GOV. MSG. NO. 3

EXECUTIVE CHAMBERS

HONOLULU

DAVID Y. IGE
GOVERNOR

January 7, 2019

The Honorable Ronald D. Kouchi,
President and Members of the Senate
Twenty-Ninth State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

The Honorable Scott K. Saiki, Speaker
and Members of the House of
Representatives
Twenty-Ninth State Legislature
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

For your information and consideration, I am transmitting a copy of the Hawaii Employer-Union Health Benefits Trust Fund's Annual Report for fiscal year ending June 30, 2018, pursuant to section 87A-25, Hawaii Revised Statutes (HRS). In accordance with Section 93-16, Hawaii Revised Statutes, I am also informing you that the report may be viewed electronically at http:/budget.hawaii.gov/budget/reports-to-the-legislature/.

Sincerely,

DAVID Y. IGE
Governor, State of Hawaii

Enclosure

ANNUAL REPORT

FOR THE PERIOD JULY 1, 2017 THROUGH JUNE 30, 2018

Hawaii Employer-Union Health Benefits Trust Fund
State of Hawaii

December 2018

THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
ANNUAL REPORT
Fiscal Year ended June 30, 2018

This report presents an overview of the organization and activities of the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) for the fiscal year that ended June 30, 2018. The EUTF manages and administers health and life insurance plans for eligible state and county employees and retirees and their eligible dependents. The objective of the EUTF is to provide quality health plans that are affordable to employers and employees.

The EUTF was established under Chapter 87A of the Hawaii Revised Statutes and is administratively attached to the Department of Budget and Finance. The office is located in City Financial Tower, 201 Merchant Street, Suite 1700, Honolulu, Hawaii.

The EUTF operates according to administrative rules originally adopted in February 2003 and most recently revised in 2018. The administrative rules were formulated to carry out the requirements of Chapter 87A.

TRUST FUND ORGANIZATION

Board of Trustees

The EUTF is administered by a board of trustees (Board) which is responsible for determining the benefit plans offered, negotiating and entering into contracts with insurance carriers and plan administrators, establishing eligibility criteria and management policies for the EUTF, and overseeing all EUTF activities.

There are ten trustees, five representing the public employers and five representing employee-beneficiaries that includes a retiree representative. The trustees and their affiliations as of June 30, 2018 are shown below:

Employer Trustees

- Roderick Becker, Comptroller, Dept. of Accounting and General Services
- Audrey Hidano, Deputy Comptroller, Dept. of Accounting and General Services
- Laurel Johnston, Director, Dept. of Budget & Finance
- Ryker Wada, Director, Dept. of Human Resources Development
- Damien Elefante, Deputy Director, Dept. of Taxation

Employee-Beneficiary Trustees

- Linda Currivan Musto, Retiree
- Gordon Murakami, Hawaii State Teachers Association (HSTA)
- Celeste Nip, Hawaii Fire Fighters Association (HFFA)
- Christian Fern, University of Hawaii Professional Assembly (UHPA)
- Clifford Uwaine, United Public Workers (UPW)

Board officers for the period July 1, 2017 – June 30, 2018 were Gordon Murakami, Chairperson; Celeste Nip, Vice-Chairperson; and Laurel Johnston, Secretary-Treasurer.

The Board has regularly scheduled monthly meetings. Board agendas and minutes are posted on the EUTF website at eutf.hawaii.gov.

Administrator and Staff

The EUTF is managed by an Administrator who is hired by and reports to the Board. The Administrator is assisted by an Assistant Administrator, an Investment Office, a Benefits Office, a Financial Management Officer, an Information Systems Chief, and a Member Services Branch Manager. EUTF staff has a total of 58 positions (including management staff and the Administrator). The Investment Office is responsible for all investment-related activities of the EUTF and the Benefits Office is responsible for the benefit plan design, cost control through disease management and wellness programs, and auditing of enrollment and claims.

The EUTF has three branches: the Financial Services Branch, Information Systems Branch, and Member Services Branch.

- The Financial Management Officer is supported by seven accountants and four account clerks, who reconcile employee accounts, collect employer/employee contributions for health benefits, process all vendor payments, prepare monthly financial statements and coordinate the annual financial audit.
- The Information Systems Chief manages support for internal information technology (IT) services, manages 1st level support for the benefits administration system, fulfills HIPAA security responsibilities, coordinates additional support services provided by the Department of Accounting and General Services Office of Enterprise Technology Services and Vitech Systems Group, Inc, and is supported by seven IT staff.
- The Member Services Branch Manager oversees the Member Services Branch and is supported by 27 employees assigned to customer service, enrollment, and training duties. Responsibilities include in-person visits, answering phone calls and e-mails from members, and processing of all active employee and retiree enrollment submissions.

Advisors, Consultants and Major Contracts

The Board contracts professional consultants and advisors on certain specific issues of importance to the EUTF:

- Benefits Plan Consultant: The Board has contracted with the Segal Company (Segal) to provide benefit plan consulting services. Segal is a major national benefits consulting firm and provides access to their wide range of services from their Glendale, California office.

- Benefits Administration System (BAS): Vitech Systems Group, Inc. provides the BAS software which handles all enrollment and transmission, member records and premium calculation and tracking. Vitech Systems Group, Inc. provides on-going support of the BAS including programming periodic plan and eligibility rule changes.

- Investment Consultant: Pension Consulting Alliance (PCA) provides investment consulting services related to general, private equity and private real estate matters in developing and updating the EUTF's investment policy guidelines including a long-term strategic asset allocation, selecting and terminating investment managers/funds and reporting on the performance of EUTF's long term investments. In addition, PCA assists in the asset allocation and selection, monitoring and termination of investment managers/funds for the EUTF's short-term funds.

- Global Custody Services: Northern Trust Company provides global custody and securities lending services for EUTF's investments.

- Actuary: Gabriel Roeder Smith & Company conducts annual actuarial valuations of the other post-employment benefit obligation for retiree health benefits.

- Auditor: The auditing firm, KKDLY LLC, procured by the State of Hawaii Office of the Auditor, began the fiscal year ending June 30, 2018 audit in July 2018.

HEALTH AND LIFE INSURANCE BENEFIT PLANS

The EUTF provided health and life insurance benefits through contracts with the following organizations:

Medical

- Hawaii Medical Service Association (HMSA)
  1. PPO Plans – 90/10 and 80/20 plans for EUTF and HSTA VB* active employees
  2. PPO Plan – 75/25 plan for EUTF active employees
  3. HMO Plan for EUTF active employees
  4. PPO Plan – 90/10 plans for EUTF and HSTA VB* retirees
- UnitedHealthcare (UHC) – Medicare Senior Advantage Plan for EUTF Medicare retirees (terminated December 31, 2017)

Medical and Prescription Drug

- Kaiser Permanente (Kaiser)
  1. Comprehensive HMO Plans for EUTF and HSTA VB* active employees
  2. Standard HMO Plan for EUTF active employees
  3. Comprehensive HMO Plans for EUTF and HSTA VB* non-Medicare retirees
  4. Senior Advantage Medicare Plans for EUTF and HSTA VB* Medicare retirees

Prescription Drug

- CVS Caremark
  1. Prescription drug coverage for HMSA PPO and HMO Plans for EUTF and HSTA VB* active employees and non-Medicare retirees
  2. SilverScript (CVS provider of Medicare Part D prescription drug plans) prescription drug coverage through an Employer Group Waiver Plan (EGWP) for EUTF and HSTA VB* Medicare retirees

Dental

- Hawaii Dental Service (HDS)
  1. EUTF and HSTA VB* active employees and retirees
  2. Supplemental plan for HSTA VB* active employees

Vision

- Vision Service Plan (VSP) – EUTF and HSTA VB* active employees and retirees

Chiropractic

- Royal State National Insurance Company, Ltd (Royal State) through ChiroPlan Hawaii, Inc. (ChiroPlan) – coverage included with all EUTF and HSTA VB* active employee medical plans (terminated June 30, 2018) and HSTA VB* retiree medical plans (terminated December 31, 2017)
- HMSA and Kaiser through American Specialty Health – coverage included with HSTA VB* retiree medical plans (beginning January 1, 2018)

Life Insurance

- USAble Life – EUTF and HSTA VB* active employees and retirees.

Supplemental Medical and Prescription Drug

- Royal State – EUTF active employees

The federal Affordable Care Act (ACA) became effective for the active employee medical and prescription drug plans on July 1, 2011.

*HSTA VB refers to the plans developed in response to Judge Sakamoto's December 7, 2010 ruling. HSTA VB plans cover only those who were previously covered by the HSTA VEBA plans effective December 31, 2010.

INSURED AND SELF-INSURED PLANS

The following plans were fully insured:

HMSA**
UnitedHealthcare (terminated December 31, 2017)
Kaiser
HDS Dental**
VSP Vision**
Royal State through ChiroPlan
USAble Life
Royal State Supplemental Plan**

** Fully insured with one-way risk sharing - premium refund in those years in which premium exceeds incurred claims and expenses.

The following plans were self funded:

- CVS Caremark prescription drug for active employees and non-Medicare retirees
- SilverScript EGWP prescription drug for Medicare retirees

ACTIVITIES IN FISCAL YEAR 2018

EUTF conducted open enrollment in October 2017 for retirees, with an effective date of January 1, 2018 and in April 2018 for active employees, with an effective date of July 1, 2018.

For active employee plans, starting July 1, 2017, the following changes were made:

All Medical Plans

- Removed the dollar and age limits from the EUTF and HSTA VB HMSA and Kaiser medical plans autism spectrum disorder benefit.
- Removed the age limit from the EUTF and HSTA VB HMSA and Kaiser medical plans orthodontic services benefit for those born with orofacial anomalies due to birth defects.
- Added gender identity services to the EUTF and HSTA VB HMSA and Kaiser medical plans.

EUTF HMSA Medical Plans

- Added a home based supportive care benefit for the seriously ill.
- Added counseling provided by a licensed dietitian.
- Removed the limit (two per lifetime) on voluntary pregnancies terminations from the EUTF HMSA HMO medical plan.

For retiree plans, starting January 1, 2018, the following changes were made:

- Added to the EUTF HMSA retiree medical plans a home based supportive care benefit for the seriously ill as a pilot program for the period January 1, 2018 through December 31, 2020.
- Replaced Royal State (ChiroPlan Hawaii) as the carrier for chiropractic services for HSTA VB retiree medical plans.

Act 145, SLH 2017 allows EUTF employees to enter into the civil service system. Six EUTF positions were converted from exempt status to the civil service system as of June 30, 2018. The EUTF is providing a separate report to the Legislature regarding progress under Act 145, SLH 2017.

The other post-employment benefits trust fund (OPEB Trust) returned 7.3% net of fees during the fiscal year and has returned 7.5% annualized net of fees since inception (June 23, 2011) through June 30, 2018 which exceeded the investment target return of 7.0%. The OPEB Trust asset allocation continues to move toward an asset allocation that includes additional asset classes, as provided by Act 30, SLH 2016, such as alternative risk premia (i.e. factors), private credit and private equity.

<u>Ongoing Programs and General Operations</u>

The EUTF provides Open Enrollment sessions for active employees each Spring and for retirees each Fall, as well as Departmental Human Resources Officer informational sessions each year. Additionally, EUTF has started pre-retirement sessions in the EUTF office and on the neighbor islands. EUTF also participates in pre-retirement sessions, new hire orientations and benefit fairs conducted by the various employers, as well as pre-retirement and retirement sessions conducted by the various unions. EUTF is also focusing on internet-based outreach which includes on-demand presentations and webinars.

During fiscal year 2018, the EUTF Member Services Branch Call Center successfully handled 49,049 (versus 46,171 in fiscal year 2017) customer service and 19,314 (versus 15,161 in 2017) accounting phone calls, and staff serviced 8,230 (versus 8,236 in 2017) walk-in visitors. Additionally, 112,752 (versus 111,900 in 2017) incoming documents were imaged, and 102,474 (versus 85,187 in 2017) enrollment-related outbound documents were printed in-house and mailed directly to plan participants.

Information Systems handled the following systems issues in addition to normal work flow:

- Completed migration of benefits administration system to the Microsoft Azure cloud servers from local hardware.
- Implemented electronic, recurring health benefit premium deductions from ERS pensions. This provides retirees another payment option in addition to ACH deductions and credit card payments.
- Implemented a telephone call back system to allow callers to leave a call back number when EUTF agents are not able to answer their calls immediately. This allows the caller to not have to wait on hold until an agent is available to take their call.
- Implemented changes in the V3 BAS to allow deployment of multiple new Medicare Part B Reimbursement rates for 2018.

An annual audit of the EUTF, as required by Chapter 87A-25(2), was conducted for the fiscal year July 1, 2017 through June 30, 2018 by KKDLY LLC. The report is posted on EUTF's website and attached to this report.

The following pages provide enrollment data as of June 30, 2018.

KDLY LLC
CERTIFIED PUBLIC ACCOUNTANTS

Hawaii Employer-Union Health Benefits Trust Fund
State of Hawaii

Financial Statements and Supplementary Information
(With Independent Auditors' Report)

June 30, 2018 and 2017

Submitted by

THE AUDITOR
STATE OF HAWAII

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
STATE OF HAWAII

Financial Statements and Supplementary Information

June 30, 2018 and 2017

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HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
STATE OF HAWAII

Financial Statements and Supplementary Information

June 30, 2018 and 2017

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PART I

INTRODUCTION SECTION

December 4, 2018

The Auditor
State of Hawaii:

Board of Trustees
Hawaii Employer-Union Health Benefits Trust Fund
State of Hawaii:

We have completed our audits of the financial statements of the Hawaii Employer-Union Health Benefits Trust Fund of the State of Hawaii (the EUTF), as of and for the years ended June 30, 2018 and 2017. We transmit herewith our independent auditors' reports containing our opinions on those financial statements and our report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.

Audit Objectives

The objectives of the audits were as follows:

1. To provide opinions on the fair presentation of the EUTF's financial statements in accordance with accounting principles generally accepted in the United States of America.

2. To consider the EUTF's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements.

3. To perform tests of the EUTF's compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

Scope of Audit

We performed our audits of the EUTF's financial statements as of and for the years ended June 30, 2018 and 2017, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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As part of the audit of the EUTF's financial statements, we considered the EUTF's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinions on the financial statements. We also performed tests of the EUTF's compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

Organization of Report

This report has been organized into three parts as follows:

1. The Introduction Section describes briefly the objectives and scope of our audit and the organization and contents of this report.

2. The Financial Section includes management's discussion and analysis, the EUTF's financial statements and the related notes, required supplementary information, and other supplementary information as of and for the years ended June 30, 2018 and 2017, and our independent auditors' report thereon.

3. The Internal Control and Compliance Section contains our independent auditors' report on the EUTF's internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.

* * * * * * *

We would like to take this opportunity to express our appreciation for the courtesy and assistance extended to us by the personnel of the EUTF during the course of our audit. Should you wish to discuss any of the matters contained herein, we will be pleased to meet with you at your convenience.

Very truly yours,

KKDLY LLC

PART II

FINANCIAL SECTION

Independent Auditors' Report

The Auditor
State of Hawaii:

Board of Trustees
Hawaii Employer-Union Health Benefits Trust Fund
State of Hawaii:

Report on the Financial Statements

We have audited the accompanying statements of net position for the enterprise fund and fiduciary net position for the agency fund of the Hawaii Employer-Union Health Benefits Trust Fund of the State of Hawaii (the Trust Fund) and for the Hawaii Employer-Union Health Benefits Trust Fund for Other Post-Employment Benefits (the OPEB Trust), collectively referred to as the EUTF, as of June 30, 2018 and 2017, and the related statements of revenues, expenses, and changes in net position, and cash flows for the enterprise fund, as well as the statements of changes in fiduciary net position for the OPEB Trust for the years then ended, and the related notes to financial statements, which collectively comprise the EUTF's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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P: 808 521 3962 F: 808 531 3217 www.kkdly.com

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the enterprise fund and agency fund of the Trust Fund, as well as the financial position of the OPEB Trust, as of June 30, 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Change in Accounting Principles

As discussed in Note 2 to the financial statements, the EUTF adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and GASB Statement No. 85, *Omnibus 2017*, effective July 1, 2017. Our opinions are not modified with respect to these matters.

Relationship to the State of Hawaii

As discussed in Note 1 to the financial statements, the financial statements of the EUTF are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the State of Hawaii that is attributable to the transactions of the EUTF. They do not purport to, and do not, present fairly the financial position of the State of Hawaii as of June 30, 2018 and 2017, and the changes in its financial position, or, where applicable, its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of investment returns, and the ten-year loss development information identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the EUTF's basic financial statements. The schedules of administrative operating expenses - enterprise fund and the schedule of changes in fiduciary net position - agency fund (supplementary information) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2018, on our consideration of the EUTF's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the EUTF's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the EUTF's internal control over financial reporting and compliance.

