State of Hawaii Employer-Union Trust Fund
Postemployment Benefits Other than Pensions

July 1, 2009 Actuarial Valuation

Final Results – EUTF Board Briefing
May 18, 2011

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Retirement Practice

Agenda

Section 1: Background

- Other Postemployment Benefit (OPEB) Programs
  - EUTF
  - HSTA VEBA (separate valuation, combined in future) – sunset in 2010

- GASB Statements
  - GASB 43 (EUTF) and GASB 45 (Employers)
  - Accrual basis accounting for Employers
  - Effect of Statements
    - EUTF – Footnote regarding unfunded liability, effective June 30, 2007
    - Employers - annual accrual, effective fiscal year ending June 30, 2008

- EUTF Valuation
  - Based on GASB rules for Agent Multiple Employer Plans
  - Employer actuarial liabilities
    - Based on own employees (as opposed to cost sharing)
  - Employer annual costs
    - Dependent on funding levels of each respective employer
    - Required by statute to be at least equal to pay-as-you-go

Section 1: Background (cont.)

- EUTF Reporting
  - Minimal
  - Footnote disclosure

- Employer Reporting
  - Financial Statement Information
    - Annual Required Contributions (ARC) – actuarially determined annual cost
    - Annual OPEB Cost (AOC) – annual income statement expense
    - Net OPEB Obligation (NOO) – balance sheet liability; AOC less contributions
  - FYE 2010 Accounting (provided July 2010)
    - July 1, 2007 valuation basis (2009 for State)
    - Pay-as-you-go and pre-funding contributions from EUTF
  - FYE 2011 Accounting (provided October 2010 to March 2011)
    - July 1, 2009 valuation
  - FYE 2012 Accounting
    - July 1, 2009 valuation projections
  - FYE 2013 and 2014 Accounting
    - July 1, 2011 valuation

Section 1: Background (cont.)

- 2009 Valuation – Timeline of Events
  - Preliminary Valuation Results – September 2010
    - EUTF Board briefing
    - Employer Meetings
  - Employer Confirmations – October 2010 to March 2011
    - Contribution amounts – pay-as-you-go and prefunding from EUTF
    - Funding policy / discount rate – future funding expectation
    - Amortization methodology
  - Final Reports Issued – October 2010 to March 2011
    - Based on Employer confirmations

Section 2: Funding Impact

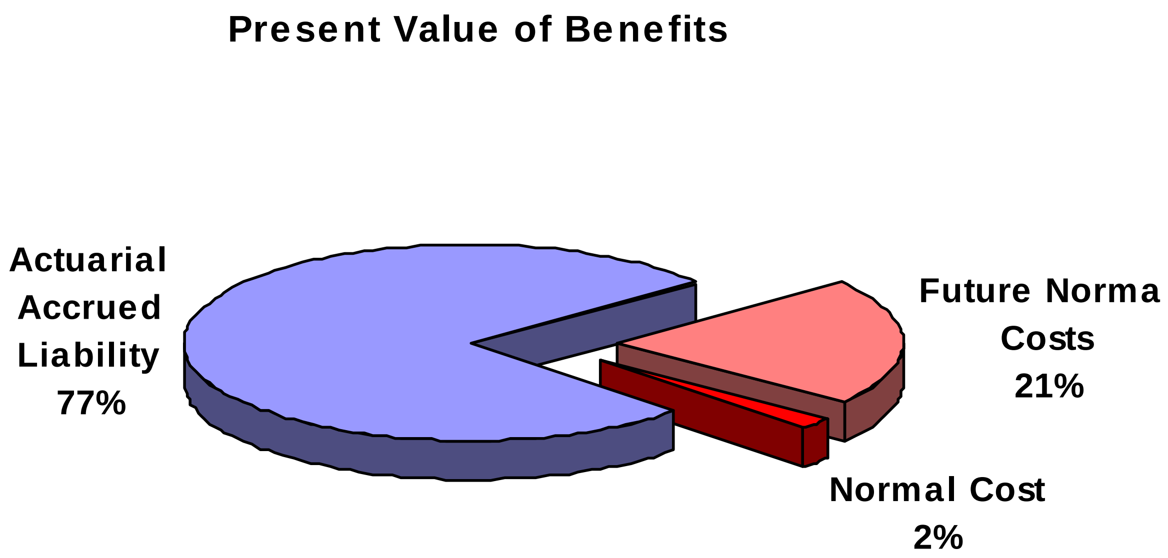
- Discount Rate Basis – Expected long-term yield on investments used to finance OPEB
  - Unfunded plans (i.e., pay-as-you-go) – based on employer assets
  - Pre-funded plans – based on plan investments

