

State of Hawaii Postemployment Benefits Other than Pensions – EUTF and HSTA VEBA

July 1, 2006 Actuarial Valuation

Legislative Briefing

April 18, 2007



Agenda

- Background
- Actuarial Liabilities
- Financial Statement Liabilities
- Income Statement
- Balance Sheet
- Issues
- Questions???



Background

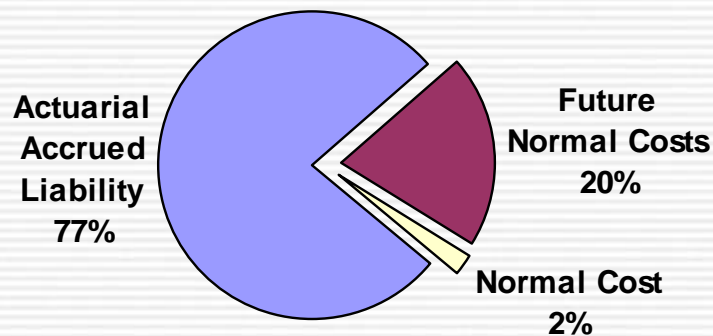
- Other Postemployment Benefit (OPEB) Programs
 - EUTF
 - HSTA VEBA
- GASB Statements 43 and 45
 - Accrual basis accounting
 - Currently pay-as-you-go
- Effective Dates for State
 - Unfunded liability as of June 30, 2007
 - Annual accrual for fiscal year ending June 30, 2008



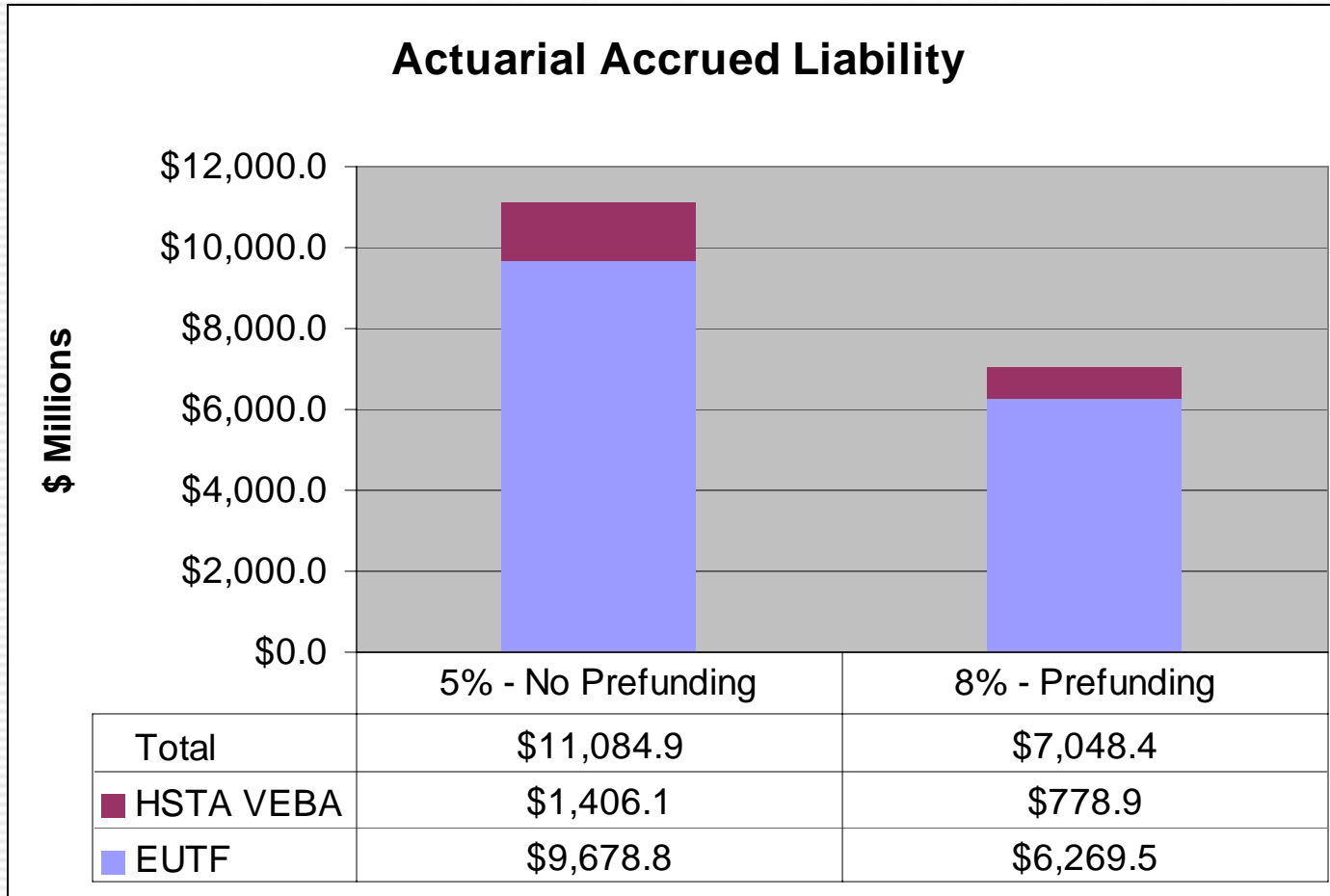
Actuarial Liabilities

- Present Value of Benefits - past and future service
- Actuarial Accrued Liabilities - past service
- Future Normal Costs - future service

