

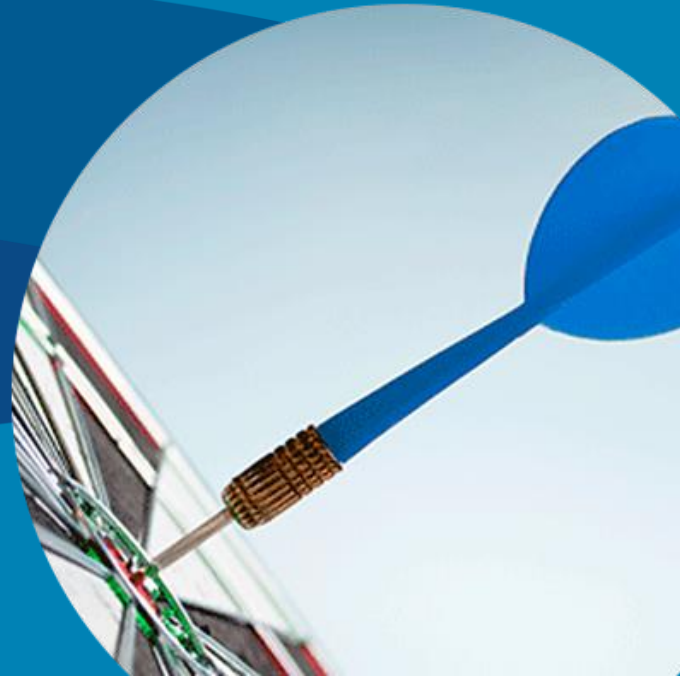


Hawaii EUTF

January 2025

July 1, 2024 Retiree Healthcare Valuation (OPEB)

Blake Orth
Joe Newton



Premium increases were less than expected for the medical plans, resulting in liabilities growing slower than expected.