KKDLY LLC

Honolulu, Hawaii
December 4, 2018

This section of the Hawaii Employer-Union Health Benefits Trust Fund of the State of Hawaii (the EUTF) financial report presents the reader with an introduction and overview of the EUTF's financial performance as of and for the fiscal years ended June 30, 2018 and 2017. This discussion has been prepared by management and should be read in connection with the financial statements and the notes thereto, which follow this section.

The EUTF is the state agency that provides eligible State of Hawaii (the State) and county (Honolulu, Hawaii, Maui, and Kauai) employees and retirees and their eligible dependents with health and life insurance benefits at a cost affordable to both the public employers and participants beginning July 1, 2003.

Active employee healthcare benefits, other postemployment benefits (OPEB) retiree healthcare benefits (including their respective beneficiaries), and OPEB pre-funding of retiree healthcare benefits are reported separately for accounting purposes. Accordingly, the EUTF reports the active employee healthcare benefits as risk financing in conformity with Governmental Accounting Standards Board (GASB) Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, (Statement No. 10), as amended, while the OPEB retiree healthcare benefits and the OPEB pre-funding of retiree healthcare benefits, which meets the requirements of a qualifying trust, are reported in conformity with GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*.

The EUTF entered into one (1) year health benefit and prescription drug contracts with carriers and a third party administrator (TPA) with two (2) one (1) year options to extend for medical and prescription drug plans or three (3) one (1) year options to extend for dental, vision, and life insurance plans. The active employee and retiree contracts with carriers and a TPA started on July 1, 2015 and January 1, 2015, respectively, and all contracts were extended two (2) times for one (1) year.

The following plans are fully-insured with one-way risk sharing (rates are experience rated and are negotiated; surpluses [premiums exceed claims, administrative fees, and retention charged by the insurance carrier] are retained by the EUTF and the carrier is responsible for any shortfalls [claims, administrative fees, and retention charged by the insurance carrier exceed premiums], and risk is retained by the carrier): All Hawaii Medical Service Association (HMSA) medical plans; Hawaii Dental Service (HDS) dental plans; Vision Service Plan (VSP) vision plans; and the Royal State National Insurance Company (RSN) supplemental medical and prescription drug plan. Effective July 1, 2015 for active employee plans and January 1, 2015 for retiree plans on the HMSA contract, surpluses are netted against shortfalls on all plans offered by HMSA (e.g., 90/10, 80/20, 75/25, and HMO).

The following plans are fully-insured (rates are experience rated and are set by the carrier, surpluses and shortfalls are retained by the carrier, and risk is retained by the carrier): Kaiser medical and prescription drug plans; UnitedHealthcare Medicare Advantage Medical plan; RSN chiropractic plans; and USAble life insurance plans.

The CVS Caremark and Silverscript prescription drug plans are self-insured (rates are experience rated and set by the Board, administrative fees and actual claims are paid to the TPA, surplus and shortfalls are retained by EUTF and risk is retained by EUTF).

New retiree medical and prescription drug contracts with HMSA, Kaiser, CVS Caremark, and Silverscript began on January 1, 2018. The UnitedHealthcare Medicare Advantage Medical Plan ended on December 31, 2017.

The Federal Affordable Care Act (ACA) became effective July 1, 2011 for the EUTF's active employee medical and prescription drug plans. The following are the changes to the EUTF's active employee plans due to ACA: 1) The plan lost its grandfather status due to the increase in the employees' share of premiums; 2) The definition of dependent child was expanded to age 26 and requirements that the child be unmarried and a full time student were dropped for medical and drug only (additional dependents were enrolled as a result); 3) All active employee plans included coverage for women's preventive services in line with the guidelines developed by the Institute of Medicine and supported by the Health Resources and Services Administration (the HRSA), including providing services without a copayment, cost share or deductible when rendered by a participating provider; 4) The imposition of ACA fees (i.e., PCORI - Patient-Centered Outcomes Research Institute, and insurer fees); and 5) Effective July 1, 2014 elimination of the EUTF and HSTA VEBA HMSA supplemental plans and the bundling of the HMSA medical and CVS Caremark prescription drug plans.

Act 245, Session Laws of Hawaii 2005 (partially codified as Chapter 87D, Hawaii Revised Statutes (HRS)), temporarily authorized employee organizations to establish voluntary employees' beneficiary association (VEBA) trusts to provide health benefits to state and county employees in their bargaining units outside of the EUTF. It established a three-year pilot program to allow for the analysis of the costs and benefits of a VEBA trust against those of the EUTF. Effective March 1, 2006, the Hawaii State Teachers Association (HSTA) implemented the three-year pilot program. As a result, all active HSTA employees were enrolled in the VEBA trust and subsequently cancelled from the EUTF's health benefit plans. Act 245's sunset dates were amended three times: July 1, 2009, July 1, 2010, and December 31, 2010.

In addition, Chapter 87D, HRS, which authorized the establishment of the VEBA, also included the option for HSTA retirees to make a one-time choice to either remain with the EUTF or transfer to the HSTA VEBA benefit plans. The option period was from October through November 2006. As a result, approximately 1,400 HSTA retirees transferred to the HSTA VEBA. HSTA employees that retired on or after March 1, 2006 were required to be enrolled with the HSTA VEBA.

As a result of Act 245 sunsetting on December 31, 2010, effective January 1, 2011, approximately, 12,500 HSTA VEBA active employees and 2,500 retirees were transferred back to the EUTF. In December 2010, Judge Sakamoto (Kono, et al v Abercrombie, Civil No. 10-1-1966-09 KKS) ruled that HSTA VEBA members (actives and retirees) were entitled to the same standard of coverage in benefits when they were transitioned to the EUTF on January 1, 2011. As a result, the EUTF created new plans for the HSTA VEBA members (both active and retirees) that matched their HSTA VEBA benefits. The enrollment of HSTA VEBA members into the newly created health and other benefit plans was done by the EUTF solely to comply with Judge Sakamoto's ruling and does not create any constitutional or contractual right to the benefits under these plans. The State does not agree with Judge Sakamoto's ruling. If Judge Sakamoto's ruling is overturned, stayed, or modified, the EUTF reserves the right to move HSTA VEBA members into regular EUTF plans. See further discussion in Note 9 to the financial statements.

Overview of the Financial Statements

The financial statements of the EUTF include the following statements:

- Enterprise Fund - Active Employee Healthcare Benefits
    - Statements of net position - These statements summarize the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of this enterprise fund.
    - Statements of revenues, expenses, and changes in net position - These statements summarize the financial results of the operations for the years.
    - Statements of cash flows - These statements identify the sources and uses of cash.
- Other Post-Employment Benefits
    - Agency Fund - OPEB Retiree Healthcare Benefits (pay-as-you-go)
        - Statements of fiduciary net position - These statements summarize the assets and liabilities of this agency fund.
    - OPEB Trust - OPEB Pre-Funding of Retiree Healthcare Benefits
        - Statements of fiduciary net position - These statements summarize the assets, liabilities, and net position of this fiduciary fund.
        - Statements of changes in fiduciary net position - These statements summarize the financial results of the operations for the years.

Change in Accounting Principles

Effective July 1, 2017, the EUTF adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (Statement No. 75). This statement addresses accounting and financial reporting for OPEB that are provided to the employees of state and local governmental employers through OPEB plans administered through trusts or equivalent arrangements meeting certain criteria. This statement also establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures.

Simultaneously with the adoption of Statement No. 75, the EUTF adopted the provisions of GASB Statement No. 85, *Omnibus 2017* (Statement No. 85). The objective of this statement is to address practice issues that have been identified during the implementation and application of certain GASB statements.

As further discussed in Note 2 to the financial statements, the restatement of the comparative financial data for the prior periods presented was not practical due to the unavailability of information from the plan, therefore the provisions of Statement Nos. 75 and 85 were not applied to the prior periods. The cumulative effect of applying the provisions of this statement has been reported as a restatement of the enterprise fund's beginning net position in the accompanying 2018 financial statements. Specifically, the adoption of Statement Nos. 75 and 85 had the effect of decreasing net position as of June 30, 2017 by $3.3 million. In addition, the EUTF recorded a deferred outflow of resources of $543,000, a net OPEB liability of $7.4 million, and a deferred inflow of resources of $9,000 as of June 30, 2018 in the enterprise fund's financial statements. The adoption of Statement Nos. 75 and 85 had no effect on the EUTF's agency fund's or OPEB Trust's financial statements.

Financial Highlights

For the fiscal years ended June 30, 2018 and 2017, the EUTF recognized the following contributions:

	2018	2017
Employer contributions (Enterprise and Agency)	$ 853,506,309	$ 819,271,559
Employee contributions (Enterprise and Agency)	223,547,869	225,210,177

For the fiscal years ended June 30, 2018 and 2017, the EUTF paid the following:

	2018	2017
Carrier payments - fully insured plans	$ 789,386,989	$ 782,829,627
Benefit claims - self insured	210,918,488	210,409,438
Medicare Part B reimbursements	76,399,694	68,942,190
Administrative operating expenses	7,903,158	7,633,720

The administrative operating expenses budgeted for the EUTF totaled $7.7 million for the year ended June 30, 2018. Actual administrative operating expenses for the enterprise fund totaled $7.9 million for the year ended June 30, 2018. The difference of $203,000 between budgeted and actual expenses resulted from additional pension and OPEB expense required to be reported for financial statement reporting purposes in accordance with applicable GASB Statements. Total operating expenses included $4.8 million for personnel services, $2.0 million for contracted services, $439,000 for occupancy, $124,000 for printing and binding, and $528,000 for other expenses such as postage, insurance, repairs and maintenance, telephone, transportation, rental of equipment, and supplies.

The administrative operating expenses budgeted for the EUTF totaled $7.1 million for the year ended June 30, 2017. Actual administrative operating expenses for the enterprise fund totaled $7.6 million for the year ended June 30, 2017. The difference of $570,000 between budgeted and actual expenses resulted from additional pension and OPEB expenses required to be reported for financial statement reporting purposes in accordance with applicable GASB statements. Total operating expenses included $4.8 million for personnel services, $1.9 million for contracted services, $440,000 for occupancy, $120,000 for insurance, and $417,000 for other expenses such as postage, printing and binding, supplies, telephone, rental of equipment, repairs and maintenance, and transportation.

The presentation of the operations of the self-insured plans for active employees reported in the enterprise fund shows the aggregate amount of premium revenues recognized as operating revenues and related benefit claims expense incurred as operating expenses. This presentation is in accordance with the financial reporting criteria of Statement No. 10, where the risk of loss for these self-insured plans transfers from the employers to the EUTF, thus the activity should be reported in aggregate in the statements of revenues, expenses, and changes in net position.

Financial Analysis

Enterprise Fund

A summary of the EUTF's net position for active employees is shown below as of June 30, 2018 and 2017:

	2018	2017	Change	% Change
Assets:				
Current assets	$ 157,949,995	$ 133,823,313	$ 24,126,682	18.0%
Capital assets, net	421,986	451,772	(29,786)	-6.6%
Total assets	158,371,981	134,275,085	24,096,896	17.9%
Deferred outflows of resources	2,166,502	2,355,301	(188,799)	-8.0%
Liabilities:				
Current liabilities	50,177,663	51,216,180	(1,038,517)	-2.0%
Noncurrent liabilities	13,355,881	9,710,221	3,645,660	37.5%
Total liabilities	63,533,544	60,926,401	2,607,143	4.3%
Deferred inflows of resources related to pension	91,060	119,518	(28,458)	-23.8%
Net position:				
Net investment in capital assets	421,986	451,772	(29,786)	-6.6%
Unrestricted	96,491,893	75,132,695	21,359,198	28.4%
Total net position	$ 96,913,879	$ 75,584,467	$ 21,329,412	28.2%

The enterprise fund's total assets increased by $24.1 million or 17.9% during the fiscal year ended June 30, 2018. The increase is primarily attributable to an increase in cash and cash equivalents and investments of $37.1 million due to the receipt of surpluses generated from the fully-insured with one-way risk sharing plans from previous fiscal years, and an increase in rebates and other receivables from insurance companies of $4.5 million due to higher prescription drug rebates. This was offset by a decrease in experience refunds due from insurance carriers of $17.3 million due to a closer matching of premiums collected and benefit claims paid for the fully-insured with one-way risk sharing plans for fiscal year 2018.

The enterprise fund's current liabilities decreased by $1.0 million or 2.0% due primarily to a decrease in premiums payable to insurance carriers because of lower premiums and increased enrollment in the HMSA 75/25 medical and CVS prescription drug plan.

The enterprise fund's noncurrent liabilities increased by $3.6 million or 37.5% due primarily to the increase in the net other postemployment benefits liability of $3.8 million due to the adoption of Statement Nos. 75 and 85 effective July 1, 2017.

The total net position increased by $24.6 million or 34.1% for the fiscal year ended June 30, 2018, after the $3.3 million restatement of net position as of June 30, 2017 due to the adoption of GASB Statement Nos. 75 and 85. This is attributable to $23.7 million in operating income for the year ended June 30, 2018 and $980,000 in interest and investment income.

A summary of the EUTF's net position for active employees is shown below as of June 30, 2017 and 2016:

	2017	2016	Change	% Change
Assets:				
Current assets	$ 133,823,313	$ 105,768,805	$ 28,054,508	26.5%
Capital assets, net	451,772	1,218,747	(766,975)	-62.9%
Total assets	134,275,085	106,987,552	27,287,533	25.5%
Deferred outflows of resources related to pension	2,355,301	702,539	1,652,762	235.3%
Liabilities:				
Current liabilities	51,216,180	52,062,592	(846,412)	-1.6%
Noncurrent liabilities	9,710,221	6,866,986	2,843,235	41.4%
Total liabilities	60,926,401	58,929,578	1,996,823	3.4%
Deferred inflows of resources related to pension	119,518	197,825	(78,307)	-39.6%
Net position:				
Net investment in capital assets	451,772	1,218,747	(766,975)	-62.9%
Unrestricted	75,132,695	47,343,941	27,788,754	58.7%
Total net position	$ 75,584,467	$ 48,562,688	$ 27,021,779	55.6%

The enterprise fund's total assets increased by $27.3 million or 25.5% during the fiscal year ended June 30, 2017. The increase is primarily attributable to an increase in experience refunds due from insurance companies of $35.7 million due to less claims paid than premiums collected for the fully-insured with one-way risk sharing plans. This was partially offset by a decrease in cash and cash equivalents of $10.3 million due lower receipts of experience refunds.

The enterprise fund's deferred outflows of resources increased by $1.7 million due to the current year pension activity. The deferred outflows of resources related to pension are primarily attributable to contributions made subsequent to the measurement date of June 30, 2016 and changes in actuarial assumptions.

The enterprise fund's noncurrent liabilities increased by $2.8 million or 41.4% primarily due to the increases in liabilities for net pension liability and other postemployment benefits of $2.3 million and $532,000, respectively.

The total net position increased by $27.0 million, or 55.6%, for the fiscal year ended June 30, 2017. This is attributable to operating income of $26.1 million for the year ended June 30, 2017 and investment income of $903,000.

A summary of changes in net position for the years ended June 30, 2018 and 2017, for active employees follows:

	2018	2017	Change	% Change
Revenues:				
Operating revenues	$ 112,605,406	$ 126,289,046	$ (13,683,640)	-10.8%
Nonoperating revenues	979,921	903,096	76,825	8.5%
Total revenues	113,585,327	127,192,142	(13,606,815)	-10.7%
Operating expenses	88,937,368	100,170,363	(11,232,995)	-11.2%
Change in net position	24,647,959	27,021,779	(2,373,820)	-8.8%
Net position beginning of year, as previous reported	75,584,467	48,562,688	27,021,779	55.6%
Restatement	(3,318,547)	-	(3,318,547)	-100.0%
Net position at beginning of year, as restated	72,265,920	48,562,688	23,703,232	48.8%
Net position at end of year	$ 96,913,879	$ 75,584,467	$ 21,329,412	28.2%

The enterprise fund's total revenues decreased by $13.6 million, or 10.7%, for the fiscal year ended June 30, 2018. The decrease resulted from a $5.6 million decrease in premium revenues for self-insured plans primarily due to lower premiums and increased enrollment in the HMSA 75/25 medical and CVS prescription drug plan, and a $5.4 million decrease in experience refunds, net due to a closer matching of premiums collected and claims paid on fully-insured with one-way risk sharing plans. Additionally, there was a $2.6 million decrease in other revenues, net primarily due to a refund of calendar year 2016 health insurance provider fees received in the fiscal year ended June 30, 2017.

The enterprise fund's operating expenses decreased by $11.2 million, or 11.2%, for the fiscal year ended June 30, 2018. Benefits claims expense decreased by $9.1 million due to an increase in pricing discount guarantees and in rebates from self-insured plans, ACA fees decreased by $1.8 million due to the end of the ACA transitional reinsurance program fee on December 31, 2017, and depreciation expense decreased by $684,000 due to the benefits administration system being fully depreciated.

