



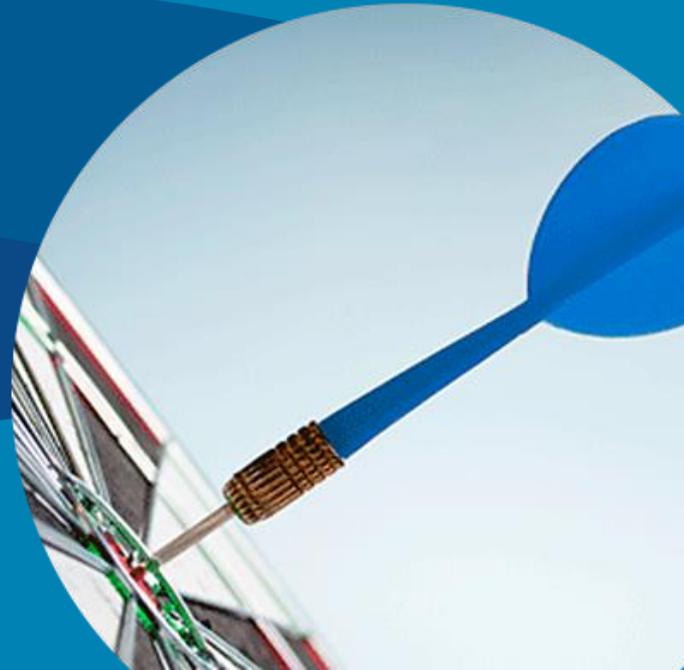
# Hawaii EUTF

January 2024

July 1, 2023 Retiree Healthcare Valuation (OPEB)

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# Results are very close to expected, with all FY2026 employer contributions consistent with previous projections

## 2023 Valuation Results, All Employers

(\$ in millions)	Expected		Actual	\$ Difference	% Difference
	July 1, 2022	July 1, 2023	July 1, 2023		
	(1)	(2)	(3)	(3) - (2)	(3) / (2) - 1
1. Actuarial Accrued Liability	\$14,907	\$15,606	\$15,576	(\$30)	-0.2%
2. Actuarial Value of Assets	5,945	6,886	6,882	(4)	-0.1%
3. UAAL (1 - 2)	\$8,962	\$8,720	\$8,695	(\$25)	-0.3%
4. Funded Ratio (2 / 1)	39.9%	44.1%	44.2%		
5. UAAL/Payroll	195.9%	185.1%	181.4%		
For Fiscal Year	2025	2026	2026		
6. Required Contribution (ARC)	\$1,135	\$1,147	\$1,146	(\$1)	-0.1%

# Results for the State are similar to the results in aggregate

(\$ in millions)	2023 Valuation Results, State Only				
	July 1, 2022	Expected July 1, 2023	Actual July 1, 2023	\$ Difference	% Difference
	(1)	(2)	(3)	(3) - (2)	(3) / (2) - 1
1. Actuarial Accrued Liability	\$10,908	\$11,424	\$11,391	(\$33)	-0.3%
2. Actuarial Value of Assets	3,821	4,480	4,479	(1)	0.0%
3. UAAL (1 - 2)	\$7,087	\$6,944	\$6,912	(\$32)	-0.5%
4. Funded Ratio (2 / 1)	35.0%	39.2%	39.3%		
5. UAAL/Payroll	210.1%	194.5%	194.7%		
For Fiscal Year	2025	2026	2026		
6. Required Contribution (ARC)	\$830	\$839	\$839	\$0	0.0%

# Annual Required Contributions (ARC)

(\$ thousands)	State of Hawaii	CC of Honolulu	County of Hawaii	County of Maui	County of Kauai	Kauai DOW	Honolulu BWS	Hawaii DWS
(1) FYE 2025 ARC	\$830,204	\$192,820	\$ 44,577	\$ 38,085	\$ 17,729	\$ 1,085	\$ 8,386	\$ 2,047
(2) FYE 2026 ARC	\$838,506	\$194,748	\$ 45,023	\$ 38,095	\$ 17,906	\$ 1,096	\$ 8,470	\$ 2,067
(3) Increase from prior year	1.0%	1.0%	1.0%	0.0%	1.0%	1.0%	1.0%	1.0%