Annual Change in Premiums, BMC, Investment Performance

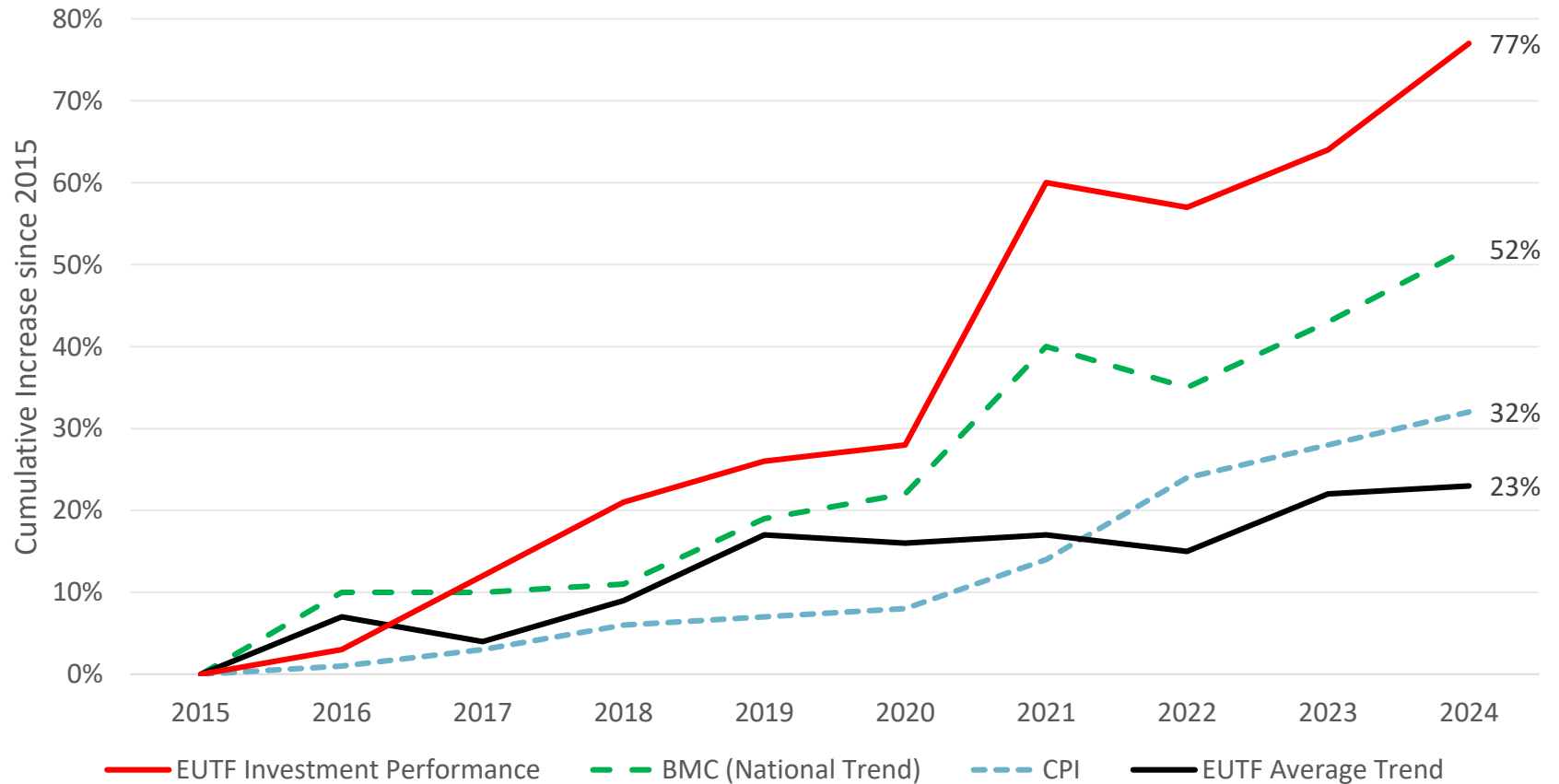
	HMSA Post-65 Medical	HMSA Post-65 Rx	Kaiser Post-65	HMSA Pre-65 Medical	HMSA Pre-65 Rx	Kaiser Pre-65	BMC*	Asset Return, Market Value	CPI: Inflation
2019	1.3%	15.4%	1.4%	1.9%	7.3%	1.4%	1.1%	7.3%	2.9%
2020	9.2%	15.6%	-6.1%	9.1%	20.5%	-6.1%	6.7%	4.6%	1.6%
2021	2.0%	-1.1%	-1.4%	3.3%	-7.8%	-1.5%	2.7%	1.8%	0.6%
2022	-2.0%	2.2%	3.4%	-2.0%	0.9%	3.4%	14.5%	24.6%	5.4%
2023	-2.3%	5.6%	-6.0%	-3.9%	4.2%	-6.0%	-3.1%	-1.9%	9.1%
2024	7.6%	0.2%	4.8%	12.0%	7.3%	4.8%	5.9%	4.4%	3.0%
2025	5.2%	-20.8%	4.2%	6.8%	2.7%	3.5%	5.9%	8.3%	3.0%
7-year average	2.9%	1.8%	-0.1%	3.8%	4.7%	-0.2%	4.7%	6.7%	3.6%

*BMC: Base Monthly Contribution, grows with Medicare Part B Premiums, represents a National Trend