- Pre-funding enables use of higher discount rates

- Hawaii EUTF Assumptions
  - Unfunded plan – 4.0% / 5.0% (Employer assets)
  - Pre-funded plan - 7.0% (EUTF target investment return)
  - Assumption varies for each respective employer
    - Dependent upon employer’s assets and funding policy

Section 3: Actuarial Liabilities

- Present Value of Benefits – past and future service
- Actuarial Accrued Liabilities – past service
- Future Normal Costs – future service
  - Normal cost is NOT pay-as-you-go amount

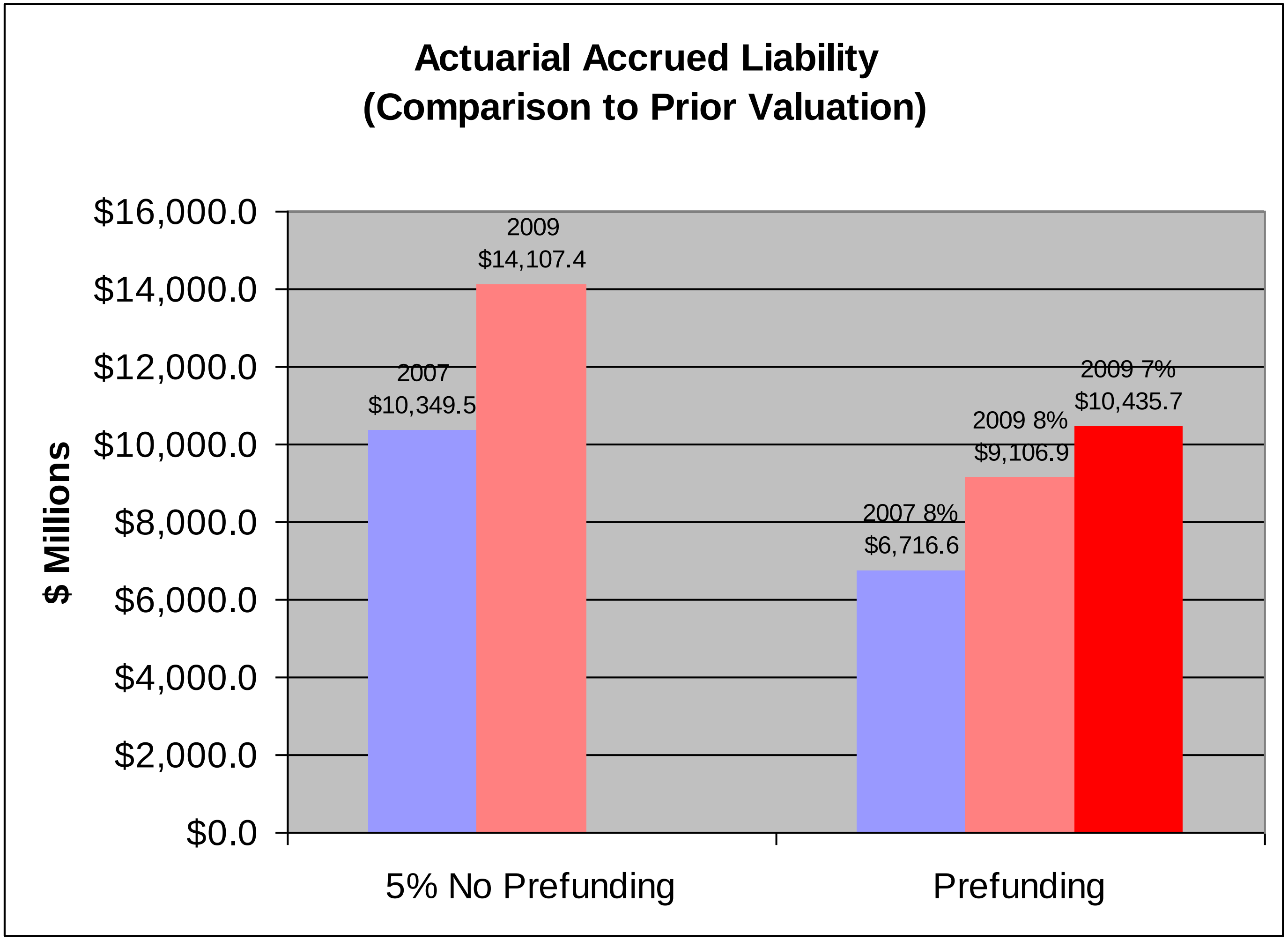


Section 3: Actuarial Liabilities (cont.)

