of Trustees and staff of ERS we wish to thank you for the opportunity to testify.



DAVID Y. IGE
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 JUDICIARY AND LABOR
ON SENATE BILL NO. 103

February 9, 2017
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Chair Keith-Agaran, Vice Chair Rhoads, 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. The EUTF Board's next meeting is February 21, 2017.

EUTF staff would like to suggest a change in the wording of the bill. In accordance with Chapter 87A-42, Hawaii Revised Statutes (HRS), beginning in fiscal year 2018-2019, the State and counties are required to contribute 100% of the annual required contribution (ARC) related to the other post-employment benefits. As noted in Chapter 87A-42, HRS, the ARC is comprised of the normal cost and an amortization payment to pay down the unfunded actuarial accrued liability over thirty years, which is projected by the EUTF's actuary through June 30, 2044. Therefore, any additional

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 informed service that is excellent, courteous, and compassionate.

payments to pay down the unfunded actuarial accrued liability will not reduce the amortization period but will reduce the future ARC amounts. We request an amendment to Section 2, page 3, lines 18-20 as follows:

“...in order to reduce future annual required contributions to amortize the unfunded other post-employment liability of the State ~~earlier than scheduled at the time of the appropriation.~~”

Thank you for the opportunity to testify.

From: mailinglist@capitol.hawaii.gov
To: [JDLTestimony](#)
Cc:
Subject: *Submitted testimony for SB103 on Feb 9, 2017 09:05AM*
Date: Tuesday, February 7, 2017 9:32:02 AM

SB103

Submitted on: 2/7/2017

Testimony for JDL on Feb 9, 2017 09:05AM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
robert	Individual	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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