A summary of changes in net position for the years ended June 30, 2017 and 2016, for active employees follows:

	2017	2016	Change	% Change
Revenues:				
Operating revenues	$ 126,289,046	$ 84,702,014	$ 41,587,032	49.1%
Nonoperating revenues	903,096	762,307	140,789	18.5%
Total revenues	127,192,142	85,464,321	41,727,821	48.8%
Operating expenses	100,170,363	99,462,188	708,175	0.7%
Change in net position	$ 27,021,779	$ (13,997,867)	$ 41,019,646	293.0%

The enterprise fund's total revenues increased by $41.7 million, or 48.8%, for the fiscal year ended June 30, 2017. The enterprise fund's experience refunds (overpayments), net were $34.4 million more than the previous year due to less claims paid than premiums collected for the fully-insured with one-way risk sharing plans. Additionally, there was a $7.1 million increase in premium revenues for self-insured plans primarily due to increase in prescription drug premiums.

The enterprise fund's operating expenses increased by $708,000, or 0.7%, for the fiscal year ended June 30, 2017 and were fairly consistent with operating expenses for the fiscal year ended June 30, 2016.

Agency Fund

A summary of the EUTF's plan assets and liabilities for retirees is shown below as of June 30, 2018 and 2017:

	2018	2017	Change	% Change
Assets:				
Cash and cash equivalents	$ 6,393,750	$ 14,932,817	$ (8,539,067)	-57.2%
Investments	163,302,756	132,898,566	30,404,190	22.9%
Receivables, net	72,531,655	74,406,334	(1,874,679)	-2.5%
Deposits	8,165,204	8,165,204	-	0.0%
Total assets	$ 250,393,365	$ 230,402,921	$ 19,990,444	8.7%
Liabilities:				
Premiums payable	$ 24,424,186	$ 22,523,732	$ 1,900,454	8.4%
Benefit claims payable	16,707,921	15,780,576	927,345	5.9%
Amounts held on behalf of employers for benefits	208,944,397	191,803,234	17,141,163	8.9%
Other	316,861	295,379	21,482	7.3%
Total liabilities	$ 250,393,365	$ 230,402,921	$ 19,990,444	8.7%

The agency fund's total assets and total liabilities increased by $20.0 million or 8.7%. Investments increased by $30.4 million due primarily to transfers of excess cash from cash and cash equivalents amounting to $27.3 million. In addition, experience refunds due from insurance companies increased by $6.6 million primarily due to a larger difference between premiums collected and benefit claims paid for the fully-insured with one-way risk sharing plans. These increases were offset by a decrease in rebates and other receivable from insurance companies of $8.2 million and a decrease in cash and cash equivalents of $8.5 million.

A summary of the EUTF's plan assets and liabilities for retirees is shown below as of June 30, 2017 and 2016:

	2017	2016	Change	% Change
Assets:				
Cash and cash equivalents	$ 14,932,817	$ 16,227,624	$ (1,294,807)	-8.0%
Investments	132,898,566	104,809,473	28,089,093	26.8%
Receivables, net	74,406,334	69,544,633	4,861,701	7.0%
Deposits	8,165,204	8,165,204	-	0.0%
Total assets	$ 230,402,921	$ 198,746,934	$ 31,655,987	15.9%
Liabilities:				
Premiums payable	$ 22,523,732	$ 21,839,653	$ 684,079	3.1%
Benefit claims payable	15,780,576	14,330,392	1,450,184	10.1%
Amounts held on behalf of employers for benefits	191,803,234	162,269,405	29,533,829	18.2%
Other	295,379	307,484	(12,105)	-3.9%
Total liabilities	$ 230,402,921	$ 198,746,934	$ 31,655,987	15.9%

The agency fund's total assets and total liabilities increased by $31.7 million or 15.9%. Investments increased by $28.1 million due to surpluses generated from self-insured plans. In addition, experience refunds due from insurance companies increased by $6.8 million. This was primarily due to less claims paid than premiums collected for the fully-insured with one way risk sharing plans. These increases were offset by a decrease in rebates and other receivables from insurance companies of $4.6 million.

OPEB Trust

A summary of the OPEB Trust's net position restricted for postemployment benefits other than pensions as of June 30, 2018 and 2017 follows:

	2018	2017	Change	% Change
Assets:				
Cash and cash equivalents	$ 195,716,523	$ 170,346,739	$ 25,369,784	14.9%
Investments	2,176,183,227	1,607,976,087	568,207,140	35.3%
Invested securities lending collateral	14,468,169	27,061,425	(12,593,256)	-46.5%
Total assets	2,386,367,919	1,805,384,251	580,983,668	32.2%
Liabilities:				
Securities lending collateral	14,468,169	27,061,425	(12,593,256)	-46.5%
Investment fees payable	1,418,185	648,977	769,208	118.5%
Total liabilities	15,886,354	27,710,402	(11,824,048)	-42.7%
Net position restricted for postemployment benefits other than pensions	$ 2,370,481,565	$ 1,777,673,849	$ 592,807,716	33.3%

A summary of the changes in the OPEB Trust's net position restricted for postemployment benefits other than pensions for the years ended June 30, 2018 and 2017 follows:

	2018	2017	Change	% Change
Additions:				
Employer contributions	$ 444,072,913	$ 427,299,249	$ 16,773,664	3.9%
Investment earnings, net	148,734,803	140,529,657	8,205,146	5.8%
Changes in net position	592,807,716	567,828,906	24,978,810	4.4%
Net position restricted for postemployment benefits other than pensions:				
Beginning of year	1,777,673,849	1,209,844,943	567,828,906	46.9%
End of year	$2,370,481,565	$ 1,777,673,849	$ 592,807,716	33.3%

During the fiscal year ended June 30, 2018, the net position restricted for postemployment benefits other than pensions of the OPEB Trust increased by $592.8 million or 33.3%. The OPEB Trust received $444.1 million of employer pre-funding contributions. In addition, investment earnings, net of investment expenses, amounted to $148.7 million (including net investment income from securities lending activities of $2.0 million).

During the fiscal year ended June 30, 2018, the EUTF participated in a securities lending program through its custodian bank as a way to earn incremental income to enhance the investment portfolio yield. As of June 30, 2018, the cash collateral invested in a money market fund and the related liability for securities lending collateral amounted to $14.5 million.

A summary of the OPEB Trust's net position restricted for postemployment benefits other than pensions as of June 30, 2017 and 2016 follows:

	2017	2016	Change	% Change
Assets:				
Cash and cash equivalents	$ 170,346,739	$ 2,099,353	$ 168,247,386	8,014.2%
Investments	1,607,976,087	1,208,118,987	399,857,100	33.1%
Invested securities lending collateral	27,061,425	81,122,461	(54,061,036)	-66.6%
Total assets	1,805,384,251	1,291,340,801	514,043,450	39.8%
Liabilities:				
Securities lending collateral	27,061,425	81,122,461	(54,061,036)	-66.6%
Investment fees payable	648,977	373,397	275,580	73.8%
Total liabilities	27,710,402	81,495,858	(53,785,456)	-66.0%
Net position restricted for postemployment benefits other than pensions	$ 1,777,673,849	$ 1,209,844,943	$ 567,828,906	46.9%

A summary of the changes in the OPEB Trust's net position restricted for postemployment benefits other than pensions for the years ended June 30, 2017 and 2016 follows:

	2017	2016	Change	% Change
Additions:				
Employer contributions	$ 427,299,249	$ 338,498,294	$ 88,800,955	26.2%
Investment earnings, net	140,529,657	27,826,404	112,703,253	405.0%
Change in net position	567,828,906	366,324,698	201,504,208	55.0%
Net position restricted for postemployment benefits other than pensions:				
Beginning of year	1,209,844,943	843,520,245	366,324,698	43.4%
End of year	$ 1,777,673,849	$ 1,209,844,943	$ 567,828,906	46.9%

During the fiscal year ended June 30, 2017, the net position restricted for postemployment benefits other than pensions of the OPEB Trust increased by $567.8 million or 46.9%. The OPEB Trust received $427.3 million of employer pre-funding contributions, which included a transfer of $7.2 million from the Agency Fund. In addition, investment earnings, net of investment expenses, amounted to $ 140.5 million (including net investment income from securities lending activities of $289,000).

During the fiscal year ended June 30, 2017, the EUTF participated in a securities lending program through its custodian bank as a way to earn incremental income to enhance the investment portfolio yield. As of June 30, 2017, the cash collateral invested in a money market fund and the related liability for securities lending collateral amounted to $27.1 million.

Capital Assets

The EUTF's capital assets consist of office furniture and equipment and computer equipment and software.

The aggregate net capital assets was $422,000 as of June 30, 2018. Depreciation expense totaled $91,000 for the year ended June 30, 2018. There were no significant additions or disposals of capital assets during fiscal year 2018.

The aggregate net capital assets was $452,000 as of June 30, 2017. Depreciation expense totaled $774,000 for the year ended June 30, 2017. There were no significant additions or disposals of capital assets during fiscal year 2017.

Economic Factors Affecting Next Fiscal Year

Factors Affecting Fiscal Year 2019

Active employee and retiree dental, vision, and life insurance contracts were extended effective July 1, 2018 through June 30, 2019 and January 1, 2018 through December 31, 2018, respectively.

New active employee medical and prescription drug contracts will be implemented effective July 1, 2018 to June 30, 2019. The chiropractic benefit will be provided through the medical contracts beginning July 1, 2018. A new self-insured supplemental medical and drug contract will be effective July 1, 2018 to June 30, 2019.

Request for Information

This financial report is designed to provide the Board of Trustees, the State Auditor, and our membership, with a general overview of the EUTF's finances and to account for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Hawaii Employer-Union Health Benefits Trust Fund
P.O. Box 2121
Honolulu, Hawaii 96805-2121

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
STATE OF HAWAII

Statements of Net Position - Enterprise Fund

June 30, 2018 and 2017

	2018	2017
Assets:		
Current assets:		
Cash and cash equivalents	$ 27,256,170	$ 8,815,849
Investments	55,808,428	37,126,857
Receivables:		
Premiums receivable from State of Hawaii and counties	33,653,958	33,542,766
Experience refunds due from insurance companies	18,536,512	35,879,863
Rebates and other receivables from insurance companies	17,418,895	12,949,490
Prepaid expenses	318,032	550,488
Deposits	4,958,000	4,958,000
Total current assets	157,949,995	133,823,313
Capital assets, net	421,986	451,772
Total assets	158,371,981	134,275,085
Deferred Outflows of Resources:		
Related to pension	1,623,281	2,355,301
Related to other postemployment benefits	543,221	-
Total deferred outflows of resources	2,166,502	2,355,301
Liabilities:		
Current liabilities:		
Premiums payable	42,616,674	43,854,296
Benefit claims payable	5,108,996	4,667,584
Due to employees, net	1,341,894	1,717,072
Vouchers and contracts payable	473,697	459,645
Accrued wages and employee benefits payable	382,175	320,349
Due to State of Hawaii and counties	144,833	102,263
Compensated absences, current portion	109,394	94,971
Total current liabilities	50,177,663	51,216,180
Noncurrent liabilities:		
Net other postemployment benefits liability	7,413,887	3,632,048
Net pension liability	5,695,628	5,886,109
Compensated absences, less current portion	246,366	192,064
Total liabilities	63,533,544	60,926,401
Deferred Inflows of Resources:		
Related to pension	81,700	119,518
Related to other postemployment benefits	9,360	-
Total deferred inflows of resources	91,060	119,518
Net Position:		
Net investment in capital assets	421,986	451,772
Unrestricted	96,491,893	75,132,695
Total net position	$ 96,913,879	$ 75,584,467

See accompanying notes to financial statements.

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
STATE OF HAWAII

Statements of Revenues, Expenses, and Changes in Net Position - Enterprise Fund

Years Ended June 30, 2018 and 2017

	2018	2017
Operating revenues:		
Premium revenue - self-insured	$ 86,022,885	$ 91,623,427
Experience refunds, net	25,240,573	30,683,301
Other revenues, net	1,341,948	3,982,318
Total operating revenues	112,605,406	126,289,046
Operating expenses:		
Benefits claims expense - self insured	80,577,653	89,630,594
Administrative operating expenses	7,903,158	7,633,720
ACA fees	358,663	2,154,052
Depreciation	90,794	774,297
Change in incurred but not reported (IBNR) claims	7,100	(22,300)
Total operating expenses	88,937,368	100,170,363
Operating income	23,668,038	26,118,683
Nonoperating revenues:		
Investment income	979,921	903,096
Change in net position	24,647,959	27,021,779
Net position at beginning of year, as previously reported	75,584,467	48,562,688
Restatement	(3,318,547)	-
Net position at beginning of year, as restated	72,265,920	48,562,688
Net position at end of year	$ 96,913,879	$ 75,584,467

See accompanying notes to financial statements.

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
STATE OF HAWAII

Statements of Cash Flows - Enterprise Fund

Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Cash paid to vendors	$ (2,876,094)	$ (3,094,853)
Cash paid to employees	(4,216,853)	(3,618,762)
Cash received from State of Hawaii, counties and individuals for premiums and benefits payments	638,406,278	596,464,486
Cash paid for premiums and benefit payments	(590,640,947)	(615,325,709)
Rebates received related to prescription drug plans	(4,469,405)	15,256,529
Net cash provided by (used in) operating activities	36,202,979	(10,318,309)
Cash flows used in capital and related financing activities:		
Purchase of office furniture and equipment	(61,008)	(7,322)
Cash flows from investing activities:		
Purchase of investments	(18,686,652)	(4,506,495)
Proceeds from the sale of investments	5,081	3,593,832
Investment income received	979,921	903,096
Net cash used in investing activities	(17,701,650)	(9,567)
Net increase (decrease) in cash and cash equivalents	18,440,321	(10,335,198)
Cash and cash equivalents at beginning of year	8,815,849	19,151,047
Cash and cash equivalents at end of year	$ 27,256,170	$ 8,815,849

Supplemental disclosure of noncash activity:

As described in Note 2, the adoption of the GASB OPEB standards resulted in the restatement of net position ($3,318,547) as of June 30, 2017, and the recording of deferred outflows of resources ($543,221), net OPEB liability ($7,413,887), and deferred inflows of resources ($9,360) as of June 30, 2018.

See accompanying notes to financial statements. (Continued)

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
STATE OF HAWAII

Statements of Cash Flows - Enterprise Fund (Continued)

Years Ended June 30, 2018 and 2017

	2018	2017
Reconciliation of operating income to net cash provided by (used in) operating activities		
Operating income	$ 23,668,038	$ 26,118,683
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation	90,794	774,297
Increase in premiums receivable from State of Hawaii and counties	(111,192)	(1,396,749)
Decrease (increase) in experience refunds due from insurance companies	17,343,351	(35,673,075)
Increase in rebates and other receivables from insurance companies	(4,469,405)	(179,791)
Decrease in other receivables, net	-	3,436
Decrease (increase) in prepaid expenses	232,456	(230,864)
Decrease (increase) in deferred outflows of resources	188,799	(1,652,762)
Increase (decrease) in premiums payable	(1,237,622)	423,307
Increase (decrease) in benefit claims payable	441,412	(44,565)
Decrease in amounts due to employees, net	(375,178)	(356,352)
Decrease in experience refund overpayments due to insurance companies	-	(833,270)
Increase (decrease) in vouchers and contracts payable	14,052	(36,238)
Increase in accrued wages and employee benefits payable	61,826	55,451
Increase (decrease) in amounts due to State of Hawaii and counties	42,570	(74,335)
Increase in compensated absences	68,725	26,172
Increase in net other postemployment benefits liability	463,292	532,164
Increase (decrease) in net pension liability	(190,481)	2,304,489
Decrease in deferred inflows of resources	(28,458)	(78,307)
Total adjustments	12,534,941	(36,436,992)
Net cash provided by (used in) operating activities	$ 36,202,979	$ (10,318,309)

See accompanying notes to financial statements.

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
STATE OF HAWAII

Statements of Fiduciary Net Position - Agency Fund

June 30, 2018 and 2017

	2018	2017
Assets:		
Cash and cash equivalents	$ 6,393,750	$ 14,932,817
Investments	163,302,756	132,898,566
Receivables:		
Premiums receivable from State of Hawaii and counties	32,367,370	32,661,437
Rebates and other receivables from insurance companies	25,970,204	34,120,290
Experience refunds due from insurance companies	13,974,475	7,368,752
Medicare reimbursements from individuals, net of allowance of $676,887 in 2018 and $784,209 in 2017	68,428	255,855
Other receivables	151,178	-
Total receivables	72,531,655	74,406,334
Deposits	8,165,204	8,165,204
Total assets	$ 250,393,365	$ 230,402,921
Liabilities:		
Premiums payable	$ 24,424,186	$ 22,523,732
Benefit claims payable	16,707,921	15,780,576
Due to retirees, net	13,554	17,344
Other payables	303,307	278,035
Amounts held on behalf of employers for benefits	208,944,397	191,803,234
Total liabilities	$ 250,393,365	$ 230,402,921

See accompanying notes to financial statements.

