

SB 133, SD2

RELATING TO PUBLIC EMPLOYEES'
FRINGE BENEFITS.

LAB, FIN

SB133 SD2



Submit Testimony

Measure Title: RELATING TO PUBLIC EMPLOYEES' FRINGE BENEFITS.

Report Title: ERS; EUTF; Experience Studies; Valuation Reports

Description: Requires the EUTF's actuary to prepare a valuation report annually. Requires the annual valuation to include an update of assumptions specific to the fund that are not updated pursuant to section 88-105, HRS, as deemed necessary by the actuary at least once in each three-year period. Reduces the maximum period between experience studies of the ERS from five years to three years. Effective 1/7/2059. (SD2)

Companion:

Package: None

Current Referral: LAB, FIN

Introducer(s): TOKUDA

<u>Sort by Date</u>		Status Text
1/20/2017	S	Introduced.
1/20/2017	S	Passed First Reading.
1/20/2017	S	Referred to JDL, WAM.
2/3/2017	S	The committee(s) on JDL has scheduled a public hearing on 02-09-17 9:05AM in conference room 016.
2/9/2017	S	The committee(s) on JDL recommend(s) that the measure be PASSED, WITH AMENDMENTS. The votes in JDL were as follows: 5 Aye(s): Senator(s) Keith-Agaran, K. Rhoads, Gabbard, Kim, L. Thielen; Aye(s) with reservations: none ; 0 No(es): none; and 0 Excused: none.
2/15/2017	S	Reported from JDL (Stand. Com. Rep. No. 248) with recommendation of passage on Second Reading, as amended (SD 1) and referral to WAM.
2/15/2017	S	Report adopted; Passed Second Reading, as amended (SD 1) and referred to WAM.

2/17/2017	S	The committee(s) on WAM has scheduled a public hearing on 02-22-17 9:30AM in conference room 211.
2/22/2017	S	The committee(s) on WAM recommend(s) that the measure be PASSED, WITH AMENDMENTS. The votes in WAM were as follows: 11 Aye(s): Senator(s) Tokuda, Dela Cruz, English, Galuteria, Harimoto, Inouye, K. Kahele, Riviere, Shimabukuro, Taniguchi, Wakai; Aye(s) with reservations: none ; 0 No(es): none; and 0 Excused: none.
3/3/2017	S	Reported from WAM (Stand. Com. Rep. No. 765) with recommendation of passage on Third Reading, as amended (SD 2).
3/3/2017	S	48 Hrs. Notice 03-07-17.
3/7/2017	S	Report adopted; Passed Third Reading, as amended (SD 2). Ayes, 25; Aye(s) with reservations: none . Noes, 0 (none). Excused, 0 (none). Transmitted to House.
3/7/2017	H	Received from Senate (Sen. Com. No. 86) in amended form (SD 2).
3/9/2017	H	Pass First Reading
3/9/2017	H	Referred to LAB, FIN, referral sheet 27
3/13/2017	H	Bill scheduled to be heard by LAB on Thursday, 03-16-17 9:00AM in House conference room 309.

A BILL FOR AN ACT

RELATING TO PUBLIC EMPLOYEES' FRINGE BENEFITS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The purpose of this Act is to address public
2 employees' fringe benefits.

3 More specifically, this Act:

4 (1) Requires the actuary of the Hawaii employer-union
5 health benefits trust fund to make an annual valuation
6 of the assets and liabilities of the fund that
7 includes an update of assumptions specific to the fund
8 at least once in each three year period; and

9 (2) Reduces the maximum period between experience studies
10 of the public employees' retirement system from five
11 years to three years.

12 The legislature notes that section 88-105, Hawaii Revised
13 Statutes, presently requires annual valuation reports for the
14 system.

15 The legislature finds that the State's and counties'
16 liabilities and obligations for the pension and health insurance
17 coverage of public employees are of major concern. State and



1 county contributions as employers for the normal cost and
2 unfunded liability amortization of the public employees'
3 retirement system and Hawaii employer-union health benefits
4 trust fund are increasing. The legislature finds that more
5 frequent monitoring of the experience and valuations of the
6 retirement system and trust fund is necessary to properly plan
7 future state and county budgetary needs.

8 SECTION 2. Chapter 87A, Hawaii Revised Statutes, is
9 amended by adding a new section to part III to be appropriately
10 designated and to read as follows:

11 "§87A- Actuarial investigation; valuations. Beginning
12 on July 1, 2017, the actuary retained by the board pursuant to
13 section 87A-42 shall make an annual valuation of the assets and
14 liabilities of the fund based on tables and other factors
15 adopted by the board annually. The annual valuation shall
16 include an update of assumptions specific to the fund that are
17 not updated pursuant to section 88-105, as deemed necessary by
18 the actuary at least once in each three-year period."

19 SECTION 3. Section 88-105, Hawaii Revised Statutes, is
20 amended by amending subsection (a) to read as follows:



1 "(a) At least once in each [~~five-year~~] three-year period,
2 commencing with fiscal year [~~1994-1995,~~] 2018-2019, the actuary
3 shall make an actuarial investigation of the experience of the
4 system and shall recommend to the board of trustees the adoption
5 for actuarial valuation of the system of mortality, service, and
6 other assumptions, factors, and tables as shall be deemed
7 appropriate and necessary. The actuary shall further recommend
8 the acceptable funded ratio for the system, taking into
9 consideration the guaranties of article XVI, section 2 of the
10 state constitution, section 88-107, and section 88-127."

11 SECTION 4. Statutory material to be repealed is bracketed
12 and stricken. New statutory material is underscored.

13 SECTION 5. This Act shall take effect on January 7, 2059.



Report Title:

ERS; EUTF; Experience Studies; Valuation Reports

Description:

Requires the EUTF's actuary to prepare a valuation report annually. Requires the annual valuation to include an update of assumptions specific to the fund that are not updated pursuant to section 88-105, HRS, as deemed necessary by the actuary at least once in each three-year period. Reduces the maximum period between experience studies of the ERS from five years to three years. Effective 1/7/2059. (SD2)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.





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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 LABOR & PUBLIC EMPLOYMENT
ON HOUSE BILL NO. 133 S.D. 2

March 16, 2017
9:00 a.m.
Room 309

RELATING TO PUBLIC EMPLOYEES' FRINGE BENEFITS

Chair Johanson, Vice Chair Holt, 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 not updated during the actuarial valuation is the retiree participation rate. The update of this assumption can be incorporated into the actuarial valuation and an additional, separate experience study is not necessary.

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.

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.

SB 133, SD2
Late Testimony