- Why are liabilities so big?
  - Almost 100,000 members (38,000 retirees, plus actives and other eligible)
    - More with HSTA VEBA
  - 20+ years of coverage
  - $10,000+ annual costs

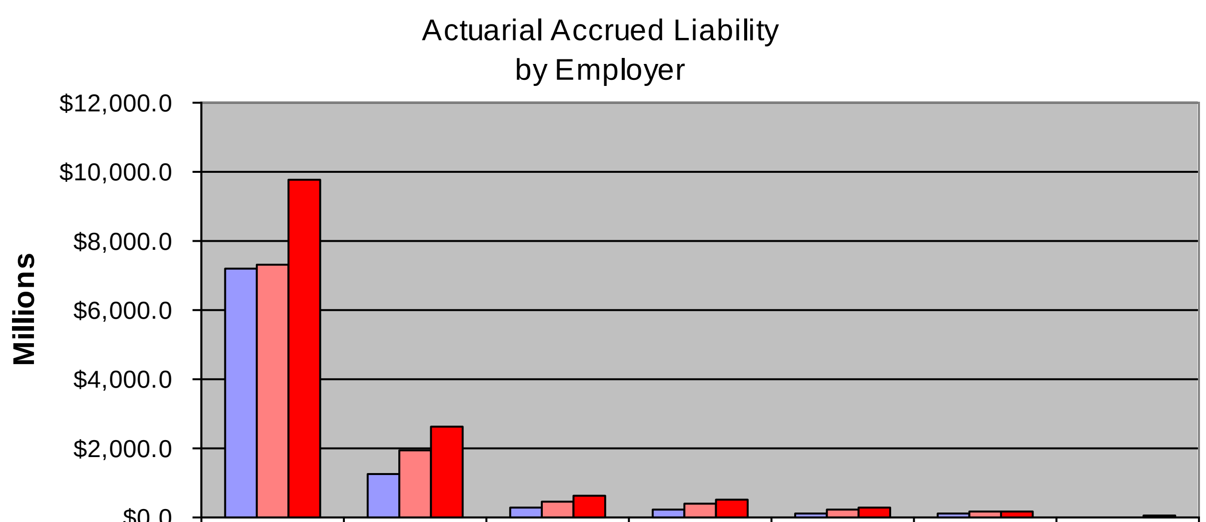
- Comparison to Prior Valuation
  - Actuarial liabilities grow due to:
    - Participants earn additional benefits
    - Decrease in discounting period
  - Healthcare costs
    - Increases greater than assumed
    - Future trend updated
  - Discount rate
    - EUTF Investments (funded) – 7% target return (8% prior valuation)
    - State discount rate (unfunded) – 4% target return (5% prior valuation)

Section 3: Actuarial Liabilities (cont.)



Section 3: Actuarial Liabilities (cont.)