Hawaii Employer-Union Health Benefits Trust Fund
for Other Post-Employment Benefits

Statements of Fiduciary Net Position - OPEB Trust

June 30, 2018 and 2017

	2018	2017
Assets:		
Cash and cash equivalents	$ 195,716,523	$ 170,346,739
Investments	2,176,183,227	1,607,976,087
Total cash and cash equivalents and investments	2,371,899,750	1,778,322,826
Invested securities lending collateral	14,468,169	27,061,425
Total assets	2,386,367,919	1,805,384,251
Liabilities:		
Securities lending collateral	14,468,169	27,061,425
Investment fees payable	1,418,185	648,977
Total liabilities	15,886,354	27,710,402
Net position restricted for postemployment benefits other than pensions	$ 2,370,481,565	$ 1,777,673,849

See accompanying notes to financial statements.

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
STATE OF HAWAII

Hawaii Employer-Union Health Benefits Trust Fund
for Other Post-Employment Benefits

Statements of Changes in Fiduciary Net Position - OPEB Trust

Years Ended June 30, 2018 and 2017

	2018	2017
Additions:		
Employer contributions	$ 444,072,913	$ 427,299,249
Investment income:		
From investing activities:		
Net appreciation in the fair value of investments	110,079,465	110,301,337
Interest and dividends	40,912,813	32,616,129
	150,992,278	142,917,466
Less: investment expenses	4,290,846	2,677,182
Net investment income from investing activities	146,701,432	140,240,284
From securities lending activities:		
Securities lending income	2,228,876	385,697
Securities lending expenses	195,505	96,324
Net investment income from securities lending activities	2,033,371	289,373
Total net investment income	148,734,803	140,529,657
Change in net position	592,807,716	567,828,906
Net position restricted for postemployment benefits other than pensions:		
Beginning of year	1,777,673,849	1,209,844,943
End of year	$ 2,370,481,565	$ 1,777,673,849

See accompanying notes to financial statements.

(1) Financial Reporting Entity

Chapter 87A, Hawaii Revised Statutes (HRS) established the Hawaii Employer-Union Health Benefits Trust Fund (the Trust Fund). The Trust Fund was established to design, provide, and administer health and other benefit plans for the State of Hawaii (the State) and the counties of Honolulu, Hawaii, Maui, and Kauai employees, retirees and their eligible dependents beginning July 1, 2003. Chapter 87, HRS that established the Hawaii Public Employees Health Fund (the Health Fund) was repealed and the net assets of the Health Fund were transferred to the Trust Fund.

Act 245, Session Laws of Hawaii (SLH) 2005, established a voluntary employees' beneficiary association (the VEBA) trust pilot program for the administration of the healthcare benefits for active employees and retirees, which the Hawaii State Teachers Association (the HSTA) implemented in March 2006. The program sunset date was December 31, 2010, and the VEBA trust was terminated. Effective January 1, 2011, all HSTA employees and retirees receiving benefits under the VEBA trust were enrolled in the benefit programs administered through the Trust Fund. Approximately 12,500 HSTA active employees and 2,500 retirees were transferred to the Trust Fund.

The Trust Fund is administered by a Board of Trustees (the Board) composed of ten trustees appointed by the Governor of the State. The Board is responsible for determining the nature and scope of benefit plans offered by the Trust Fund, negotiating and entering into contracts with insurance carriers, establishing eligibility and management policies for the Trust Fund, and overseeing all Trust Fund activities. The Board relies on professional services provided by a salaried Administrator, the State Department of the Attorney General, a benefits consultant, and an investment consultant.

Chapter 87A, HRS was amended on July 9, 2012 to allow the Board to establish a separate trust fund for the purpose of receiving employer contributions that will pre-fund other post-employment benefits (OPEB) for retirees and their beneficiaries. Pursuant to this amendment, the Board executed an irrevocable declaration of trust establishing the Hawaii Employer-Union Health Benefits Trust Fund for Other Post-Employment Benefits (the OPEB Trust) effective June 30, 2013. The OPEB Trust is governed by the Board of the Trust Fund. Its assets are held for the exclusive purpose of providing other post-employment benefits and are legally protected from creditors. The OPEB Trust financial statements are included as part of the basic financial statements of the Trust Fund (collectively referred to as the EUTF).

The EUTF, an agent multiple-employer defined benefit OPEB plan, is administratively attached to the State Department of Budget and Finance. The EUTF's basic financial statements reflect only its portion of the fund type categories. The State Comptroller maintains the central accounts for all State funds and publishes annual financial statements for the State, which includes the EUTF's financial activities.

The EUTF currently provides medical, prescription drug, dental, vision, chiropractic, supplemental medical and prescription drug, and group life insurance benefits. The medical plans include a statewide preferred provider organization (PPO) benefit plan and a federally-qualified health maintenance organization (HMO) plan.

The employers' share of benefit plan contributions for collectively bargained employees are negotiated by the State and counties with the exclusive representative of each employee bargaining unit. Employer contributions for retirees are prescribed by the HRS. Any remaining premium balance is paid by employees through payroll deductions or premium conversion plan reductions and paid by retirees directly, if applicable.

The State's and counties' contributions also include the employees' share made through payroll deductions, contributions for retired employees, and Medicare Part B reimbursements made by the Trust Fund to eligible retired employees and their spouses for Medicare Part B insurance premiums.

The EUTF provided insurance coverage to the following individuals as of June 30, 2018 and 2017:

	2018	2017
Active employees	67,716	68,449
Retirees	48,333	46,786
Dependents	82,333	83,735
Total	198,382	198,970

As of June 30, 2018, there were 11,941 inactives not yet receiving benefits.

(2) Summary of Significant Accounting Policies

The financial statements of the EUTF have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The EUTF's significant accounting policies are described below.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Financial Statement Presentation

The reporting of active and postemployment (including their respective beneficiaries) healthcare benefits provided through the same plan should separate the two benefits for accounting purposes between active and postemployment healthcare benefits. Accordingly, the EUTF reports the postemployment healthcare benefits in conformity with GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (Statement No. 74), and the active employee healthcare benefits as risk financing in conformity with GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* (Statement No. 10), as amended.

Proprietary Fund (Enterprise Fund)

The accounting for the active employee healthcare benefits is reported as an enterprise fund. An enterprise fund is used to account for the acquisition, operation, and maintenance of government facilities and services that are entirely or predominantly supported by user charges. The enterprise fund operations are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of cash flows.

The enterprise fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services or goods in connection with the enterprise fund's ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenues of the enterprise fund are premium revenues. Investment income is reported as nonoperating revenues.

Fiduciary Fund (Agency Fund)

The EUTF reports assets and liabilities in an agency fund resulting from the collection of contributions from employers and retirees and payments of postemployment health benefits for retirees and their beneficiaries. The agency fund does not meet the criteria of a trust or equivalent arrangement, thus assets and liabilities for the postemployment health benefits are reported as an agency fund. Agency funds do not have a measurement focus and report only assets and liabilities.

OPEB Trust

The EUTF accounts for the pre-funding contributions made by the State and counties in the OPEB Trust, which meets the criteria of a trust or equivalent arrangement. Accordingly, the assets, liabilities, and net position, as well as the changes in net position, of the OPEB Trust are reported as a fiduciary fund using the accrual basis of accounting similar to the enterprise fund. The assets, liabilities, and operations for the pre-funding contributions are reported in the statements of fiduciary net position and changes in fiduciary net position.

Cash Equivalents

All highly liquid investments with an original maturity of three months or less when purchased are considered to be cash equivalents.

Investments

Investments are reported at fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date.

Unrealized gains and losses are recorded in the accompanying financial statements based on the difference between the fair value of assets at the beginning of the year, or at the time of purchase for assets purchased during the year, and the last day of the year.

Securities Lending

The EUTF receives cash and noncash collateral under securities lending agreements. The EUTF does not have the ability to pledge or sell collateral securities absent of borrower default thus only cash received as collateral is reported on the financial statements. Cash collateral received under securities lending agreements are invested in a money market fund and are reported at fair value. Liabilities resulting from these transactions are also recorded. Additionally, costs associated with securities transactions, broker commissions paid, and lending agent management fees are reported as investment expenses from securities lending activities in the accompanying financial statements.

Receivables

Receivables consist primarily of amounts due from employers for health benefits premium contributions and experience refunds, rebates and other receivables from insurance companies, as well as amounts due from individuals for overpayment of Medicare Part B reimbursements. An allowance for employer receivables is not considered necessary based on past collection experience. The Medicare Part B reimbursement receivables from individuals are reported as net receivables and were based on management's estimate of amounts considered collectible. Management considers Medicare Part B receivables older than nine months from individuals who are deceased without a surviving spouse continuing to receive Medicare Part B reimbursements from the EUTF to be uncollectible.

Capital Assets and Depreciation

The EUTF's capital assets consist of office furniture and equipment, and computer equipment and software with estimated useful lives greater than one year and with an acquisition cost greater than $5,000. Purchased capital assets are valued at cost. Donated capital assets are recorded at their fair value at the date of donation. Depreciation expense is determined using the straight-line method over the assets' estimated useful life of seven years.

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows (inflows) of resources represent a consumption of (benefit to) net position that applies to a future period. The deferred outflow of resources related to pension and OPEB resulted from changes in assumptions, the net difference between projected and actual earnings on pension plan investments, differences between expected and actual experience, and changes in proportion and differences between contributions and proportionate share of contributions, which will be amortized over five years, and the EUTF's contributions to the pension and OPEB plans subsequent to the measurement date of the actuarial valuations for the pension and OPEB plans, which will be recognized as a reduction of the net pension liability and net OPEB liability in the subsequent fiscal year. The deferred inflow of resources related to pension and OPEB resulted from differences between expected and actual experience, changes in proportion and differences between contributions and proportionate share of contributions, and the net difference between projected and actual earnings on OPEB plan investments, which will be amortized over five years.

The EUTF's deferred outflows/inflows of resources related to pension and OPEB are detailed in Note 8.

Compensated Absences

All employees earn vacation at the rate of one and three-quarters working days for each month of service. Vacation days may be accumulated to a maximum of 90 days. Employees are entitled to receive cash payment for accumulated vacation upon termination. The accompanying enterprise fund financial statements present the cost of accumulated unpaid vacation as a liability.

A reconciliation of changes in compensated absences liabilities for accumulated vacation is as follows for the years ended June 30, 2018 and 2017:

	Enterprise Fund	
	2018	**2017**
Balance at beginning of year	$ 287,035	$ 260,863
Additions	217,547	180,270
Reductions	(148,822)	(154,098)
Balance at end of year	355,760	287,035
Less curent portion	(109,394)	(94,971)
Noncurrent portion	$ 246,366	$ 192,064

All employees earn sick leave credits at the rate of one and three-quarters working days for each month of service. Sick leave credits may be accumulated without limit. Sick leave can be taken only in the event of illness and is not convertible to pay upon termination of employment. Accordingly, no liability for unpaid sick leave credits is reported in the accompanying enterprise fund financial statements. However, an EUTF employee who retires or leaves government service in good standing with sixty days or more of unused sick leave is entitled to additional service credit in the Employees' Retirement System of the State of Hawaii at the rate of one additional month of service for each 20 days of unused sick leave. Accumulated sick leave as of June 30, 2018 and 2017 amounted to approximately $708,000 and $555,000, respectively.

Risk Management

The EUTF is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; natural disasters; and workers' compensation. A liability for a claim for a risk of loss is established if information indicates that it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss is reasonably estimable.

The estimated reserve for losses and loss adjustment costs includes the accumulation of estimates for losses and claims reported prior to fiscal year-end, nonincremental estimates (based on projections of historical developments) of claims incurred but not reported, and nonincremental estimates of costs for investigating and adjusting all incurred and unadjusted claims. Amounts reported are subject to the impact of future changes in economic and social conditions. The EUTF believes that, given the inherent variability in any such estimates, the reserves are within a reasonable and acceptable range of adequacy. Reserves are continually monitored and reviewed and, as settlements are made and reserves adjusted, the differences are reported in current operations.

Benefits Claims Expense and Cost

The benefits claims expense reported in the enterprise fund relates to the self-insured prescription drug plans and includes the ultimate net cost of all reported claims incurred through the end of the fiscal year, for active employee healthcare benefits. The benefits claims expense also includes an additional estimate for unreported claims that have been incurred as of fiscal year-end. The cost of benefits claims for retirees are reported as a component of benefit claims payable in the agency fund.

Management has made certain assumptions based on currently available information and industry statistics in determining the benefits claims expense. Accordingly, the ultimate costs may vary significantly from the estimated amounts reported in the financial statements. Management believes that, given the inherent variability in benefits claims expense, such aggregate liabilities are within a reasonable range of adequacy. Such estimates are based on estimated claims cost reported prior to fiscal year-end, and estimates (based on actuarial projections of historical loss development) of claims cost incurred but not reported. Reserves are continually reviewed and adjusted as experience develops or new information becomes known; such adjustments are charged to net position as incurred for active employees. Rebates receivable are recorded in the period that the claim is paid and is netted against the cost of the claim.

Management recorded its best estimate for the obligation of unpaid claims of $5,108,996 and $4,667,584 for active employees and $16,707,921 and $15,780,576 for retirees as of June 30, 2018 and 2017, respectively, based on the EUTF's benefits consultant's estimate for the liability for unpaid claims. These amounts include administrative fees payable to the third party administrator for services provided and for benefit claims incurred as of June 30, 2018 and 2017.

Carrier Payment Methodology

Premiums paid to the carriers are calculated on a monthly basis by multiplying the total number of active employees and retirees enrolled in the various plans on the last day of the month by the premium rates set forth in the contract agreements, whereas employer and employee billings are calculated on a semi-monthly basis. As a result, the EUTF recognizes a gain or loss between the total premiums actually collected from the employers and employees and the total premiums actually paid to the carriers. For the years ended June 30, 2018 and 2017, respectively, the EUTF recognized gains (losses) of $395,831 and $24,126, and $117,963 and ($61,096), related to active employees and retirees, respectively.

Chapter 87A, HRS states that employer contributions are irrevocable. In addition, Chapter 87A, HRS does not require the EUTF to return insurance carrier refunds, rate credits and other earnings, as authorized by the Board, to identifiable employees who participated in ascertainable years that created the refund or credit. Accordingly, the EUTF recognizes the gains as increases in experience refunds and the related receivable as experience refunds due from insurance companies.

Premium Revenues - Self-insured

Premium revenues - self-insured are recognized over the coverage period.

Experience Refunds

For fully-insured with risk sharing health benefit contracts, the EUTF recognizes estimated experience refunds. Management has made certain assumptions based on currently available information in determining the estimated experience refunds. Accordingly, the ultimate gains may vary significantly from the estimated amounts reported in the accompanying financial statements.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the EUTF's participation in the Employees' Retirement System of the State of Hawaii (the ERS) and additions to/deductions from the ERS's fiduciary net position have been determined on the same basis as they are reported by the ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. The ERS' investments are reported at fair value.

Other Postemployment Benefits

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the EUTF's participation in the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the EUTF. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The EUTF's investments are reported at their fair value.

Use of Estimates

In preparing financial statements in conformity with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Change in Accounting Principles

Effective July 1, 2017, the EUTF adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (Statement No. 75). This statement addresses accounting and financial reporting for OPEB that are provided to the employees of state and local governmental employers through OPEB administered through trusts or equivalent arrangements meeting certain criteria. This statement also establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures.

Statement No. 75 replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended (Statement No. 45), and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*.

Simultaneously with the adoption of Statement No. 75, the EUTF adopted the provisions of GASB Statement No. 85, *Omnibus 2017* (Statement No. 85). The objective of this statement is to address practice issues that have been identified during the implementation and application of certain GASB statements.

The EUTF did not restate the financial statements as of and for the year ended June 30, 2017, because the actuarial information from the State did not provide the required information for the prior year. As such, the EUTF included the OPEB disclosures under Statement No. 45, for the year ended June 30, 2017. The EUTF reported the cumulative effect of the change in accounting principles by restating beginning net position in the accompanying 2018 financial statements of the enterprise fund. Specifically, the adoption of Statement Nos. 75 and 85 had the effect of decreasing net position as of June 30, 2017 by $3,318,547. In addition, the EUTF recorded a deferred outflow of resources of $543,221, a net OPEB liability of $7,413,887, and a deferred inflow of resources of $9,360 as of June 30, 2018 in the enterprise fund's financial statements. Refer to Note 8 for additional information regarding the OPEB plan.