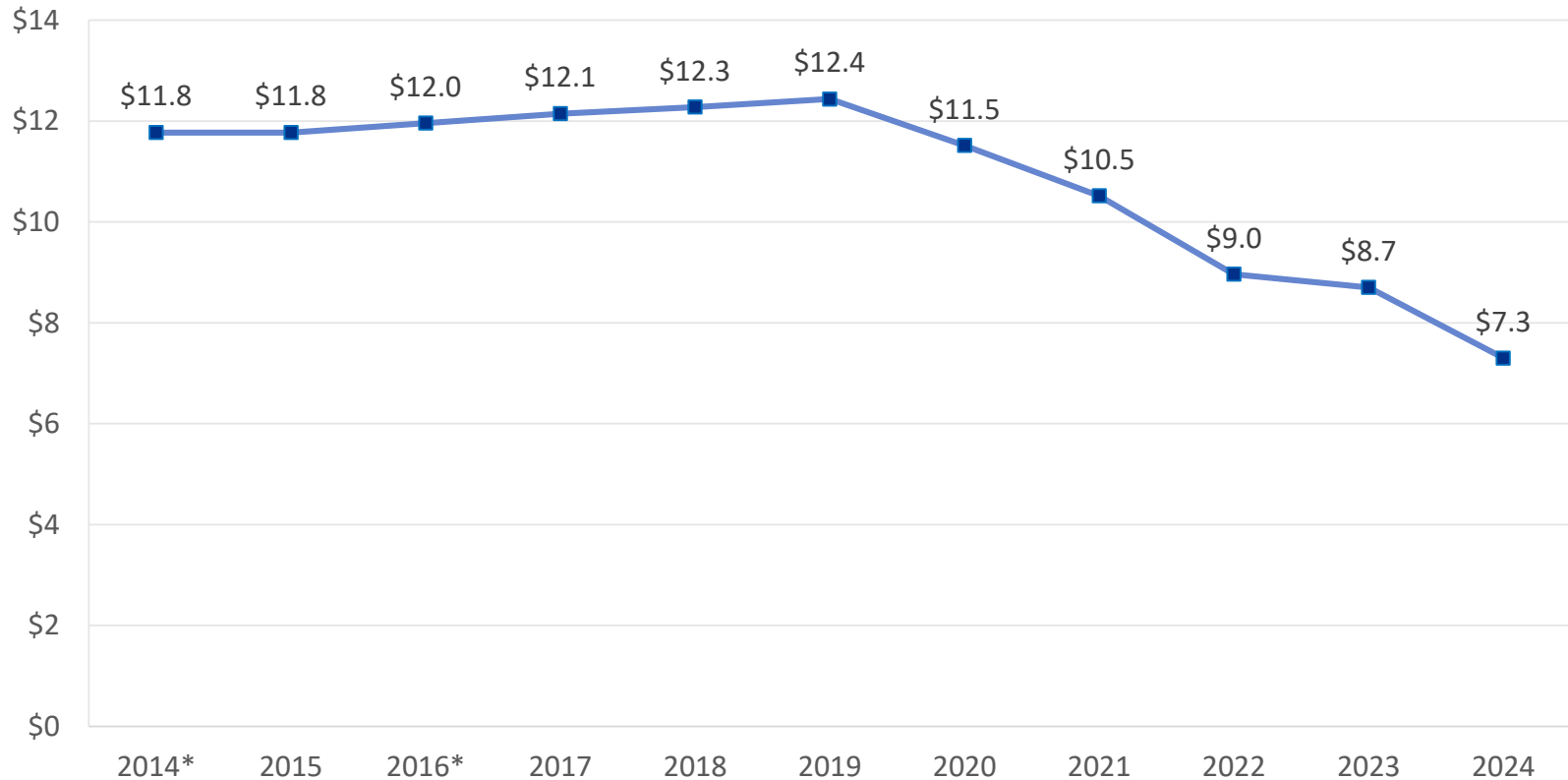
These economic results compound over time. EUTF Health trend results have been remarkable, growing slower than price inflation since 2015.

Cumulative Percentage Increase since 2015



The Unfunded Actuarial Accrued Liability (UAAL) for EUTF in aggregate declined for the 5th year in a row.

