



STATE OF HAWAII
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
201 MERCHANT STREET, SUITE 1700
HONOLULU, HAWAII 96813
Oahu (808) 586-7390
Toll Free 1(800) 295-0089
www.eutf.hawaii.gov

BOARD OF TRUSTEES
CHRISTIAN FERN, CHAIRPERSON
JAMES WATARU, VICE-CHAIRPERSON
RODERICK BECKER
DAMIEN ELEFANTE
JACQUELINE FERGUSON-MIYAMOTO
AUDREY HIDANO
SCOTT KAMI
WESLEY MACHIDA
CELESTE Y.K. NIP
OSA TUI

ADMINISTRATOR
DEREK M. MIZUNO

ASSISTANT ADMINISTRATOR
DONNA A. TONAKI

TESTIMONY BY DEREK MIZUNO
ADMINISTRATOR, HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEES ON LABOR, CULTURE AND THE ARTS,
AND JUDICIARY
ON SENATE BILL NO. 3072

February 10, 2022
10:31 a.m.
Via Videoconference

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

Chairs Taniguchi and Rhoads, Vice Chairs Ihara and Keohokalole, and Members of the
Committees:

The Hawaii Employer-Union Health Benefits Trust Fund (EUTF) Board of Trustees
strongly supports this bill. The EUTF Board believes that this change provides the EUTF
with the best opportunity to maximize returns without prudent levels of risk and aligns with
the employees' retirement system of the State of Hawaii.

The intent of this bill is to help preserve EUTF's ability to generate strong investment
returns. In order to address the State and counties' unfunded liabilities (\$10.5 billion and \$8.1
billion in the aggregate and for the State, respectively at July 1, 2021 with funded ratios of
33.6% and 30.0%, respectively), through investment returns instead of increasing
contributions, the EUTF must compete with global institutional investors for the opportunity to
invest in high quality, high-yield private alternative investments. Such investments require
significant amount of time and money to identify and analyze and access to them is becoming
increasingly more competitive. The alternative investment fund information is proprietary and

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.

confidential. If the EUTF is required to disclose such confidential information, some high-performing alternative investment funds may likely not allow EUTF investment in their fund for concerns that their commercial and trade secrets will be disclosed to the public. If the EUTF had to settle for median performing funds instead of top quartile funds (median difference of 7.4% over a 20-year period), it could result in over \$50 million of lost annual investment income. This issue will put the generation of strong performance and the paydown of EUTF's unfunded liabilities at risk.

Thank you for the opportunity to testify.

OFFICE OF INFORMATION PRACTICES

STATE OF HAWAII
NO. 1 CAPITOL DISTRICT BUILDING
250 SOUTH HOTEL STREET, SUITE 107
HONOLULU, HAWAII 96813
TELEPHONE: 808-586-1400 FAX: 808-586-1412
EMAIL: oiip@hawaii.gov

To: Senate Committees on Labor, Culture and the Arts and on Judiciary

From: Cheryl Kakazu Park, Director

Date: February 10, 2022, 10:31 a.m.
State Capitol, Via Videoconference

Re: Testimony on S.B. No. 3072
Relating to the Hawaii Employer-Union Health Benefits Trust Fund
Investments

Thank you for the opportunity to submit testimony on this bill, which would allow the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) to withhold specified types of alternative investment fund information from public disclosure under chapter 92F, HRS, the Uniform Information Practices Act (UIPA). The Office of Information Practices (OIP) takes no position on this bill, but offers comments.

This bill would allow EUTF to withhold from public disclosure the same type of alternative investment fund information that the Employees' Retirement System (ERS) is already allowed to withhold under Act 71 of 2021. OIP did not object to the exemption to disclosure for the specified alternative investment fund information for ERS, and does not object to allowing EUTF to withhold the same information, because OIP believes the listed categories of records relating to alternative investments that would be statutorily exempted by this bill are reasonably limited and specific and are consistent with the UIPA's generally applicable exceptions to disclosure. The records to be protected would likely fall

under the UIPA's frustration exception to disclosure in any case, so this bill would not restrict public access to records that have historically been public under the UIPA. OIP further recognizes that having a specific statutory exemption will give confidence to alternative investments that EUTF will not be required to publicly release their confidential information.

Thank you for considering OIP's testimony.