Recently Issued Accounting Pronouncements

GASB Statement No. 83

The GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This statement provides financial statement users with information about asset retirement obligations that were not addressed in GASB standards by establishing uniform accounting and financial reporting requirements for these obligations. The requirements of this statement are effective for reporting periods beginning after June 15, 2018. The EUTF is currently evaluating the impact that this statement will have on its financial statements.

GASB Statement No. 84

The GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. The EUTF is currently evaluating the impact that this statement will have on its financial statements.

GASB Statement No. 87

The GASB issued Statement No. 87, *Leases*. The objective of this statement is to improve accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the provisions of the contract. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. The EUTF is currently evaluating the impact that this statement will have on its financial statements.

(3) Cash and Cash Equivalents and Investments

As of June 30, 2018 and 2017, the EUTF's cash and cash equivalents and investments were distributed and reported in the financial statements as follows:

	2018			
	Enterprise fund	Agency fund	OPEB Trust	Total
Cash and cash equivalents	$ 27,256,170	$ 6,393,750	$ 195,716,523	$ 229,366,443
Investments	55,808,428	163,302,756	2,176,183,227	2,395,294,411
Total	$ 83,064,598	$ 169,696,506	$ 2,371,899,750	$ 2,624,660,854
Invested securities lending collateral	$ -	$ -	$ 14,468,169	$ 14,468,169

	2017			
	Enterprise fund	Agency fund	OPEB Trust	Total
Cash and cash equivalents	$ 8,815,849	$ 14,932,817	$ 170,346,739	$ 194,095,405
Investments	37,126,857	132,898,566	1,607,976,087	1,778,001,510
Total	$ 45,942,706	$ 147,831,383	$ 1,778,322,826	$ 1,972,096,915
Invested securities lending collateral	$ -	$ -	$ 27,061,425	$ 27,061,425

Cash and Cash Equivalents

The EUTF maintains bank accounts and a money market account at a major financial institution located in Hawaii and a cash management account with a broker-dealer. As of June 30, 2018 and 2017, the carrying amounts of these accounts were $229,366,443 and $194,095,405, respectively, and the related bank and money market balances were $229,946,280 and $194,752,119, respectively.

Investments

EUTF Investment Pool

The EUTF maintains an investment pool amounting to $2,395,294,411 and $1,778,001,510 as of June 30, 2018 and 2017, respectively.

The EUTF's investment pool, at fair value, consists of the following investments as of June 30, 2018 and 2017:

	2018	2017
Equity securities:		
Commingled funds - domestic	$ 496,825,151	$ 374,620,443
Commingled funds - international	471,002,576	394,204,717
Common stocks - domestic	424,186,114	366,376,657
Common stocks - international	15,156,394	9,064,653
Exchange traded funds - domestic	22,497,132	20,446,222
Exchange traded funds - international	18,255,626	17,763,722
Fixed income securities:		
Commingled funds - domestic inflation	243,311,258	224,097,137
Commingled funds - domestic core	68,673,267	52,061,972
Mutual fund - domestic	181,078,504	136,727,203
U.S. treasury and government agency bonds	174,690,041	107,868,268
Alternative investments	279,811,949	74,918,895
Derivatives - equity options	(193,601)	(148,379)
Total investments	$ 2,395,294,411	$ 1,778,001,510

Invested Securities Lending Collateral

Cash received under the EUTF's securities lending program is invested in a money market fund and reported at fair value as of June 30, 2018 and 2017 as follows:

	2018	2017
Money market fund	$ 14,468,169	$ 27,061,425

Commingled Funds

Domestic equity - Northern Trust Russell 3000 Index Fund - Lending - primary objective is to approximate the risk and return characteristics of the Russell 3000 Index. This index is commonly used to represent the broad U.S. equity market.

International equity - Northern Trust Common All Country World Index (ACWI) EX-US Fund - Lending - primary objective is to provide investment results that approximate the overall performance of the MSCI All Country World EX-US Index.

Domestic inflation fixed income - linked fixed income - BlackRock U.S. Inflation-Linked Bond Fund B - primary objective is to maximize real return by investing in inflation-linked fixed income securities issued by the U.S. government.

Domestic core fixed income - BlackRock U.S. Debt Index Fund B - primary objective is to provide investment results that correspond generally to the price and yield performance of Barclays US Aggregate Bond index.

Mutual Fund

Fixed income - domestic - Vanguard Short-Term Corporate Bond Index Fund - seeks to track the performance of a market-weighted corporate bond index with a short-term dollar-weighted average maturity. This index includes U.S. dollar-denominated, investment-grade, fixed-rate, taxable securities issued by industrial, utility, and financial companies, with maturities between one and five years.

Money Market Funds

Money market funds seek to maximize current income to the extent consistent with the preservation of capital and maintenance of liquidity by investing exclusively in high quality money market investments.

Investments Authorized

The Board is responsible for safekeeping these monies and has appointed an Investment Committee responsible for investing EUTF assets in compliance with applicable HRS and with the foremost intention of preserving capital and providing sufficient investment appreciation to meet the current and future OPEB benefit payments. The Investment Committee's duties include determining the investment policies for the EUTF and periodically affirming their appropriateness in light of changes in the EUTF expected cash flows, market conditions, actuarial variables, or other pertinent developments. Money is invested in accordance with the EUTF's Statement of Investment Policy and Guidelines (the Investment Policy).

Section 87A-24(2) of the HRS empowers the Board to invest monies "in the same manner specified in section 88-119." Permissible investments under section 88-119 "Investments" are as follows:

(1) Real estate loans and mortgages. Obligations (as defined in section 431:6-101) of any of the following classes:

(a) Obligations secured by mortgages of nonprofit corporations desiring to build multi-rental units (ten units or more) subject to control of the government for occupancy by families displaced as a result of government action;

(b) Obligations secured by mortgages insured by the Federal Housing Administration;

(c) Obligations for the repayment of home loans made under the Servicemen's Readjustment Act of 1944 or under Title II of the National Housing Act;

(d) Other obligations secured by first mortgages on unencumbered improved real estate owned in fee simple; provided that the amount of the obligation at the time investment is made therein shall not exceed eighty percent of the value of the real estate and improvements mortgaged to secure it, and except that the amount of the obligation at the time investment is made therein may exceed eighty percent but no more than ninety percent of the value of the real estate and improvements mortgaged to secure it; provided further that the obligation is insured or guaranteed against default or loss under a mortgage insurance policy issued by a casualty insurance company licensed to do business in the State. The coverage provided by the insurer shall be sufficient to reduce the EUTF's exposure to not more than eighty percent of the value of the real estate and improvements mortgaged to secure it. The insurance coverage shall remain in force until the principal amount of the obligation is reduced to eighty percent of the market value of the real estate and improvements mortgaged to secure it, at which time the coverage shall be subject to cancellation solely at the option of the Board. Real estate shall not be deemed to be encumbered within the meaning of this subparagraph by reason of the existence of any of the restrictions, charges, or claims described in section 431:6-308;

(e) Other obligations secured by first mortgages of leasehold interests in improved real estate; provided that:

(i) Each leasehold interest at the time shall have a current term extending at least two years beyond the stated maturity of the obligation it secures; and

(ii) The amount of the obligation at the time investment is made therein shall not exceed eighty percent of the value of the respective leasehold interest and improvements, and except that the amount of the obligation at the time investment is made therein may exceed eighty percent but no more than ninety percent of the value of the leasehold interest and improvements mortgaged to secure it; provided further that the obligation is insured or guaranteed against default or loss under a mortgage insurance policy issued by a casualty insurance company licensed to do business in the State. The coverage provided by the insurer shall be sufficient to reduce the EUTF's exposure to not more than eighty percent of the value of the leasehold interest and improvements mortgaged to secure it. The insurance coverage shall remain in force until the principal amount of the obligation is reduced to eighty percent of the market value of the leasehold interest and improvements mortgaged to secure it, at which time the coverage shall be subject to cancellation solely at the option of the Board;

(f) Obligations for the repayment of home loans guaranteed by the Department of Hawaiian Home Lands pursuant to section 214(b) of the Hawaiian Homes Commission Act, 1920; and

(g) Obligations secured by second mortgages on improved real estate for which the mortgagor procures a second mortgage on the improved real estate for the purpose of acquiring the leaseholder's fee simple interest in the improved real estate; provided that any prior mortgage shall not contain provisions that might jeopardize the security position of the EUTF or the borrower's ability to repay the mortgage loan.

The Board may retain the real estate, including leasehold interests therein, as it may acquire by foreclosure of mortgages or in enforcement of security, or as may be conveyed to it in satisfaction of debts previously contracted; provided that all the real estate, other than leasehold interests, shall be sold within five years after acquiring the same, subject to extension by the governor for additional periods not exceeding five years each, and that all the leasehold interests shall be sold within one year after acquiring the same, subject to extension by the governor for additional periods not exceeding one year each;

(2) Government obligations, etc. Obligations of any of the following classes:

(a) Obligations issued or guaranteed as to principal and interest by the United States or by any state thereof or by any municipal or political subdivision or school district of any of the foregoing; provided that principal of and interest on the obligations are payable in currency of the United States; or sovereign debt instruments issued by agencies of, or guaranteed by foreign governments;

(b) Revenue bonds, whether or not permitted by any other provision hereof, of the State or any municipal or political subdivision thereof, including the Board of Water Supply of the City and County of Honolulu, and street or improvement district bonds of any district or project in the State; and

(c) Obligations issued or guaranteed by any federal home loan bank, including consolidated federal home loan bank obligations, the Home Owner's Loan Corporation, the Federal National Mortgage Association, or the Small Business Administration;

(3) Corporate obligations. Below investment grade or nonrated debt instruments, foreign or domestic, in accordance with investment guidelines adopted by the Board;

(4) Preferred and common stocks. Shares of preferred or common stock of any corporation created or existing under the laws of the United States or of any state or district thereof or of any country;

(5) Obligations eligible by law for purchase in the open market by Federal Reserve banks;

(6) Obligations issued or guaranteed by the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, or the African Development Bank;

(7) Obligations secured by collateral consisting of any of the securities or stock listed above and worth at the time the investment is made at least fifteen percent more than the amount of the respective obligations;

(8) Insurance company obligations. Contracts and agreements supplemental thereto providing for participation in one or more accounts of a life insurance company authorized to do business in Hawaii, including its separate accounts, and whether the investments allocated thereto are comprised of stocks or other securities or of real or personal property or interests therein;

(9) Interests in real property. Interests in improved or productive real property in which, in the informed opinion of the Board, it is prudent to invest funds of the EUTF. For purposes of this paragraph, "real property" includes any property treated as real property either by local law or for federal income tax purposes. Investments in improved or productive real property may be made directly or through pooled funds, including common or collective trust funds of banks and trust companies, group or unit trusts, limited partnerships, limited liability companies, investment trusts, title-holding corporations recognized under section 501(c) of the Internal Revenue Code of 1986, as amended, similar entities that would protect the EUTF's interest, and other pooled funds invested on behalf of the EUTF by investment managers retained by the EUTF;

(10) Other securities and futures contracts. Securities and futures contracts in which in the informed opinion of the Board, it is prudent to invest funds of the EUTF, including currency, interest rate, bond, and stock index futures contracts and options on the contracts to hedge against anticipated changes in currencies, interest rates, and bond and stock prices that might otherwise have an adverse effect upon the value of the EUTF's securities portfolios; covered put and call options on securities; and stock; whether or not the securities, stock, futures contracts, or options on futures are expressly authorized by or qualify under the foregoing paragraphs, and notwithstanding any limitation of any of the foregoing paragraphs (including paragraph (4)); and

(11) Private placements. Investments in institutional blind pool limited partnerships, limited liability companies, or direct investments that make private debt and equity investments in privately held companies, including but not limited to investments in Hawaii high technology businesses or venture capital investments that, in the informed opinion of the Board, are appropriate to invest funds of the EUTF. In evaluating venture capital investments, the Board shall consider, among other things, the impact an investment may have on job creation in Hawaii and on the state economy. The Board shall report annually to the legislature on any Hawaii venture capital investments it has made; provided that if the Board determines it is not prudent to invest in any Hawaii venture capital investments the Board shall report the rationale for the decision. The Board, by January 1, 2008, shall develop criteria to determine the amount of funds that may be prudently invested in Hawaii private placement investments.

Strategic Allocation

Strategic allocation refers to the strategic deployment of assets among the major classes of investments permitted under the HRS. It is the primary determinant of success in meeting long-term investment objectives. The EUTF's strategic allocation is established by the Board with input from the Investment Committee and the investment consultant and is a function of the Board's expectations of current and future liquidity and income needs, eligible investment types under the HRS, expectations of strategic class investment performance likely to be achieved over the long-term, and risk tolerance.

The Board/Investment Committee implements its strategic allocation policy through the use of full discretion investment managers who invest the assets of the portfolios assigned to them, subject to specific investment guidelines provided by the Board or provided by the fund's governing documents.

The evolving policy plan for the EUTF's short-term liquidity/operating asset pool as of June 30, 2018 is as follows:

Strategic Classification	**Current Policy**	**Stage 1**	**Target**
Expected Completion Date	--	**10/1/18**	**4/1/19**
Short-term investment:			
Cash and cash equivalents and short-duration fixed income	100.00%	100.00%	100.00%
Long-term investment:			
U.S. equities	50.00%	35.00%	25.00%
International equities	50.00%	35.00%	25.00%
Long treasuries	0.00%	12.00%	18.75%
Alternative risk premia	0.00%	8.00%	13.75%
Systematic trend following	0.00%	10.00%	17.50%
	100.00%	100.00%	100.00%

The EUTF Board approved a long-term investment portfolio policy target in May 2016 that was amended in April 2018, which included an evolving policy plan designed to efficiently transition the EUTF to the new long term strategic allocation over time.

As of June 30, 2018, the evolving policy plan for the OPEB Trust is as follows:

Asset Classification	**Current Policy**	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 4**	**New Long-term Strategic Allocation Policy**
Expected Completion Date	**---**	**10/1/18**	**4/1/19**	**8/1/19**	**4/1/20**	**7/1/22**
Private equity/non-core RE	0%	1%	2%	3%	4%	10%
U.S. microcap equity	9%	9%	9%	9%	9%	7%
U.S. equity	20%	19%	18%	16%	16%	15%
Non-U.S. equity	20%	19%	18%	17%	17%	17%
U.S. REITs	9%	7%	5%	3%	2%	0%
Global options	7%	7%	7%	7%	7%	7%
Core real estate	7%	8%	9%	10%	10%	10%
Private credit	0%	0%	3%	6%	6%	6%
Core fixed income	3%	3%	3%	3%	3%	3%
TIPs	11%	8%	7%	6%	6%	5%
Long treasuries	7%	7%	7%	7%	6%	6%
Alternative risk premia	0%	5%	5%	5%	5%	5%
Systematic trend following	7%	7%	7%	8%	9%	9%
	100%	100%	100%	100%	100%	100%

Asset Class Ranges

The Board/Investment Committee will utilize the following asset class ranges/bounds in managing the long-term investment portfolio. These ranges apply to the prevailing evolving policy allocation that is in effect. Considering the inherit characteristics of private markets classes, such classes do not have ranges but will be managed in-line with approved pacing models/schedules.

Asset Classification	Range
Private equity/non-core RE	---
U.S. microcap equity	±2%
U.S. equity	±3%
Non-U.S. equity	±3%
U.S. REITs	±2%
Global options	±2%
Core real estate	---
Private credit	---
Core fixed income	±2%
TIPs	±2%
Long treasuries	±2%
Alternative risk premia	±2%
Systematic trend following	±2%

These ranges apply to the prevailing evolving policy allocation of the Excess Funds portfolio.

Asset Classification	Range
U.S. equity	±4%
Non-U.S. equity	±4%
Long treasuries	±3%
Alternative risk premia	±2%
Systematic trend following	±2%

Rebalancing

The Board/Investment Committee has a policy of rebalancing the portfolio when actual strategic allocations fall outside of the strategic class ranges. Subject to market conditions, portfolio rebalancing will be executed by staff on a systematic basis when strategic allocations fall outside of the strategic class ranges. In order to minimize transaction costs and operational risks, EUTF cash flows, such as contributions received or benefits paid, will be the primary mechanism used to achieve rebalancing objectives when strategic allocations are not at the targets but are not outside the strategic class ranges. Staff will have the authority to rebalance towards strategic allocation targets without cash flows and when actual allocations are not outside of the strategic class ranges if the intent is to reduce overall portfolio risk. These customary rebalancing procedures notwithstanding, during periods of extreme market conditions, illiquid markets, or other extenuating circumstances in which rebalancing may be difficult or costly, the Board/Investment Committee may, at its discretion, elect to suspend rebalancing until a time it believes is prudent.

