

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. 133**

**FEBRUARY 9, 2017, 9:00 A.M.**

**RELATING TO PUBLIC EMPLOYEES' FRINGE BENEFITS**

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

The purpose of S.B. 133 is to establish more frequent monitoring of the experience and valuations of the Employees' Retirement System (ERS) and the Employer Union Health Benefits Trust Fund in order to properly plan future state and county budgetary needs. The ERS actuary currently prepares an annual valuation report of the funding status of the System as of June 30 of each year. In addition, an experience study of the ERS is currently performed by the actuary at a minimum of every five years.

S.B. 133 would amend section 88-105 to increase the frequency of these experience studies by the actuary to be done every three years. The ERS Board of Trustees, at its January 9, 2017 meeting agreed in principle to have the actuarial experience study to be performed at a minimum of every three years for such future period as was deemed necessary.

Although the ERS Board of Trustees has not had the opportunity to review S.B. 133 they have, as noted above, discussed the near-term benefits of more frequent actuarial experience studies. The Board supports the intent of this proposal; however, they have consistently maintained the position that the authority to make decisions such as these, should reside with the board and fall under its fiduciary responsibility.

Thank you for the opportunity to testify.



Employees' Retirement System  
of the State of Hawaii



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. 133**

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

**RELATING TO PUBLIC EMPLOYEES' FRINGE BENEFITS**

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 provide comments on the bill and suggest a change in the wording of 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, workforce size, etc. Assumptions specific to the EUTF such as health care trend, investment return, plan choices (i.e. PPO, HMO or Medicare Advantage) and tier choices (i.e. single, two party or family) are updated with each actuarial valuation. The one assumption not

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updated during the actuarial valuation is the retiree participation rate. This update can be incorporated into the actuarial valuation.

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

We request Section 2 for 87A- be replaced with the following:

"Actuarial investigation, valuations. The actuary shall make an annual valuation of the assets and liabilities of the fund based on such tables and other factors the board has adopted annually beginning July 1, 2017. The annual valuation shall include an update of assumptions specific to the fund that are not updated under Section 88-105, HRS as deemed necessary by the actuary at least once in each three-year period beginning July 1, 2017."

Thank you for the opportunity to testify.