- The FY2026 ARCs are all at the minimum increase per the funding policy
  - Contributions above the ARC in 2023 lowered the 2026 ARC for County of Maui
  - 1% minimum increase for all other employers

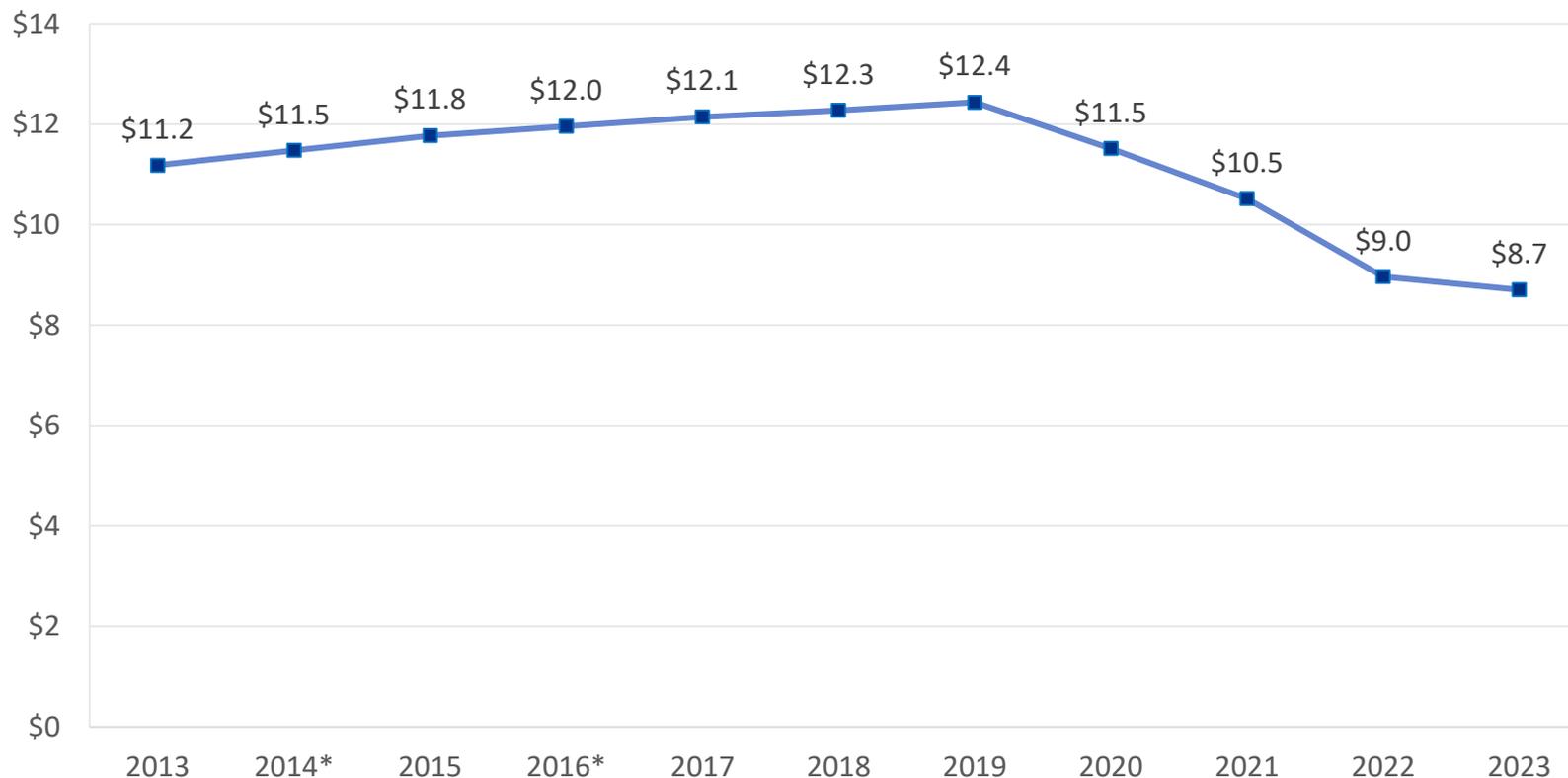
# Key Liability Measurements as of July 1, 2023