Rate of Return

For the years ended June 30, 2018 and 2017, the annual money-weighted rates of return on investments, net of investment expenses, for the OPEB Trust were 7.34% and 9.28%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Fair Value Hierarchy

The EUTF's investments are measured at fair value. The EUTF categorizes its fair value measurement within the fair value hierarchy established by GAAP. Fair value is a market-based measurement of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that a transaction to sell an asset or transfer a liability takes place in either the principal market or most advantageous market.

The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value of the assets into three levels. Level 1 inputs are unadjusted quoted prices in active markets for identical assets; Level 2 are quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which all significant inputs are observable; and Level 3 inputs are valuations derived from valuation techniques in which significant inputs are unobservable.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

The following is a summary of the EUTF's fair value measurements as of June 30, 2018 and 2017:

	June 30, 2018		
		Fair Value Measurements Using	
	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments by fair value level:			
Equity securities:			
Common stocks - domestic	$ 424,186,114	$ 424,186,114	$ -
Common stocks - international	15,156,394	15,156,394	-
Exchange traded funds - domestic	22,497,132	22,497,132	-
Exchange traded funds - international	18,255,626	18,255,626	-
Fixed income securities:			
Mutual fund - domestic	181,078,504	181,078,504	-
U.S. treasury and government agency bonds	174,690,041	-	174,690,041
Derivatives - options	(193,601)	-	(193,601)
Total investments measured by fair value levels	835,670,210	$ 661,173,770	$ 174,496,440
Investments measured at net asset value (NAV):			
Commingled funds:			
Domestic equity	496,825,151		
International equity	471,002,576		
Domestic inflation - linked fixed income	243,311,258		
Domestic core fixed income	68,673,267		
Alternative investments	279,811,949		
Total investments measured at NAV	1,559,624,201		
Total investments measured at fair value	$ 2,395,294,411		
Invested securities lending collateral - measured at NAV - money market fund	$ 14,468,169		

	June 30, 2017		
		Fair Value Measurements Using	
	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments by fair value level:			
Equity securities:			
Common stocks - domestic	$ 366,376,657	$ 366,376,657	$ -
Common stocks - international	9,064,653	9,064,653	-
Exchange traded funds - domestic	20,446,222	20,446,222	-
Exchange traded funds - international	17,763,722	17,763,722	-
Fixed income securities:			
Mutual fund - domestic	136,727,203	136,727,203	-
U.S. treasury and government agency bonds	107,868,268	-	107,868,268
Derivatives - options	(148,379)	-	(148,379)
Total investments measured by fair value levels	658,098,346	$ 550,378,457	$ 107,719,889
Investments measured at net asset value (NAV):			
Commingled funds:			
Domestic equity	374,620,443		
International equity	394,204,717		
Domestic inflation - linked fixed income	224,097,137		
Domestic core fixed income	52,061,972		
Alternative investments	74,918,895		
Total investments measured at NAV	1,119,903,164		
Total investments measured at fair value	$ 1,778,001,510		
Invested securities lending collateral - measured at NAV - money market fund	$ 27,061,425		

Investments in common stocks, exchange traded funds, and mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by the EUTF are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price.

Investments in commingled funds are valued at the NAV of units of a bank commingled investment vehicle. Investments in a money market fund are valued at the NAV of the custodian bank liquid asset portfolio. In addition, alternative investments held in limited partnerships and a limited liability company (as described in the *Derivatives* section) are measured at their respective NAV and are generally audited annually. The NAV is based on the fair value of the underlying assets held by the fund less its liabilities.

There have been no changes in the methodologies used at June 30, 2018 and 2017. The preceding measurements described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. The market volatility of equity-based investments is expected to substantially impact the value of such investments at any given time. It is likely that the value of the EUTF's investments has fluctuated since June 30, 2018.

Investments Measured at NAV	Fair Value June 30, 2018	Fair Value June 30, 2017	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled funds:					
Domestic equity	$ 496,825,151	$ 374,620,443	$ -	Daily/ Quarterly	Same as trade date/ Trade date - 1 Month
International equity	471,002,576	394,204,717	-	Daily	Trade date - 1
Domestic inflation - linked fixed income	243,311,258	224,097,137	-	Daily	Trade date - 2
Domestic core fixed income	68,673,267	52,061,972	-	Daily	Trade date - 2
Alternative investments	279,811,949	74,918,895	92,450,972	Monthly/ Quarterly	Various up to Trade date - 15
Total investments measured at NAV	$ 1,559,624,201	$ 1,119,903,164	$ 92,450,972		
Invested securities lending collateral - money market mutual fund - measured at NAV	$ 14,468,169	$ 27,061,425			Same as trade date

Interest Rate Risk

Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The EUTF has not adopted a formal policy that limits investment maturities as a means of managing its exposure to fair value changes arising from changing interest rates. External investment managers are given full discretion within their operational guidelines and are expected to maintain a diversified portfolio between and within sectors, quality, and maturity.

Duration is a measure of a debt investment's exposure to fair value changes arising from changes in interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price. The table below shows fixed income investment securities by investment type, amount, and the effective weighted duration for the EUTF's total portfolio as of June 30, 2018:

Debt Security Type	Fair Value	Effective Weighted Duration (years)	Percent of Debt Securities
Fixed income securities:			
Commingled funds - domestic inflation	$ 243,311,258	7.19	36.44%
Commingled funds - domestic core	68,673,267	5.85	10.28%
Mutual fund - domestic	181,078,504	2.70	27.12%
U.S. treasury bonds	172,804,952	17.04	25.88%
U.S. government agency bonds	1,885,089	10.94	0.28%
Total	$ 667,753,070		100.00%

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. Information regarding the EUTF's credit risk on derivative investments is discussed below in the derivative disclosures, while policies related to credit risk for the securities lending program is discussed below in the securities lending disclosures.

Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization, Standard and Poor's. At June 30, 2018, the EUTF invested in two fixed income oriented commingled funds and one fixed income oriented mutual fund: the BlackRock U.S. Debt Index Fund B, with ratings ranging from AAA to BBB-, the BlackRock U.S. Inflation Linked Bond

Fund with ratings ranging from AAA to NR, and the Vanguard Short-Term Corporate Bond Index Fund B with ratings ranging from Aaa to Bbb. The EUTF's direct holdings in U.S. treasury and government agency bonds have a AAA rating.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the EUTF will not be able to recover the value of its investments residing at its custodian bank or collateral securities that are lent by the custodian bank to outside party(ies). The EUTF's investments are held at a custodian bank. The EUTF's custodians are Northern Trust Corporation (Northern Trust) and Bank of Hawaii (BOH). Northern Trust and BOH are "Qualified Custodians" as defined within Rule 206(4)-2 of the Investment Advisers Act of 1940 for which funds or securities are held separate from bank assets. The EUTF did not have custodial credit risk related to its equity and fixed income securities, including commingled funds, common stocks, exchange traded funds, U.S. treasury and government agency bonds, a mutual fund, and securities lending activities.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the EUTF will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The EUTF's Investment Policy or the HRS do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits. At times and as of June 30, 2018 and 2017, the EUTF had deposits in excess of Federal Deposit Insurance Corporation (FDIC) and SIPC limits.

Concentration of Credit Risk

The EUTF provides guidelines regarding portfolio diversification by placing limits on the amount it may invest in any one issuer, types of investment instruments, and position limits per issue of an investment instrument.

Other than U.S. government securities, which are not subjected to the GASB Statement No. 40 disclosure requirements, the EUTF does not have investments in any single issuer that represent 5 percent or more of fiduciary net position or total investments.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The EUTF's asset allocation and investment policy allows for active and passive investments in international securities. The foreign currency risk exposure to the EUTF arises from the international equity investment holdings, including commingled funds, common stocks, and exchange traded funds.

The following table summarizes the EUTF's exposure to foreign currency risk in U.S. dollars as of June 30, 2018:

Currencies	Cash and Cash Equivalents	Derivatives	Total
Australian dollar	$ 32,339	$ (18,140)	$ 14,199
British pound sterling	(1,547,381)	28,781,866	27,234,485
Canadian dollar	(1,143,315)	10,005,420	8,862,105
Euro	234,200	32,767,837	33,002,037
Hong Kong dollar	95,404	-	95,404
Japanese yen	(159,244)	27,563,671	27,404,427
Swiss franc	16,489	(3,349)	13,140
	$ (2,471,508)	$ 99,097,305	$ 96,625,797

Securities Lending

The EUTF participates in a securities lending program administered by its custodian bank, Northern Trust. Under this program, which is permissible by State statutes and the EUTF's Investment Policy, certain equity securities are lent to participating broker-dealers and banks (borrowers). In return, the EUTF receives cash, securities, and/or letters of credit as collateral at 102% to 105% of the principal plus accrued interest for reinvestment. The collateral is marked to market daily. If the market value of the collateral falls below the minimum collateral requirements, additional collateral is provided. Accordingly, management believes that the EUTF had no credit risk exposure to borrowers because the amounts the EUTF owed the borrowers equaled or exceeded the amounts the borrowers owed the EUTF. The contract with the EUTF requires the custodian bank to indemnify the EUTF. In the situation when a borrower goes into default, the custodian bank will liquidate the collateral to purchase replacement securities. Any shortfall between the replacement securities cost and the collateral value is covered by the custodian bank. All securities loans can be terminated on demand within a period specified in each agreement by either the EUTF or the borrowers.

Cash collateral is invested in a separate account by the custodian bank using approved lender's investment guidelines. As such, maturities of the investments made with cash collateral generally do not match the maturities of the securities loans. The EUTF does not impose any restrictions on the amount of loans the bank custodian makes on behalf of the EUTF. The securities lending program in which the EUTF participates only allows pledging or selling securities in the case of borrower default.

At June 30, 2018 and 2017, the total securities lent for collateral amounted to $145,122,920 and $81,494,656, respectively. At June 30, 2018 and 2017, the total cash and noncash collateral received amounted to $14,468,169 and $135,959,119, and $27,061,425 and $58,104,000, respectively.

Each of the four commingled funds held in the EUTF investment pool participates in securities lending.

Derivatives

The EUTF holds investments in options and futures. The EUTF enters into various derivative investment contracts to hedge, minimize transaction costs, and to implement value added strategies to enhance returns as authorized by the EUTF's Investment Policy.

Generally, derivatives are subject both to market risk and counterparty risk. The derivatives utilized by the EUTF typically have no greater risk than their physical counterparts, and in many cases are offset by exposures elsewhere in the portfolio. Counterparty risk, the risk that the "other party" to a contract will default, is managed by utilization of exchange-traded futures and options where practicable (in which case the futures exchange is the counterparty and guarantees performance) and by careful screening of counterparties where use of exchange-traded products is impractical or uneconomical. The EUTF investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits, posting collateral, and exposure monitoring procedures. The EUTF anticipates that counterparties will be able to satisfy their obligations under the contracts.

Derivative securities are priced and accounted for at fair value. The fair value of futures is determined using the market approach based upon quoted market prices. For exchange-traded securities, such as futures and options, closing prices from the securities exchanges are used.

Futures represent commitments to purchase (asset) or sell (liability) securities at a future date and at a specified price. Futures contracts are traded on organized exchanges thereby minimizing the EUTF's credit risk. The net change in the futures contract value is settled daily in cash with the exchanges. Net gains or losses arising from the daily settlements are included in the net appreciation in fair value of investments in the Statements of Changes in Fiduciary Net Position – OPEB Trust. The notional amount is the nominal or the underlying face amount that is used to calculate payments made on that instrument or contract. At June 30, 2018, the net notional value of futures contracts was $51,270,711.

Options represent or give the buyers the right, but not the obligation, to buy or sell an asset at a preset price over a specified period. The option's price is usually a small percentage of the underlying asset's value. As a writer of financial options, the EUTF receives a premium at the outset of the agreement and bears the risk of an unfavorable change in the price of the financial instrument underlying the option. As a purchaser of financial options, the EUTF pays a premium at the outset of the agreement and the counterparty bears the risk of an unfavorable instrument underlying the option.

The following table summarizes the EUTF's investments in derivative securities and contracts held at June 30, 2018 with the related maturity information:

Derivatives (by type)	Notional value	Market value	Maturity (range from)
Futures:			
Commodity futures long	$ 10,237,836	$ -	.1 to .5 year
Commodity futures short	(18,854,260)	-	.2 to .5 year
Fixed income futures long	84,495,390	-	.2 year
Fixed income futures short	(12,739,875)	-	.2 year
Equity futures long	59,706,885	-	.2 year
Foreign exchange contracts short	(71,575,265)	-	.2 year
Futures total	51,270,711	-	
Options:			
Equity options written	-	(1,743,920)	under .1 year
Grand total	$ 51,270,711	$ (1,743,920)	

In addition, the EUTF holds investments in five limited partnerships and a limited liability company. The three largest limited partnerships consist of investments in: 1) ASB Allegiance Real Estate Fund, LP managed by ASB Allegiance 2) Adaptive Trend Fund, LP managed by AlphaSimplex and 3) AQR Equity Volatility Risk Premium Master Account, L. P. managed by AQR. ASB Allegiance invests in core real estate properties and uses a strategy concentrating investments in the most attractive major metropolitan urban submarkets with strong economies, excellent mass-transit access and high barriers to entry. AlphaSimplex uses a systematic trend following strategy that captures price trends by trading across four major futures market segments (equities, commodities, currencies, and fixed income) in more than 70 markets. AQR uses a global options strategy that provides exposure to global equities and the volatility risk premium. This fund holds cash and short options positions across a diversified portfolio of global equity indices, strike prices, and maturities. The limited liability company consists of the Prime Property Fund, LLC managed by Morgan Stanley. Morgan Stanley invests in core real estate properties and uses a strategy investing in existing, high quality, well-leased properties in major metropolitan markets and submarkets across the United States and diversified across sectors.

(4) Capital Assets

The enterprise fund's capital asset activity for the years ended June 30, 2018 and 2017 was as follows:

	Balance at July 1, 2017	Additions	Disposals	Balance at June 30, 2018
Office furniture and equipment	$ 940,800	$ 24,535	$ -	$ 965,335
Computer equipment and software	9,557,061	36,473	-	9,593,534
Less accumulated depreciation	(10,046,089)	(90,794)	-	(10,136,883)
Capital assets, net	$ 451,772	$ (29,786)	$ -	$ 421,986

	Balance at July 1, 2016	Additions	Disposals	Balance at June 30, 2017
Office furniture and equipment	$ 933,478	$ 7,322	$ -	$ 940,800
Computer equipment and software	9,557,061	-	-	9,557,061
Less accumulated depreciation	(9,271,792)	(774,297)	-	(10,046,089)
Capital assets, net	$ 1,218,747	$ (766,975)	$ -	$ 451,772

(5) Health and Life Insurance Benefit Contracts

The EUTF's primary purpose is to provide active employees, retirees, and dependent-beneficiaries with health benefit plans and group life insurance. To effectuate this purpose, the EUTF enters in multi-year health benefit and life insurance contracts with carriers and administrators. The active employee and retiree contracts are on a fiscal year and calendar year, respectively.

The health benefit and life insurance contracts utilize three different financial arrangements:

Self-insured

Rates are experience rated and are set by the Board acting on the advice of the benefits consultant. Due to the size of the pool, there is no stop loss insurance associated with these plans. The EUTF pays administrative fees to the third-party administrator (the TPA) and pays actual claims. If claims are less than the premium collections from the employers, employees, and retirees (the surplus), the surplus funds are retained by the EUTF. However, if claims are greater than the premium collections (the shortfall), the EUTF is responsible for the shortfall.

Fully-insured

Rates are experience rated and are negotiated. Surpluses are retained by the insurance carrier and the insurance carrier is responsible for any shortfalls. Risk is retained by the insurance carrier.

Fully-insured with One-Way Risk Sharing

Rates are experience rated and are negotiated. Surpluses (premiums in excess of claims and administrative fees and retention charged by the insurance carrier) are retained by the EUTF, while the insurance carrier is responsible for any shortfalls.