Aggregate UAAL from all Employers, in \$billions

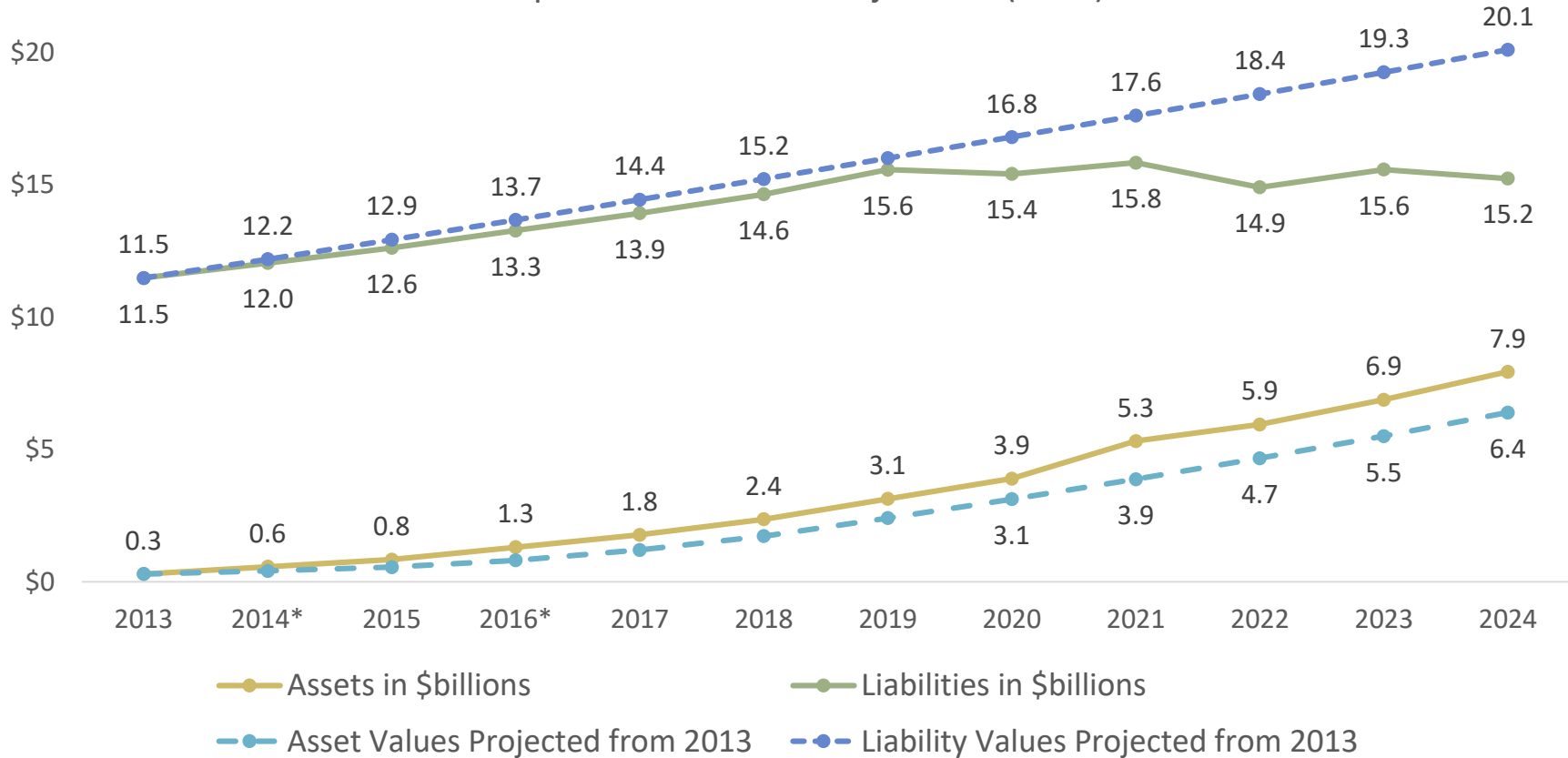


* Estimated, EUTF performed valuations every other year until 2017



The UAAL is being reduced faster than expected 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

The aggregate funded ratio increased from 44.2% to 52.1%, with improvements for all employers, 5 employers above 80%, 1 over 90%.