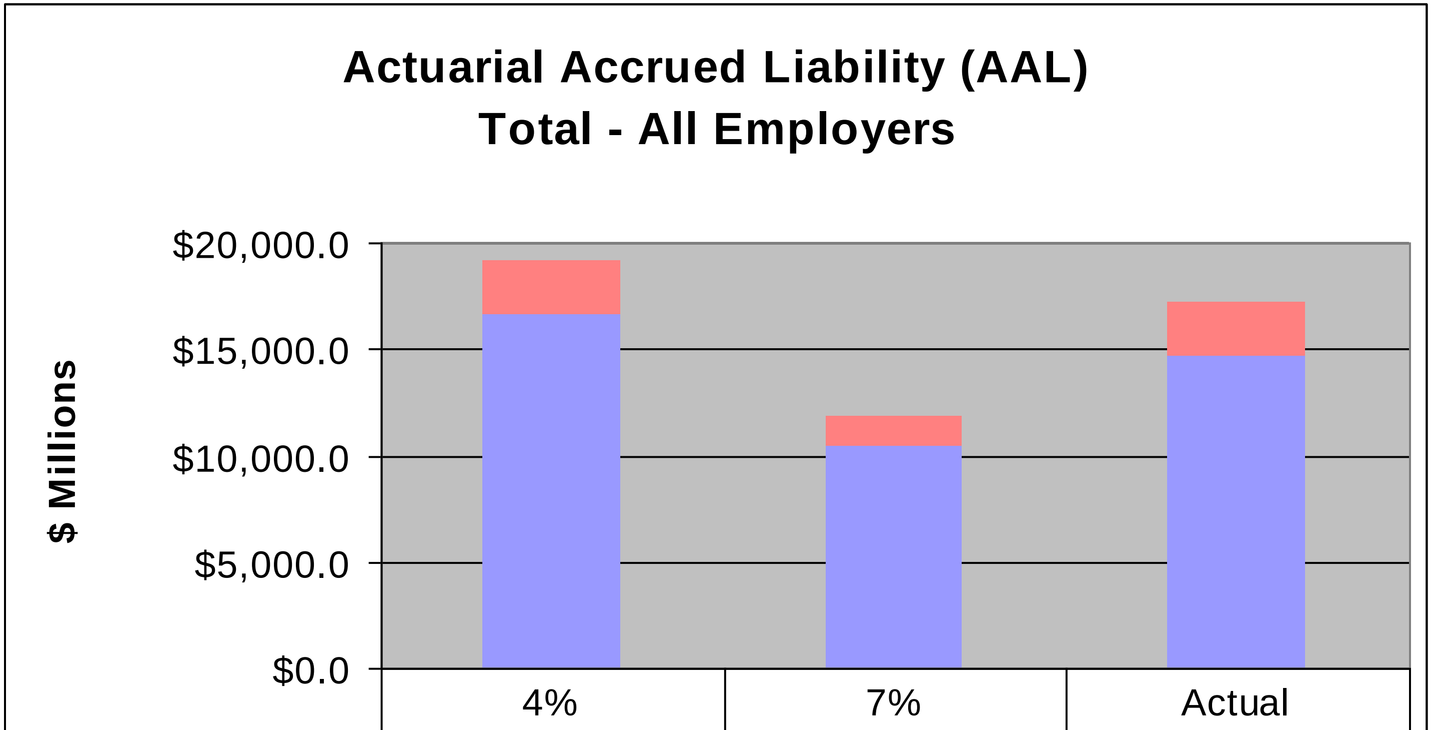
- 2007 actual (5% or 8%) - $9,194.3 million
- 2009 Pre-funded (7%) - $10,435.7 million
- 2009 Unfunded (5%) - $14,107.4 million



	State of Haw aii	City & County of Honolulu	County of Haw aii	County of Maui	County of Kauai	Board of Water Supply - Honolulu	Haw aii Department of Water Supply
2007 actual	$7,192.3	$1,242.3	$275.8	$232.9	$139.6	$94.2	$17.2
2009 - 7%	$7,296.9	$1,924.9	$439.2	$382.8	$220.6	$143.3	$27.9
2009 - 5%	$9,797.8	$2,636.7	$605.6	$534.2	$303.4	$191.8	$38.0

Section 3: Actuarial Liabilities (cont.)