The following is a summary of the insurance carriers and TPA and the funding arrangements for the medical, prescription drug, dental, vision, and life insurance:

Medical

Hawaii Medical Service Association (HMSA) - *Surpluses are netted against shortfalls*

- PPO plans - EUTF active employees 90/10, 80/20, and 75/25, and HSTA VB active employees 90/10 and 80/20
- HMO plan - EUTF active employees
- Retiree PPO plans - EUTF and HSTA VB (including chiropractic services beginning January 1, 2018) retirees 90/10

UnitedHealthcare - *Fully-insured – effective January 1, 2015 to December 31, 2017*

- Medicare Advantage PPO plan - EUTF Medicare retirees

Medical and Prescription Drug

Kaiser Permanente (Kaiser) - *Fully-insured*
- Comprehensive HMO plans - EUTF and HSTA VB active employees
- Standard HMO plan - EUTF active employees
- Retiree Comprehensive HMO plans - EUTF and HSTA VB retirees (non-Medicare and Senior Advantage Medicare)

Prescription Drug

CVS Caremark - *Self-insured*
- Prescription drug coverage for HMSA PPO and HMO plans - EUTF and HSTA VB active employees and non-Medicare retirees

Silverscript - *Self-insured*
- Prescription drug coverage through an employer group waiver plan for non-Kaiser retirees - EUTF and HSTA VB Medicare retirees

Dental

Hawaii Dental Service - *Fully-insured with one-way risk sharing*
- EUTF and HSTA VB active employees
- Supplemental plan for HSTA VB active employees
- EUTF and HSTA VB retirees

Vision

Vision Service Plan - *Fully-insured with one-way risk sharing*
- EUTF and HSTA VB active employees and retirees

Chiropractic

Royal State National Insurance Company - *Fully-insured through ChiroPlan Hawaii, Inc.*
- EUTF and HSTA VB active employees and HSTA VB retirees
- HSTA VB retirees (effective January 1, 2017 to December 31, 2017)

Life Insurance

USAble Life - *Fully-insured*
- Term life insurance - EUTF and HSTA VB active employees
- Term life insurance - EUTF and HSTA VB retirees

Supplemental

Royal State National Insurance Company - *Fully-insured with one-way risk sharing*
- EUTF active employees

All Contracts

The following is a summary of the experience refunds due from insurance companies, rebates and other receivables from insurance companies, and premiums payable balances by insurance company at June 30, 2018 and 2017:

	2018		2017	
	Active Employees	**Retirees**	**Active Employees**	**Retirees**
Experience refunds due from insurance companies:				
HDS	$ 154,026	$ -	$ 87,203	$ 121,393
HMSA	16,717,204	13,088,885	34,356,134	6,603,439
Kaiser	280,465	141,558	-	-
RSN	448,038	-	155,047	-
VSP	936,779	744,032	1,281,479	643,920
	$ 18,536,512	$ 13,974,475	$ 35,879,863	$ 7,368,752
Rebates and other receivables from insurance companies:				
Rebates receivable from CVS	$ 13,064,742	$ 3,790,731	$ 10,814,233	$ 3,185,081
Rebates receivable from Silverscript	-	18,938,810	-	17,571,266
Other receivables from CVS	4,354,153	3,240,663	2,135,257	13,362,986
Other receivables from UnitedHealthcare	-	-	-	957
	$ 17,418,895	$ 25,970,204	$ 12,949,490	$ 34,120,290

	2018		2017	
	Active Employees	**Retirees**	**Active Employees**	**Retirees**
Premiums payable:				
HDS	$ 2,891,985	$ 2,433,599	$ 2,816,967	$ 2,235,345
HDS - HSTA VB	396,385	164,126	449,080	155,647
HMSA	23,726,831	14,862,391	24,218,928	13,759,376
HMSA - HSTA VB	3,363,528	653,554	3,923,069	631,157
Kaiser Hawaii	10,288,604	5,633,656	10,484,340	5,051,103
Kaiser Hawaii - HSTA VB	966,899	167,560	973,802	159,311
RSN Chiro - HSTA VB	11,853	-	13,863	5,335
RSN Dual/Chiro	171,919	-	163,339	-
UnitedHealthcare	-	-	-	5,845
USAble	247,871	167,272	247,134	162,229
USAble - HSTA VB	27,225	9,888	31,296	10,036
VSP	465,885	314,564	464,225	329,188
VSP - HSTA VB	57,689	17,576	68,253	19,160
	$ 42,616,674	$ 24,424,186	$ 43,854,296	$ 22,523,732

(6) Benefit Claims Expense

The EUTF is self-insured for the prescription drug plans. Under the self-insured arrangement, the TPA provides the EUTF with provider networks, claims processing, cost containment, and other services. Instead of premiums, the EUTF pays administrative fees to the TPA for the services rendered and reimburses the TPA for claims paid.

Activity in the liability for unpaid benefit claims expense related to the self-insured prescription drug plans is as follows for the two years ended June 30, 2018:

	Active Employees	Retirees	Total
Balance at July 1, 2016	$ 4,712,149	$ 14,330,392	$ 19,042,541
Claims and changes in estimates	104,079,668	172,190,549	276,270,217
Contractor processing administrative fees	987,246	4,048,944	5,036,190
Paid (including rebates) during the year	(105,111,479)	(174,789,309)	(279,900,788)
Balance at June 30, 2017	4,667,584	15,780,576	20,448,160
Claims and changes in estimates	100,739,650	194,985,332	295,724,982
Contractor processing administrative fees	962,521	4,154,108	5,116,629
Paid (including rebates) during the year	(101,260,759)	(198,212,095)	(299,472,854)
Balance at June 30, 2018	$ 5,108,996	$ 16,707,921	$ 21,816,917

Below is a summary of benefit claims payable by TPA at June 30, 2018 and 2017:

	2018		2017	
	Active Employees	Retirees	Active Employees	Retirees
Benefit claims - CVS	$ 4,922,205	$ 5,403,367	$ 4,485,805	$ 4,938,219
Benefit claims - HMA	8,976	374	9,409	392
Benefit claims - Silverscript	-	10,971,354	-	10,183,060
IBNR for self-insured plans	98,400	-	91,300	-
Admin fee - CVS	79,415	11,404	81,070	15,042
Admin fee - Silverscript	-	321,422	-	643,863
	$ 5,108,996	$ 16,707,921	$ 4,667,584	$ 15,780,576

According to the terms of contracts with TPA's, the EUTF was required to make a deposit to cover estimated claims costs for the self-insured prescription drug plans. The deposits held by the TPAs for the self-insured prescription drug plans as of June 30, 2018 and 2017 are as follows:

	Active Employees	Retirees	Total
CVS - drug contract	$ 4,958,000	$ 1,742,000	$ 6,700,000
Silverscript - drug contract	-	6,423,204	6,423,204
	$ 4,958,000	$ 8,165,204	$13,123,204

(7) Summary of Required Premium Contributions and OPEB Trust Pre-Funding Contributions

The employer and employee required premium contributions recognized and the OPEB Trust pre-funding contributions received for the years ended June 30, 2018 and 2017, are as follows:

	2018		
	Active Employees	Retirees	Total
Required premium contributions:			
Employer:			
State of Hawaii	$ 274,067,113	$ 345,083,003	$ 619,150,116
State of Hawaii - HSTA VB	4,850,875	393,113	5,243,988
City & County of Honolulu	53,935,380	80,555,163	134,490,543
County of Hawaii	15,808,357	17,998,013	33,806,370
County of Maui	16,431,384	16,968,244	33,399,628
County of Kauai, including Department of Water Supply	7,424,757	8,939,118	16,363,875
Board of Water Supply - Honolulu	3,244,091	5,855,338	9,099,429
County of Hawaii - Department of Water Supply	935,812	1,016,548	1,952,360
	376,697,769	476,808,540	853,506,309
Employee	219,198,103	4,349,766	223,547,869
	595,895,872	481,158,306	1,077,054,178
OPEB Trust pre-funding contributions - Employer:			
State of Hawaii	-	337,129,000	337,129,000
City & County of Honolulu	-	63,110,000	63,110,000
County of Hawaii	-	14,831,000	14,831,000
County of Maui	-	17,000,000	17,000,000
County of Kauai, including Department of Water Supply	-	7,696,913	7,696,913
Board of Water Supply - Honolulu	-	3,000,000	3,000,000
County of Hawaii - Department of Water Supply	-	920,000	920,000
Honolulu Authority for Rapid Transportation	-	386,000	386,000
	-	444,072,913	444,072,913
	$ 595,895,872	$ 925,231,219	$ 1,521,127,091

	2017		
	Active Employees	**Retirees**	**Total**
Required premium contributions:			
Employer:			
State of Hawaii	$ 265,487,641	$ 331,174,888	$ 596,662,529
State of Hawaii - HSTA VB	4,279,826	346,676	4,626,502
City & County of Honolulu	51,518,306	76,220,441	127,738,747
County of Hawaii	15,087,792	17,054,987	32,142,779
County of Maui	16,104,492	15,716,815	31,821,307
County of Kauai, including Department of Water Supply	7,154,475	8,447,087	15,601,562
Board of Water Supply - Honolulu	3,080,861	5,724,727	8,805,588
County of Hawaii - Department of Water Supply	919,257	953,288	1,872,545
	363,632,650	455,638,909	819,271,559
Employee	251,371,769	3,838,408	255,210,177
	615,004,419	459,477,317	1,074,481,736
OPEB Trust pre-funding contributions - Employer:			
State of Hawaii	-	327,749,500	327,749,500
City & County of Honolulu	-	48,797,000	48,797,000
County of Hawaii	-	11,495,000	11,495,000
County of Maui	-	16,172,000	16,172,000
County of Kauai, including Department of Water Supply	-	8,687,890	8,687,890
Board of Water Supply - Honolulu	-	6,000,000	6,000,000
County of Hawaii - Department of Water Supply	-	914,500	914,500
Honolulu Authority for Rapid Transportation	-	283,359	283,359
Transfer from Agency Fund to OPEB Trust on behalf of employers	-	7,200,000	7,200,000
	-	427,299,249	427,299,249
	$ 615,004,419	$ 886,776,566	$ 1,501,780,985

The required premium contributions include both contributions for self-insured and fully-insured plans. The self-insured contributions are reported as operating revenues in the statements of revenues, expenses, and changes in net position for the enterprise fund. The contributions related to the fully-insured plans are included as a component of the premiums receivable on the statements of net position for the enterprise fund and the statements of fiduciary net position for the agency fund. Contributions related to the fully-insured plans for the year ended June 30, 2018 for the enterprise fund and agency fund, respectively, were $509,872,987 and $279,246,479 and for the year ended June 30, 2017 for the enterprise fund and agency fund, respectively, were $523,380,992 and $259,030,599.

For the year ended June 30, 2018, the OPEB Trust pre-funding contribution rate of employers was 10.4% of covered-employee payroll.

(8) Retirement Benefits

Pension Plan

Plan Description

Generally, all full-time employees of the State and counties, which includes the EUTF, are required to be members of the ERS, a cost-sharing multiple-employer defined benefit pension plan that administers the State's pension benefits program. Benefits, eligibility, and contribution requirements are governed by HRS Chapter 88 and can be amended through legislation.

Benefits Provided

The ERS Pension Trust is comprised of three pension classes for membership purposes and considered to be a single plan for accounting purposes since all assets of the ERS may legally be used to pay the benefits of any of the ERS members or beneficiaries. The ERS provides retirement, disability, and death benefits with three membership classes known as the noncontributory, contributory, and hybrid retirement classes. The three classes provide a monthly retirement allowance equal to the benefit multiplier (generally 1.25% or 2%) multiplied by the average final compensation multiplied by years of credited service. Average final compensation for members hired prior to July 1, 2012 is an average of the highest salaries during any three years of credited service, excluding any salary paid in lieu of vacation for members hired January 1, 1971 or later and the average of the highest salaries during any five years of credited service including any salary paid in lieu of vacation for members hired prior to January 1, 1971. For members hired after June 30, 2012, average final compensation is an average of the highest salaries during any five years of credited service excluding any salary paid in lieu of vacation.

Each retiree's original retirement allowance is increased on each July 1 beginning the calendar year after retirement. Retirees first hired as members prior to July 1, 2012 receive a 2.5% increase each year of their original retirement allowance without a ceiling. Retirees first hired as members after June 30, 2012 receive a 1.5% increase each year of their original retirement allowance without a ceiling. The annual increase is not compounded.

The following summarizes the provisions relevant to the largest employee groups of the respective membership class. Retirement benefits for certain groups, such as police officers, firefighters, some investigators, sewer workers, judges, and elected officials, vary from general employees.

Noncontributory Class

Retirement Benefits

General employees' retirement benefits are determined as 1.25% of average final compensation multiplied by the years of credited service. Employees with ten years of credited service are eligible to retire at age 62. Employees with 30 years of credited service are eligible to retire at age 55.

Disability Benefits

Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35% of their average final compensation. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 12.5% of average final compensation.

Death Benefits

For service-connected deaths, the surviving spouse/reciprocal beneficiary receives a monthly benefit of 30% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. Additional benefits are payable to surviving dependent children up to age 18. If there is no spouse/reciprocal beneficiary or dependent children, no benefit is payable.

Ordinary death benefits are available to employees who were active at the time of death with at least ten years of credited service. The surviving spouse/reciprocal beneficiary (until remarriage/reentry into a new reciprocal beneficiary relationship) and dependent children (up to age 18) receive a benefit equal to a percentage of member's accrued maximum allowance unreduced for age or, if the member was eligible for retirement at the time of death, the surviving spouse/reciprocal beneficiary receives 100% joint and survivor lifetime pension and the dependent children receive a percentage of the member's accrued maximum allowance unreduced for age.

Contributory Class for Members Hired Prior to July 1, 2012

Retirement Benefits

General employees' retirement benefits are determined as 2% of average final compensation multiplied by the years of credited service. General employees with five years of credited service are eligible to retire at age 55.

Police officers and firefighters' retirement benefits are determined using the benefit multiplier of 2.5% for qualified service, up to a maximum of 80% of average final compensation. Police officers and firefighters with five years of credited service are eligible to retire at age 55. Police officers and firefighters with 25 years of credited service are eligible to retire at any age, provided the last five years is service credited in these occupations.

Disability Benefits

Members are eligible for service-related disability benefits regardless of length of service and receive a one-time payment of the member's contributions and accrued interest plus a lifetime pension of 50% of their average final compensation. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are determined as 1.75% of average final compensation multiplied by the years of credited service but are payable immediately, without an actuarial reduction, and at a minimum of 30% of average final compensation.

Death Benefits

For service-connected deaths, the surviving spouse/reciprocal beneficiary receives a lump sum payment of the member's contributions and accrued interest plus a monthly benefit of 50% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. If there is no surviving spouse/reciprocal beneficiary, surviving children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or dependent children/parents, the ordinary death benefit is payable to the designated beneficiary.

Ordinary death benefits are available to employees who were active at time of death with at least one year of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest plus a percentage of the salary earned in the 12 months preceding death, or 50% joint and survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100% joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Contributory Class for Members Hired After June 30, 2012

Retirement Benefits

General employees' retirement benefits are determined as 1.75% of average final compensation multiplied by the years of credited service. General employees with ten years of credited service are eligible to retire at age 60.

Police officers and firefighters' retirement benefits are determined using the benefit multiplier of 2.25% for qualified service, up to a maximum of 80% of average final compensation. Police officers and firefighters with ten years of credited service are eligible to retire at age 60. Police officers and firefighters with 25 years of credited service are eligible to retire at age 55, provided the last five years is service credited in these occupations.

Disability and Death Benefits

Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 50% of their average final compensation plus refund of contributions and accrued interest. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are 1.75% of average final compensation for each year of service for police officers and firefighters and are payable immediately, without an actuarial reduction, at a minimum of 30% of average final compensation.

Death benefits for contributory members hired after June 30, 2012 are generally the same as those for contributory members hired June 30, 2012 and prior.

Hybrid Class for Members Hired Prior to July 1, 2012

Retirement Benefits

General employees' retirement benefits are determined as 2% of average final compensation multiplied by the years of credited service. General employees with five years of credited service are eligible to retire at age 62. General employees with 30 years of credited service are eligible to retire at age 55.

Disability Benefits

Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35% of their average final compensation plus refund of their contributions and accrued interest. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 25% of average final compensation.

Death Benefits

For service-connected deaths, the designated surviving spouse/reciprocal beneficiary receives a lump sum payment of the member's contributions and accrued interest plus a monthly benefit of 50% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. If there is no surviving spouse/reciprocal beneficiary, surviving dependent children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or dependent children/parents, the ordinary death benefit is payable to the designated beneficiary.

Ordinary death benefits are available to employees who were active at time of death with at least five years of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest plus a percentage multiplied by 150%, or 50% joint and survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100% joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Hybrid Class for Members Hired After June 30, 2012

Retirement Benefits

General employees' retirement benefits are determined as 1.75% of average final compensation multiplied by the years of credited service. General employees with ten years of credited service are eligible to retire at age 65. Employees with 30 years of credited service are eligible to retire at age 60. Sewer workers, water safety officers, and emergency medical technicians may retire with 25 years of credited service at age 55.

Disability and Death Benefits

Provisions for disability and death benefits generally remain the same except for ordinary death benefits. Ordinary death benefits are available to employees who were active at time of death with at least ten years of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest, or 50% joint and survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100% joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Contributions

Contributions are governed by HRS Chapter 88 and may be amended through legislation. The employer rate is set by statute based on the recommendations of the ERS actuary resulting from an experience study conducted every five years. Since July 1, 2005, the employer contribution rate is a fixed percentage of compensation, including the normal cost plus amounts required to pay for the unfunded actuarial accrued liabilities. The contribution rates for fiscal years 2018 and 2017 were 28.0% and 25.0%, respectively, for police officers and firefighters, and 18.0% and 17.0%, respectively, for all other employees. Contributions to the pension plan from the EUTF were $480,627 and $399,403 for the fiscal years ended June 30, 2018 and 2017, respectively.