(\$ millions)	State of Hawaii	Honolulu w/ HART	County of Hawaii	County of Maui	County of Kauai	Kauai DOW	Honolulu BWS	Hawaii DWS
AAL	\$ 11,390	\$ 2,479	\$600	\$608	\$289	\$20	\$155	\$36
<u>AVA</u>	<u>4,479</u>	<u>1,230</u>	<u>328</u>	<u>464</u>	<u>214</u>	<u>16</u>	<u>124</u>	<u>28</u>
UAAL	\$ 6,912	\$ 1,249	\$272	\$145	\$75	\$4	\$31	\$7
UAAL / Pay	195%	176%	138%	75%	84%	64%	77%	72%
Funded Ratio								
7/1/2020	21.0%	29.4%	36.4%	52.5%	53.4%	59.8%	58.8%	60.4%
7/1/2021	30.0%	36.0%	42.2%	60.2%	60.2%	66.4%	65.1%	63.5%
7/1/2022	35.0%	45.1%	50.4%	72.2%	71.2%	77.2%	76.5%	74.7%
7/1/2023	39.3%	49.6%	54.7%	76.2%	74.2%	80.0%	79.9%	79.3%

- Funded status continues to improve for all employers

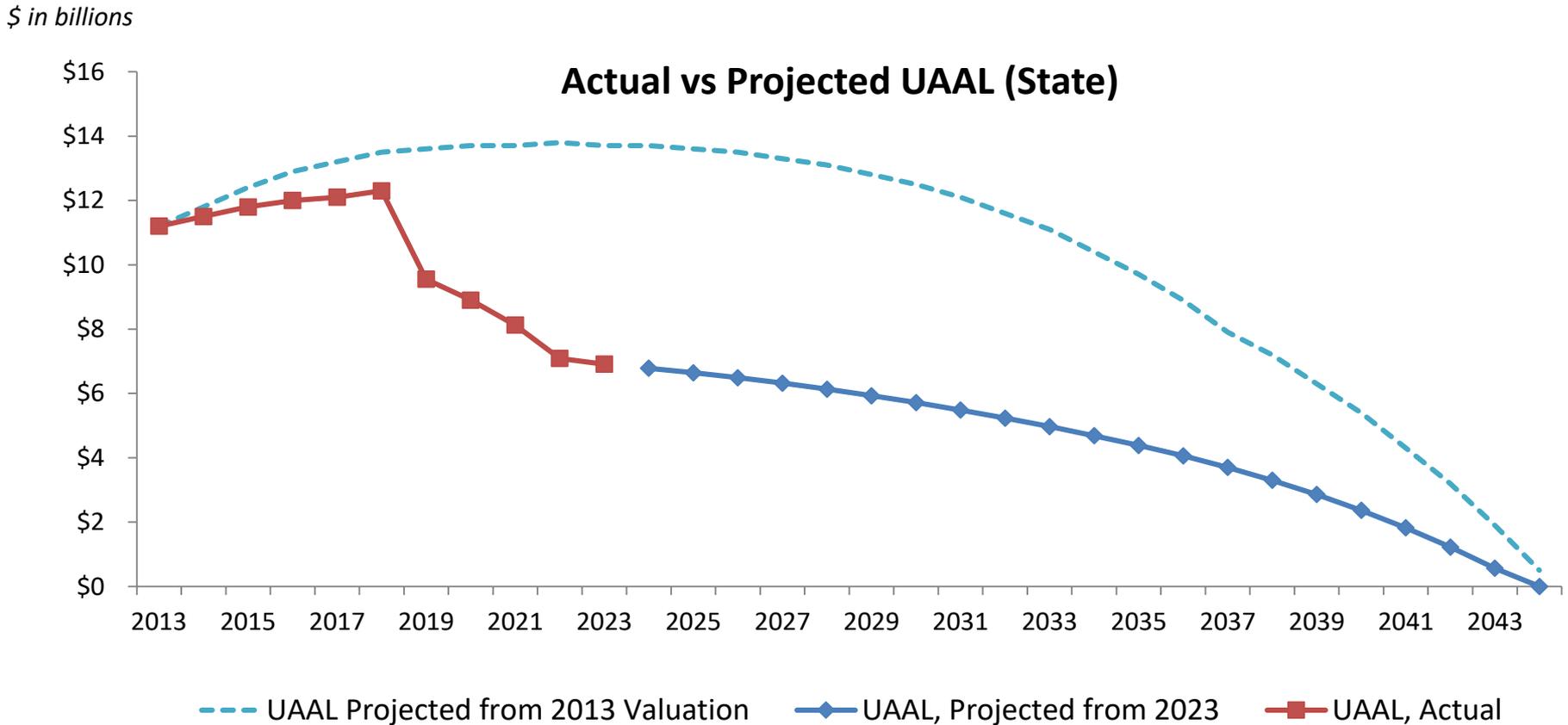
# The Unfunded Actuarial Accrued Liability (UAAL) for EUTF in aggregate declined for the fourth year in a row, including a decline for every individual employer