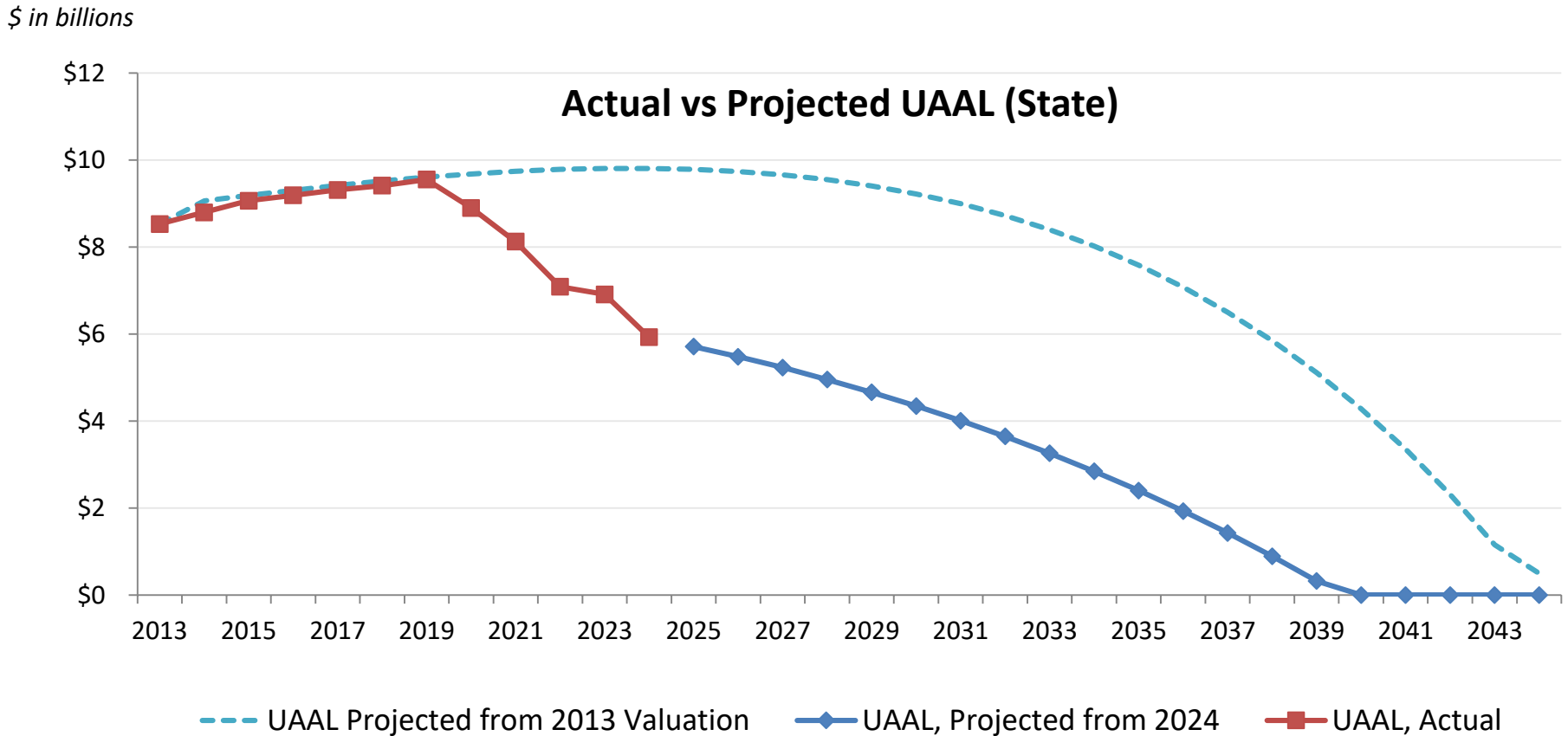
(\$ millions)	State of Hawaii	Honolulu w/ HART	County of Hawaii	County of Maui	County of Kauai	Kauai DOW	Honolulu BWS	Hawaii DWS
AAL	\$ 11,122	\$ 2,430	\$588	\$609	\$282	\$20	\$149	\$35
<u>AVA</u>	<u>5,196</u>	<u>1,412</u>	<u>374</u>	<u>535</u>	<u>236</u>	<u>17</u>	<u>134</u>	<u>31</u>
UAAL	\$ 5,927	\$ 1,019	\$214	\$74	\$45	\$3	\$15	\$4
Historical Funded Ratio								
7/1/2019	16.1%	23.8%	30.7%	46.0%	48.1%	54.1%	53.9%	54.5%
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%
7/1/2024	46.7%	58.1%	63.5%	87.8%	83.9%	86.4%	90.1%	88.7%

Annual Required Contributions (ARC)