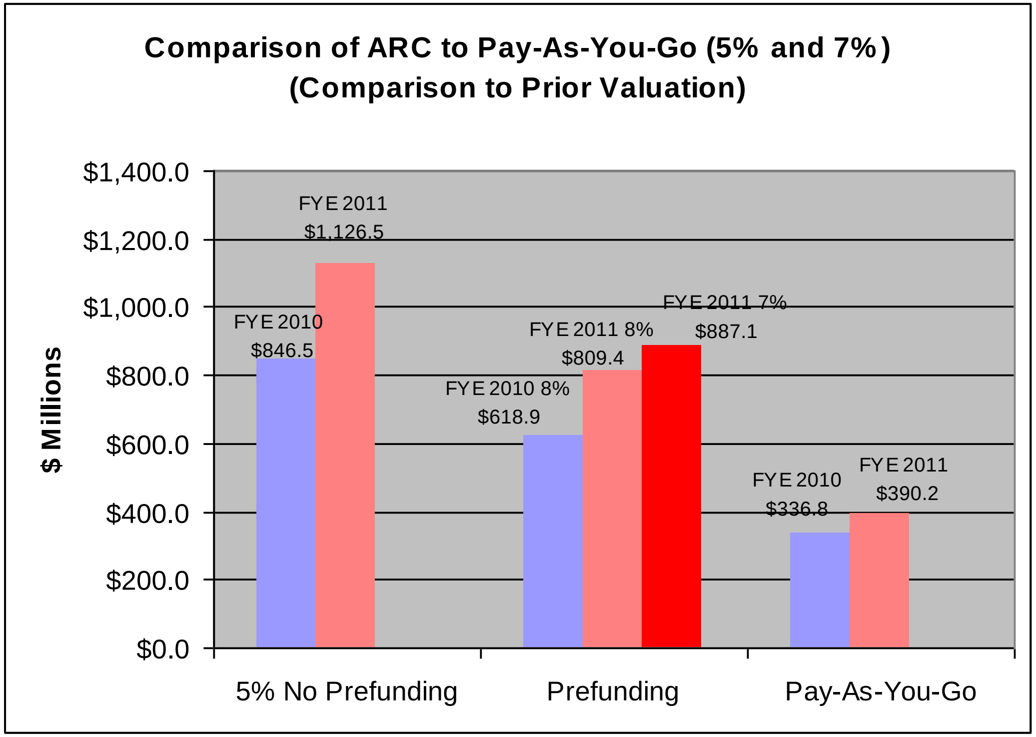
- This chart includes EUTF and HSTA VEBA (included in plan for next valuation)



	4%	7%	Actual
Total	$19,142.5	$11,864.0	$17,146.3
HSTA VEBA	$2,484.2	$1,428.3	$2,484.2
EUTF	$16,658.3	$10,435.7	$14,662.1

Section 4: Annual Required Contribution

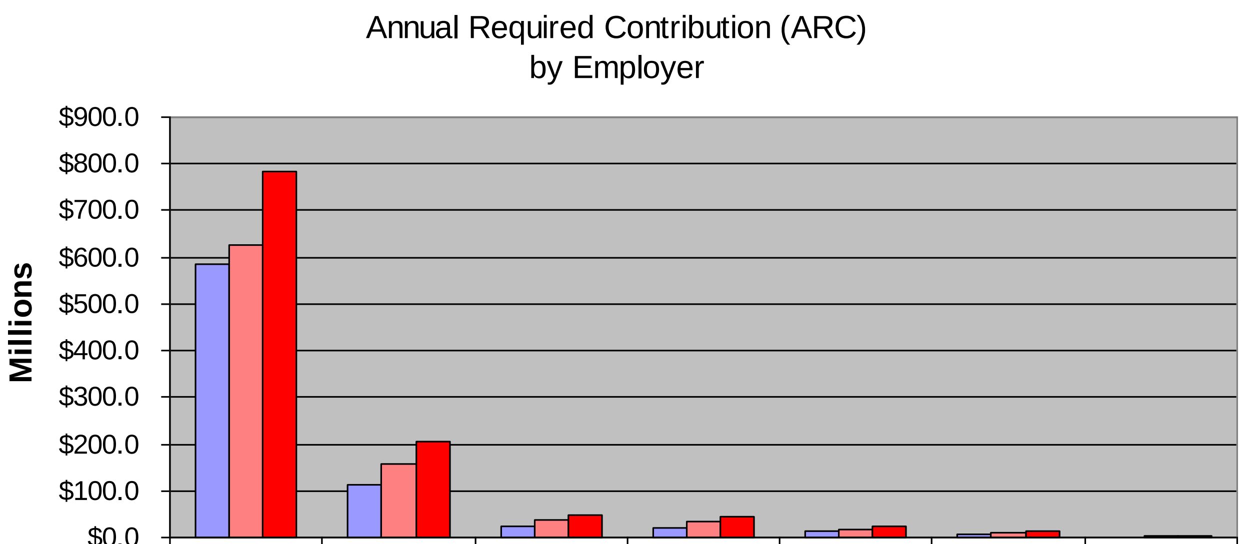
- Sum of:
  - Unfunded AAL Amortization – past service payment
  - Normal Costs – future service payment
- 2 – 3 times pay-as-you-go amount



- Costs are in addition to current payments for active employee coverage
- ARC based on prior valuation amortization method

Section 4: Annual Required Contribution (cont.)