Aggregate UAAL from all Employers, in \$billions



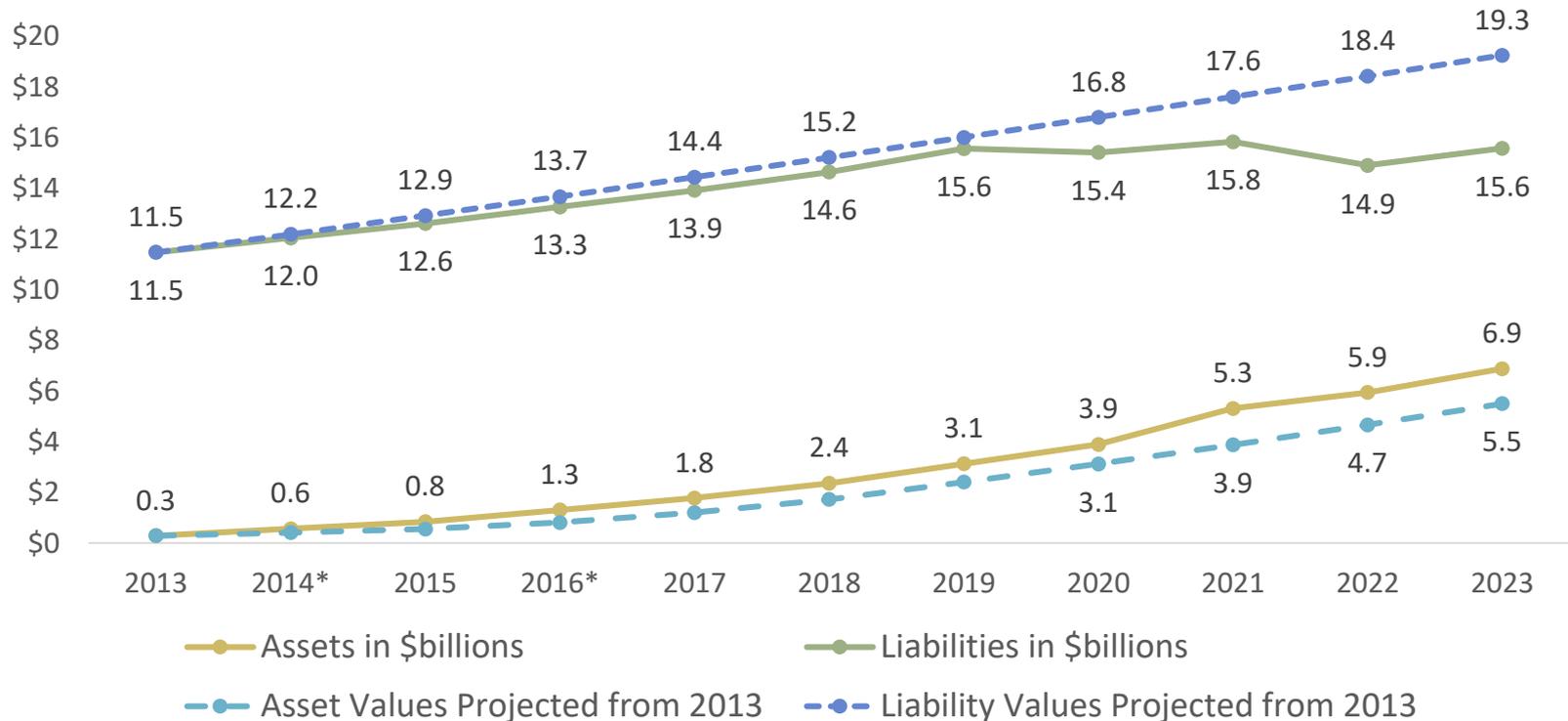
\* Estimated, EUTF performed valuations every other year until 2017