Present Value of Benefits



Actuarial Liabilities



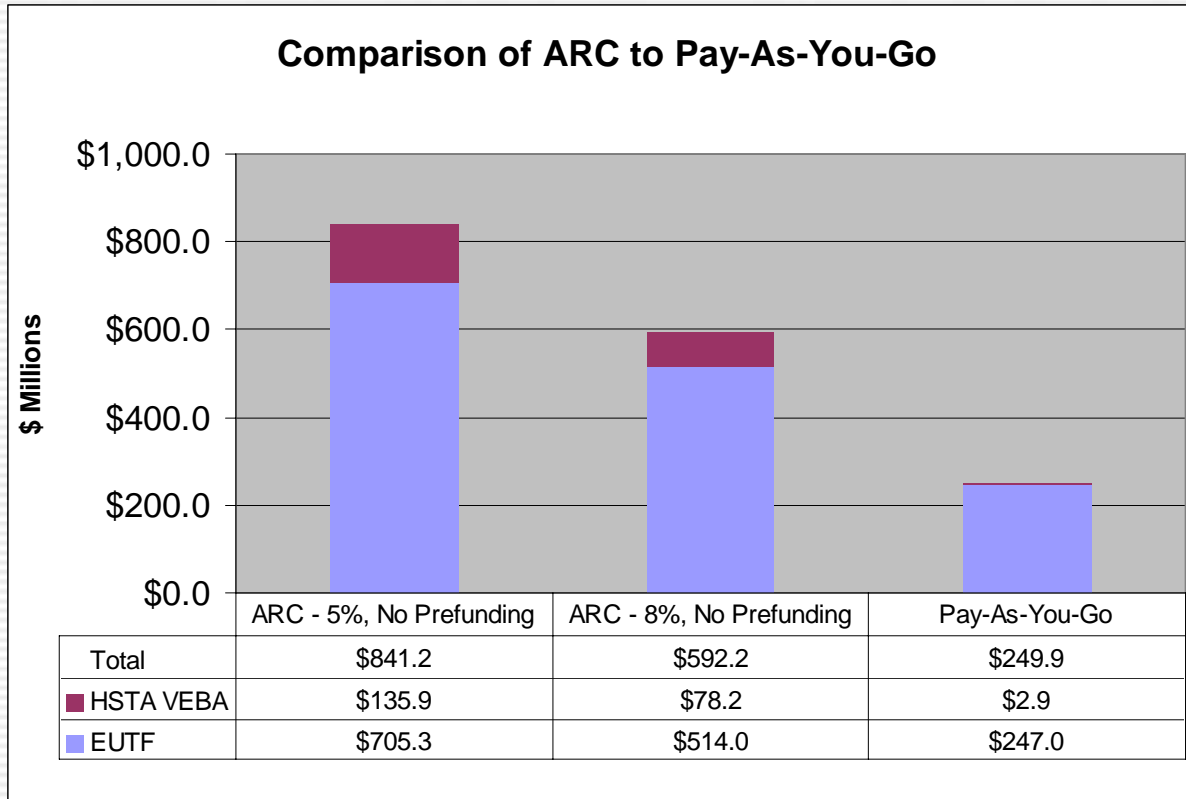
Financial Statement Liabilities

- Annual Required Contributions (ARC)
 - Actuarially determined cost
 - Amortization of unfunded AAL
 - Normal cost
- Annual OPEB Cost (AOC)
 - Annual income statement expense
- Net OPEB Obligation (NOO)
 - Balance sheet liability
 - Accumulated difference between ARC and cash contributions



Income Statement

- Annual Required Contribution
 - 2 -3 times current cash costs for retirees



* Costs are in addition to current payments for active employee coverage



Balance Sheet

- Net OPEB Obligation (total for all employers; includes VEBA)
 - Accumulated difference between ARC and actual contributions

Pay-as-you-go (5%) (amts in \$Millions)	Year 1	Year 2	Year 3	Year 4
ARC	841	915	994	1,078
Actual contributions	250	284	320	357
NOO	591	1,213	1,866	2,553

Pre-Funding (8%) (amts in \$Millions)	Year 1	Year 2	Year 3	Year 4
ARC	592	620	649	680
Actual contributions	592	620	649	680
NOO	0	0	0	0



Issues

- Bond rating impact
- EUTF unfunded liability as of June 30, 2007
 - State liability
- Balance sheet liability for employers
 - Accumulated difference between ARC and actual contributions



Questions ???