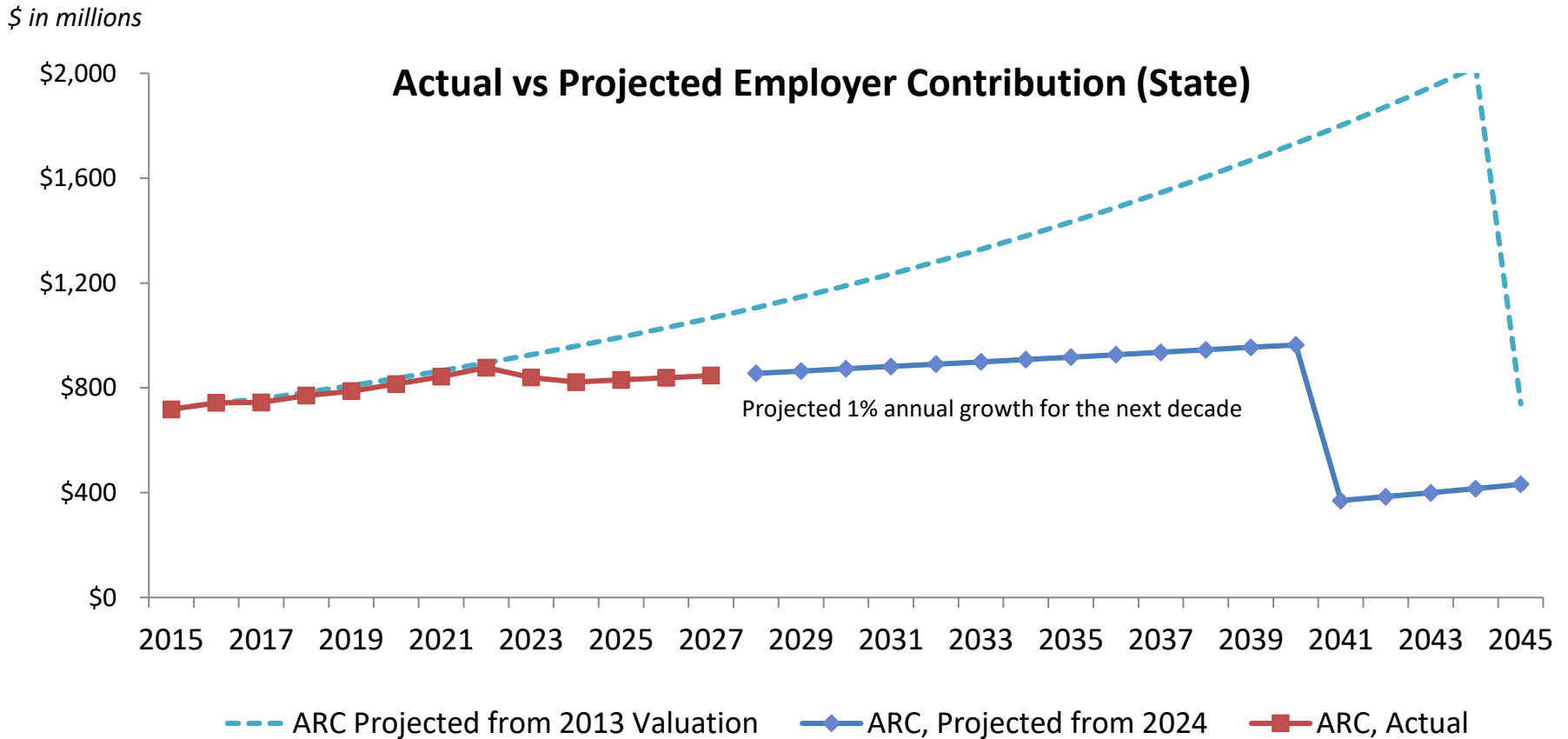
(\$ thousands)	State of Hawaii	CC of Honolulu	County of Hawaii	County of Maui	County of Kauai	Kauai DOW	Honolulu BWS	Hawaii DWS
(1) FYE 2026 ARC	\$838,506	\$194,748	\$ 45,023	\$ 38,095	\$ 17,906	\$ 1,096	\$ 8,470	\$ 2,067
(2) FYE 2027 ARC	\$846,891	\$196,695	\$ 45,473	\$ 35,801	\$ 18,085	\$ 1,107	\$ 8,555	\$ 2,088
(3) Increase from prior year	1.0%	1.0%	1.0%	-6.0%	1.0%	1.0%	1.0%	1.0%

- The FY2027 ARCs are all at the minimum increase per the funding policy
 - Contributions above the ARC in 2024 lowered the 2027 ARC for County of Maui
 - 1% minimum increase for all other employers

Positive claims experience combined with disciplined funding have reduced the UAAL much sooner than originally projected. The UAAL is now expected to be fully amortized four years earlier than original projections.



When the UAAL is fully paid off, the portion of the contribution that finances that debt is no longer needed, resulting in lower contributions much sooner.



The Funding Policy (how contributions are determined) utilized by EUTF follows 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 18 years as of 7/1/2026. 11 years for other employers (except HART) Use of closed amortization periods is a best practice
Based on current practices and assumptions, is the UAAL expected to be lower 5 years from now?	★★★★★	Yes for all employers
Is the funded ratio higher than it was 10 years ago?	★★★★★	Yes for all employers, from 0% to 46% for State of Hawaii, and 20% to 88% for County of Maui
What is the amortization period for any new UAAL that may develop?	★★★★★	New gains and losses are amortized over 20 years or less, eliminating negative amortization.
Does the policy provide accountability and transparency?	★★★★★	ACT 268 requires the ARC to fund the normal cost (benefits being earned by current employees);
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

- 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

- This presentation is intended to be used in conjunction with the July 1, 2024 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.