Positive claims experience combined with disciplined funding have reduced the UAAL much sooner than originally projected. This reduces the interest paid and total contributions required to finance the benefits.



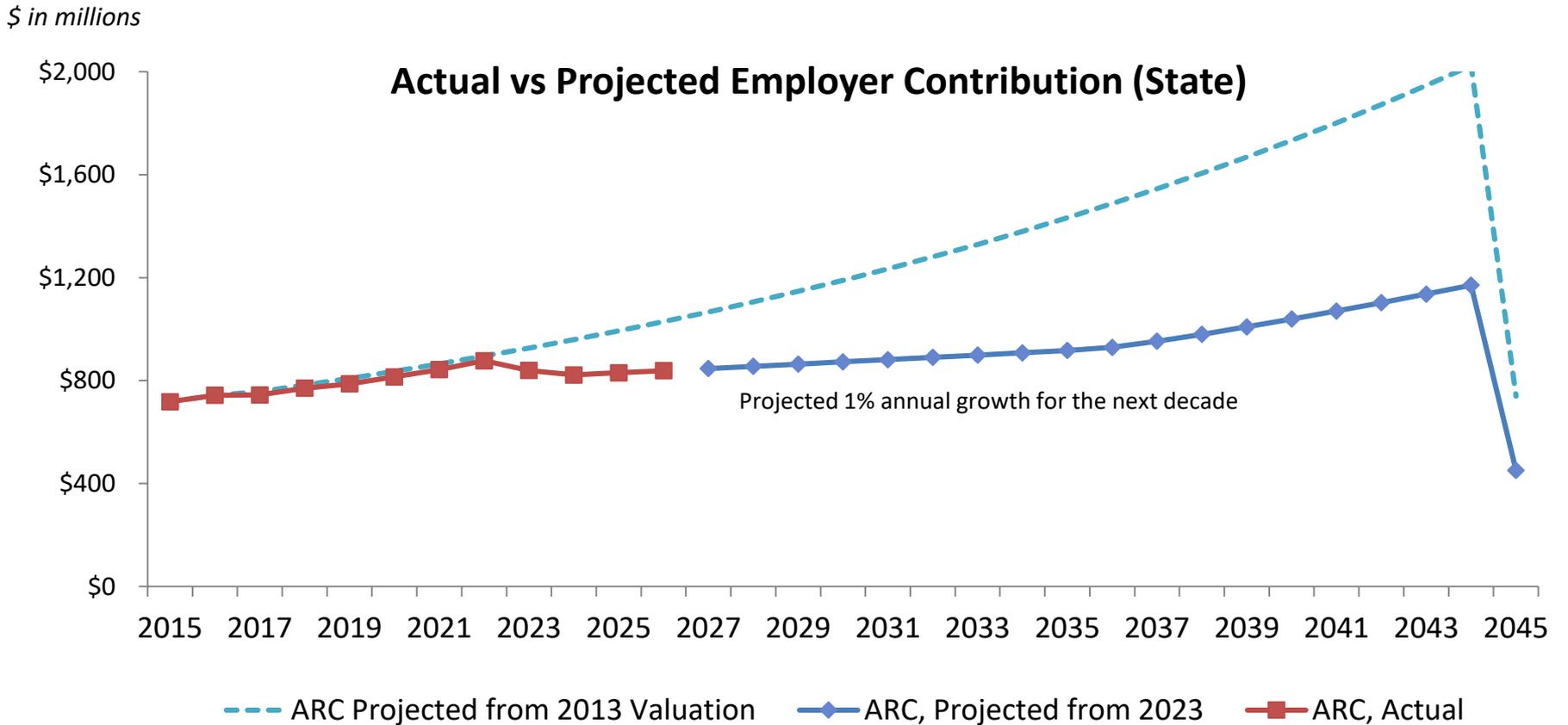
# The UAAL being amortized faster than expected is due to both the liabilities growing slower and the assets accumulating faster than original projections

