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GOVERNOR



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STATE OF HAWAII
EMPLOYEES' RETIREMENT SYSTEM

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

TO THE HOUSE COMMITTEE ON FINANCE
ON

SENATE BILL NO. 133, S.D. 2, H.D. 1

MARCH 31, 2017, 3:00 P.M.

RELATING TO PUBLIC EMPLOYEES' FRINGE BENEFITS

Chair Luke, Vice Chair Cullen and Members of the Committee,

Section 3 of S.B. 133, H.D. 1 proposes to amend section 88-105, HRS, to change the frequency of experience studies by the ERS actuary from its current maximum review period of five years.

The ERS Board of Trustees, at its January 9, 2017 meeting discussed the near-term utility of more frequent actuarial experience studies and agreed in principle to have the actuarial experience study to be performed at a minimum of every two to three years for such future period as it deemed necessary.

The Board supports the intent of this proposal; however, it views section 88-105, HRS, as establishing the maximum period between experience studies and believes it has the authority, and will use it, to order more frequent studies as deemed appropriate by existing economic and demographic circumstances. The ERS board respectfully requests that they continue to be allowed the discretion to order such reports more frequently than currently authorized by statute.

Thank you for the opportunity to testify.



Employees' Retirement System
of the State of Hawaii

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 HOUSE COMMITTEE ON FINANCE
ON SENATE BILL NO. 133 S.D. 2, H.D. 1

March 31, 2017
3:00 p.m.
Room 308

RELATING TO PUBLIC EMPLOYEES' FRINGE BENEFITS

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

The Hawaii Employer-Union Health Benefits Trust Fund (EUTF) Board of Trustees has not taken a position on this bill.

EUTF staff would like to provide comments on the bill. Currently, the EUTF conducts actuarial valuations every other year (i.e. every odd numbered year, with the next actuarial valuation scheduled as of July 1, 2017) and relies on the Employees' Retirement System of the State of Hawaii's (ERS) assumptions related to mortality, projected retirements, inflation, etc. Assumptions specific to the EUTF such as health care trend, investment return, plan selection (i.e. PPO, HMO or Medicare Advantage) and tier selection (i.e. single, two party or family) are updated with each actuarial valuation. The one assumption specific to the EUTF that is not updated during the actuarial valuation is the retiree participation rate. The update of this assumption can

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be incorporated into the actuarial valuation and an additional, separate experience study is not necessary.

Additionally, the projected cost, which is shared by the employers, for annual valuations is estimated to be \$100,000 greater over a two-year period than valuations every other year with off cycle year updates.

Thank you for the opportunity to testify.