- 2010 actual (5% or 8%) - $767.6 million
- 2011 Pre-funded (7%) - $887.0 million
- 2011 Unfunded (5%) - $1,126.5 million

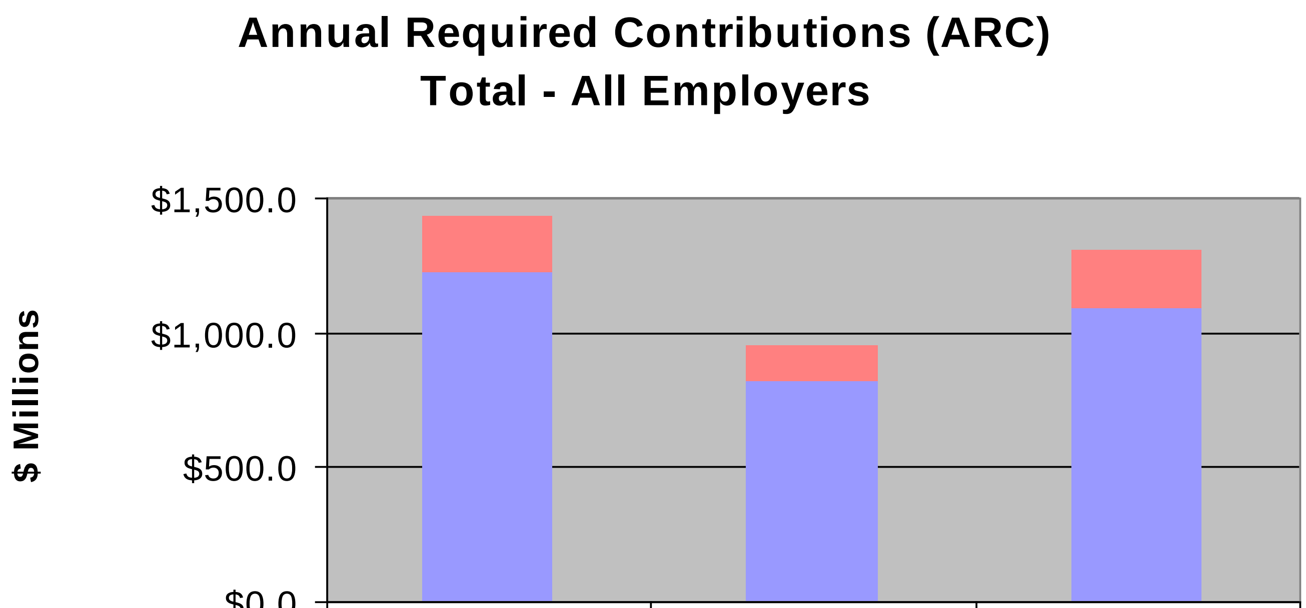


	State of Hawaii	City & County of Honolulu	County of Hawaii	County of Maui	County of Kauai	Board of Water Supply - Honolulu	Hawaii Department of Water Supply
2010 actual	$585.7	$113.1	$25.0	$21.8	$12.6	$7.8	$1.6
2011 - 7%	$625.6	$158.9	$36.9	$33.6	$18.5	$11.0	$2.5
2011 - 5%	$783.3	$206.3	$49.3	$45.8	$24.7	$13.8	$3.3

- ARC based on prior valuation amortization method

Section 4: Annual Required Contribution (cont.)

- This chart includes EUTF and HSTA VEBA (included in plan for next valuation)



	4%	7%	Actual
Total	$1,432.9	$945.6	$1,301.9
HSTA VEBA	$211.9	$125.9	$211.9
EUTF	$1,221.0	$819.7	$1,090.0

- 4% and 7% based on State's amortization method
- Actual based on Employer specific discount rates and amortization methods

Section 5: Other Issues

- Funding policy

- Bond rating impact

- 2011 Valuation – Proposed Timeline
  - Information request from Aon Hewitt – June 2011
  - Information provided by EUTF, State, ERS – July 2011
  - Preliminary results – October / November 2011
  - Final results – December 2011

Section 6: Report References

Executive summary	Exhibit 1, pg 1-5
Detailed plan actuarial liabilities (initial results)	Exhibit 3, pg 8-9
Plan assets	Exhibit 4, pg 10
Glossary of terms	Exhibit 11, pg 28-35
Results by employer (initial results)	Appendix A, pg 36-37
Results by employer (final results)	Appendix A, pg 38

Section 7: Questions???