History of the EUTF Assets and Liabilities:  
Compared to Previous Projections (2013)



\* Estimated, EUTF performed valuations every other year until 2017

# While FY2026 contributions are about \$190 million less than original projections, that gap is expected to widen into the next decade



Premium increases were close to expected for all medical plans taken together, and so liabilities were close to expected. The 5.9% increase to BMC amounts was also close to expected, and mirrors the 5.9% Medicare 2024 Part B premium increase.

### Annual Change in Premiums, BMC, Investment Performance

	HMSA Post-65 Medical	HMSA Post-65 Rx	Kaiser Post-65	HMSA Pre-65 Medical	HMSA Pre-65 Rx	Kaiser Pre-65	BMC	Asset Return, Market Value	CPI
<b>2018</b>	4.6%	-24.5%	10.7%	4.6%	-18.5%	10.8%	0.0%	9.5%	1.6%
<b>2019</b>	1.3%	15.4%	1.4%	1.9%	7.3%	1.4%	1.1%	7.3%	2.9%
<b>2020</b>	9.2%	15.6%	-6.1%	9.1%	20.5%	-6.1%	6.7%	4.6%	1.6%
<b>2021</b>	2.0%	-1.1%	-1.4%	3.3%	-7.8%	-1.5%	2.7%	1.8%	0.6%
<b>2022</b>	-2.0%	2.2%	3.4%	-2.0%	0.9%	3.4%	14.5%	24.6%	5.4%
<b>2023</b>	-2.3%	5.6%	-6.0%	-3.9%	4.2%	-6.0%	-3.1%	-1.9%	9.1%
<b>2024</b>	7.6%	0.2%	4.8%	12.0%	7.3%	4.8%	5.9%	4.4%	3.0%
7-year average	<b>2.8%</b>	<b>1.1%</b>	<b>0.8%</b>	<b>3.4%</b>	<b>1.3%</b>	<b>0.8%</b>	<b>3.8%</b>	<b>6.9%</b>	<b>3.4%</b>



# The Funding Policy utilized by EUTF follow all Industry Best Practices

	Stars (out of 5)	Comments
What is the amortization period for the current UAAL based on the required contribution?	★★★★★	State has effective remaining period of 19 years as of 7/1/2025. 12 years for other employers (except HART) Use of closed amortization periods is a best practice
Based on current practices and assumptions, is your UAAL expected to be lower 10 years from now?	★★★★★	Yes for all employers, 28% smaller for State of Hawaii
Is your funded ratio higher than it was 10 years ago?	★★★★★	Yes for all employers, from 0% to 39% for State of Hawaii, and 7% to 76% for County of Maui
Does the policy provide a reasonable allocation of the cost of benefits and the required funding to the years of service (i.e. demographic matching)? Does the policy provide accountability and transparency?	★★★★★	Yes, ACT 268 requires the ARC to fund the normal cost (benefits being earned by current employees); new gains and losses now amortized over 20 years or less. Recent changes eliminated negative amortization.
Does the policy seek to manage and control future contribution volatility to the extent reasonably possible, consistent with other policy goals?	★★★★	Yes, 2% annual ARC smoothing corridor based on input from budget directors. Other smoothing mechanisms include 4-year asset smoothing and 20-year amortization layers for new losses.
Does the Board regularly review actuarial assumptions?	★★★★★	All assumptions reviewed at least every 3 years

# Summary

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- The Board's disciplined management of the healthcare program and costs are clearly having a positive impact in year to year results
- In addition, the Board's funding policy is providing a sustainable path to benefit security and budget predictability

# Disclaimers

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- This presentation is intended to be used in conjunction with the July 1, 2023 actuarial valuation. This presentation should not be relied on for any purpose other than the purpose described in the valuation report.
- This presentation shall not be construed to provide tax advice, legal advice or investment advice.