On May 18, 2017, the Governor signed into law Act 17 SLH 2017. Per Act 17, future employer contributions from the State and counties are expected to increase pursuant to a phased-in contribution rate increase beginning July 1, 2017. The rate for police and firefighters increases to 31.0% on July 1, 2018; 36.0% on July 1, 2019; and 41.0% on July 1, 2020, and the rate for all other employees increases to 19.0% on July 1, 2018; 22.0% on July 1, 2019; and 24.0% on July 1, 2020.

The employer is required to make all contributions for noncontributory members. Contributory members hired prior to July 1, 2012 are required to contribute 7.8% of their salary, except for police officers and firefighters who are required to contribute 12.2% of their salary. Contributory members hired after June 30, 2012, are required to contribute 9.8% of their salary, except for police officers and firefighters who are required to contribute 14.2% of their salary. Hybrid members hired prior to July 1, 2012 are required to contribute 6.0% of their salary. Hybrid members hired after June 30, 2012 are required to contribute 8.0% of their salary.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

Measurement of the actuarial valuation of the pension liability, pension expense, and deferred outflows of resources and deferred inflows of resources related to pension is made for the State as a whole and is not separately computed for the individual state departments and agencies such as the EUTF. The State allocates the pension liability, pension expense, and deferred outflows of resources and deferred inflows of resources related to pension to the various departments and agencies based upon a systematic methodology. Additional disclosures and required supplementary information stipulated by Statement Nos. 68 and 71 pertaining to the State's net pension liability, pension expense, and deferred outflows of resources and deferred inflows of resources related to pension can be found in the State's Comprehensive Annual Financial Report (CAFR).

At June 30, 2018 and 2017, the EUTF reported a net pension liability of $5,695,628 and $5,886,109, respectively, for its proportionate share of the State's net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of those dates.

At June 30, 2018 and 2017, the EUTF's proportionate share of the State's net pension liability was .08% and .09%, respectively.

There was no change in actuarial assumptions from June 30, 2016 to June 30, 2017. There were no changes between the measurement date, June 30, 2017, and the reporting date, June 30, 2018, that are expected to have a significant effect on the EUTF's proportionate share of the State's net pension liability.

For the years ended June 30, 2018 and 2017, the EUTF recognized pension expense of $984,348 and $977,189, respectively. At June 30, 2018 and 2017, the EUTF reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	
	2018	**2017**
Contributions subsequent to the measurement date	$ 480,627	$ 399,403
Changes in assumptions	979,087	1,281,549
Net difference between projected and actual earnings on pension plan investments	41,125	526,822
Differences between expected and actual experience	94,776	126,324
Changes in proportion and differences between contributions and proportionate share of contributions	27,666	21,203
	$ 1,623,281	$ 2,355,301

	Deferred Inflows of Resources	
	2018	**2017**
Differences between expected and actual experience	$ 66,851	$ 97,791
Changes in proportion and differences between contributions and proportionate share of contributions	14,849	21,727
	$ 81,700	$ 119,518

The $480,627 reported as deferred outflows of resources related to pension at June 30, 2018 resulting from the EUTF's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension at June 30, 2018 will be recognized in pension expense as follows:

Year Ending June 30:		
2019	$	244,894
2020		364,499
2021		306,520
2022		142,751
2023		2,290
	$	1,060,954

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions adopted by the Board of Trustees of the ERS, on December 12, 2016, based on the most recent experience study dated July 5, 2016:

Inflation	2.50%
Payroll growth rate	3.50%
Investment rate of return	7.00% per year compounded annually including inflation

There were no changes to ad hoc postemployment benefits including cost of living allowances.

Post-retirement mortality rates are based on the 2016 Public Retirees of Hawaii mortality table, with adjustments based on generational projections of the BB projection table for 2016 and full generational projections in future years. Pre-retirement mortality rates are based on multiples of the RP-2014 mortality table based on the occupation of the member.

The long-term expected rate of return on pension plan investments was determined using a "top down approach" of the Bespoke Client-Constrained Simulation-based Optimization Model (a statistical technique known as "re-sampling with a replacement" that directly keys in on specific plan-level risk factors as stipulated by the ERS Board) in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Strategic Allocation (Risk-based Classes)	Target Allocation	Long-term Expected Real Rate of Return
Broad growth	63.00%	5.80%
Principal protection	7.00%	0.20%
Real return	10.00%	3.60%
Crisis risk offset	20.00%	3.10%
	100.00%	

Discount Rate

The discount rate used to measure the net pension liability was 7.00%, consistent with the rate used at the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the State, which includes the EUTF, will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the EUTF's Proportionate Share of the State's Net Pension Liability to Changes in the Discount Rate

The following presents the EUTF's proportionate share of the State's net pension liability calculated using the discount rate of 7.00%, as well as what the EUTF's proportionate share of the State's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
EUTF's proportionate share of the State's net pension liability	$ 7,383,278	$ 5,695,628	$ 4,304,073

Pension Plan Fiduciary Net Position

The pension plan's fiduciary net position is determined on the same basis used by the pension plan. The ERS' financial statements are prepared using the accrual basis of accounting under which expenses are recorded when the liability is incurred, and revenues are recorded in the accounting period in which they are earned and become measurable. Employer and member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investment purchases and sales are recorded as of their trade date. Administrative expenses are financed exclusively with investment income.

There were no significant changes after the report measurement date. Detailed information about the pension plan's fiduciary net position is available in the separately issued ERS financial report. ERS's complete financial statements are available at http://www.ers.ehawaii.gov.

Postemployment Health Care and Life Insurance Benefits

Plan Description

The EUTF provides a single delivery system of health benefits for state and county workers, retirees, and their dependents.

For employees hired before July 1, 1996, the State pays the entire base monthly contribution for employees retiring with ten years or more of credited service, and 50% of the base monthly contribution for employees retiring with fewer than ten years of credited service. A retiree can elect a family plan to cover dependents.

For employees hired after June 30, 1996, but before July 1, 2001, and who retire with less than ten years of service, the State makes no contributions. For those retiring with at least ten years but fewer than 15 years of service, the State pays 50% of the base monthly contribution. For employees retiring with at least 15 years but fewer than 25 years of service, the State pays 75% of the base monthly contribution. For employees retiring with at least 25 years of service, the State pays 100% of the base monthly contribution. Retirees in this category can elect a family plan to cover dependents.

For employees hired on or after July 1, 2001, and who retire with less than ten years of service, the State makes no contributions. For those retiring with at least ten years but fewer than 15 years of service, the State pays 50% of the base monthly contribution. For those retiring with at least 15 years but fewer than 25 years of service, the State pays 75% of the base monthly contribution. For employees retiring with at least 25 years of service, the State pays 100% of the base monthly contribution. Only single plan coverage is provided for retirees in this category. The State's contribution is based on the lower of the single plan base monthly contribution applicable percentage and the single plan premiums of the plans selected. Retirees can elect family coverage but must pay the difference.

Members Covered by Benefit Terms

At July 1, 2017, the State's plan members covered by benefit terms consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	35,374
Inactive plan members entitled to but not yet receiving benefits	8,124
Active plan members	50,101
Total plan members	93,599

Contributions

Contributions are governed by HRS Chapter 87A and may be amended through legislation. Contributions to the OPEB plan from the EUTF were $543,221 and $372,382 for the fiscal years ended June 30, 2018 and 2017, respectively. The EUTF is required to make all contributions for their members.

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

Measurement of the actuarial valuation of the OPEB liability, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB is made for the State as a whole and is not separately computed for the individual state departments and agencies such as the EUTF. The State allocates the OPEB liability, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB to the various departments and agencies based upon a systematic methodology. Additional disclosures and required supplementary information stipulated by Statement No. 75 pertaining to the State's net OPEB liability, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB can be found in the State's CAFR.

At June 30, 2018, the EUTF reported a net OPEB liability of $7,413,887 for its proportionate share of the State's net OPEB liability. The net OPEB liability was measured as of July 1, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

At June 30, 2018, the EUTF's proportionate share of the State's net OPEB liability was 0.11%.

There were no changes between the measurement date, July 1, 2017, and the reporting date, June 30, 2018, that are expected to have a significant effect on the EUTF's proportionate share of the State's net OPEB liability.

For the year ended June 30, 2018, the EUTF recognized OPEB expense of $472,652. At June 30, 2018, the EUTF reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	$ 543,221	$ -
Net difference between projected and actual earnings on OPEB plan investments	-	(9,360)
	$ 543,221	$ (9,360)

The $543,221 reported as deferred outflows of resources related to OPEB at June 30, 2018 resulting from the EUTF's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2018 will be recognized in OPEB expense as follows:

Year Ending June 30:	
2019	$ (2,340)
2020	(2,340)
2021	(2,340)
2022	(2,340)
	$ (9,360)

Actuarial Assumptions

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions adopted by the Board of Trustees of the EUTF, on January 8, 2018, based on the experience study covering the five year period ended June 30, 2015:

Inflation	2.50%
Salary increases	3.50% to 7.00%, including inflation
Investment rate of return	7.00%
Healthcare cost trend rates:	
PPO*	Initial rates of 6.60%, 6.60%, and 9.00%; declining to a rate of 4.86% after 14 years
HMO*	Initial rate of 9.00%; declining to a rate of 4.86% after 14 years
Part B & Base Monthly Contribution (BMC)	Initial rates of 2.00% and 5.00%; declining to a rate of 4.70% after 14 years
Dental	3.50%
Vision	2.50%
Life insurance	0.00%

* Blended rates for medical and prescription drug.

Mortality rates are based on system-specific mortality tables utilizing scale BB to project generational mortality improvement.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. equity	19.00%	5.50%
International equity	19.00%	7.00%
U.S. microcap	7.00%	7.00%
Private equity	10.00%	9.25%
REITs	6.00%	5.85%
Core real estate	10.00%	3.80%
Global options	7.00%	5.50%
Core bonds	3.00%	0.55%
Long treasuries	7.00%	1.90%
Trend following	7.00%	1.75%
TIPS	5.00%	0.50%
	100.00%	

Single Discount Rate

The discount rate used to measure the net OPEB liability was 7.00%, based on the expected rate of return on OPEB plan investments of 7.00% and the municipal bond rate of 3.56% (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-year Municipal GO AA index"). Beginning with the fiscal year 2019 contribution, the State's funding policy is to pay the recommended actuarially determined contribution, which is based on layered, closed amortization periods. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

OPEB Plan Fiduciary Net Position

The OPEB plan's fiduciary net position has been determined on the same basis used by the OPEB plan. The EUTF's financial statements are prepared using the accrual basis of accounting under which revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the cash flows. Employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investment purchases and sales are recorded on a trade-date basis. Administrative expenses are financed exclusively with investment income.

There were no significant changes after the report measurement date.

Changes in the EUTF's Proportionate Share of the State's Net OPEB Liability

The following table represents a schedule of changes in the EUTF's proportionate share of the State's net OPEB liability. The ending balances are as of the measurement date, July 1, 2017.

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Beginning balance	$ 7,707,480	$ 384,503	$ 7,322,977
Service cost	124,732	-	124,732
Interest on the total OPEB liability	378,742	-	378,742
Employer contributions	-	372,382	(372,382)
Net investment income	-	37,283	(37,283)
Benefit payments	(187,256)	(187,256)	-
Administrative expense	-	(95)	95
Other	-	2,994	(2,994)
Net changes	316,218	225,308	90,910
Ending balance	$ 8,023,698	$ 609,811	$ 7,413,887

Sensitivity of the EUTF's Proportionate Share of the State's Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

The following table presents the EUTF's proportionate share of the State's net OPEB liability calculated using the discount rate of 7.00%, as well as what the EUTF's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current discount rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
EUTF's proportionate share of the State's net OPEB liability	$ 8,701,550	$ 7,413,887	$ 6,371,900

The following table represents the EUTF's proportionate share of the State's net OPEB liability calculated using the assumed healthcare cost trend rate, as well as what the EUTF's net OPEB liability would be if it were calculated using the trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
EUTF's proportionate share of the State's net OPEB liability	$ 6,311,904	$ 7,413,887	$ 8,804,714

OPEB Actuarial Valuations and Contributions Under GASB Statement No. 45

For periods prior to June 30, 2017, measurement of the actuarial valuation and the annual required contribution (ARC) was made in accordance with Statement No. 45. The actuarial valuation was performed as of July 1, 2015. The ARC represented a level of funding that, if paid on an ongoing basis, was projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The State allocated the ARC to the various departments and agencies, including the EUTF, based upon a systematic methodology.

The EUTF's contributions were $372,382, $269,583, and $213,559 for the years ended June 30, 2017, 2016, and 2015, respectively, which represented 41%, 31%, and 26%, respectively, of the EUTF's share of the ARC for postemployment health care and life insurance benefits.

The following is a summary of the changes in the other postemployment benefits liability during the fiscal year ended June 30, 2017:

Annual required contribution	$ 904,546
Contributions made	(372,382)
Increase in net OPEB obligation	532,164
Net OPEB obligation at beginning of year	3,099,884
Net OPEB obligation at end of year	$ 3,632,048
Actual contributions made as a percentage of ARC	41%

Refer to the State's fiscal year 2017 CAFR for the methods and assumptions used by the State, required footnote disclosures, and required supplementary information in accordance with the provisions of Statement No. 45.

Deferred Compensation

The State offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which is available to all State employees (excluding part-time, temporary, and casual/seasonal), permits employees to defer a portion of their compensation until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All plan assets are held in a trust fund to protect them from claims of general creditors. The State has no responsibility for loss due to the investment or failure of investment of funds and assets in the plan, but does have the duty of due care that would be required of an ordinary prudent investor. Accordingly, the assets and liabilities of the State's deferred compensation plan are not reported in the State's nor the EUTF's financial statements.

(9) Commitments and Contingencies

Litigation

Dannenberg, et al. v. State of Hawaii, Hawaii Supreme Court, No. SCAP-15-0000084

On June 30, 2006, several State and County retirees filed a Complaint in the State of Hawaii Circuit Court of the First Circuit (the Circuit Court) against the EUTF, the Board, and the State of Hawaii (collectively, the Defendants), as well as various county governments that participate in the EUTF's health benefits plans. The plaintiffs allege various claims based on an argument that the EUTF is constitutionally, statutorily, and contractually required to provide health benefit plans that provide retirees and their dependents with benefits that are substantially equal to those provided to active employees and their dependents. The plaintiffs seek declaratory and injunctive relief, damages, and attorneys' fees and costs.

On December 10, 2012, the plaintiffs filed a motion for partial summary judgment seeking judgment in their favor on the liability issues in the lawsuit, i.e., that the plaintiffs be granted their requested declaratory and injunctive relief, and that the Defendants be found liable for monetary damages in an amount to be determined later. On July 25, 2013, the Defendants filed their motion for partial summary judgment seeking judgment in its favor on all of the plaintiffs' claims that are based on the allegations that: (1) the Defendants violated the constitutional, contractual, and statutory rights of the plaintiffs by not providing healthcare benefits for retirees and their dependents that were equivalent to those provided to active employees and their dependents; (2) the Defendants violated the constitutional and contractual rights of the plaintiffs by not providing healthcare benefits to retirees and their dependents that are equivalent to those provided to other employee-beneficiaries and dependent-beneficiaries, regardless of age; and; (3) the Defendants were negligent in providing health benefits to retirees and their dependents. Both motions were heard by the Circuit Court on October 30, 2013. On October 16, 2014, the Circuit Court ruled that the plaintiff's accrued health benefits have not been reduced, diminished, or impaired as the health benefits that retirees receive under the EUTF are the same or substantially the same as the health benefits retirees received under the Hawaii Public Employees Health Fund. The plaintiffs filed a motion for reconsideration of the order or alternatively for an interlocutory appeal.

The Circuit Court denied the motion. Plaintiffs subsequently stipulated to dismiss their claims premised on the contribution cap, which readied the case for final judgment. Plaintiffs appealed to the Intermediate Court of Appeals. On Defendant's request, the Hawaii Supreme Court accepted the case on transfer. Briefing of the appeal and cross-appeal was completed in October 2015. In May 2016, the case was argued before the Hawaii Supreme Court. In October 2016, the Hawaii Supreme Court issued an opinion affirming the Circuit Court's decision in the Defendant's favor to a large extent, but also ruling that the Defendant's were not entitled to judgment as a matter of law, and remanded the case to the trial court. The trial court proceedings recommenced in August 2017. The case was assigned to the Honorable Jeffrey Crabtree for trial, but no trial date has been set at this time.

Plaintiffs filed their Third Amended Complaint on December 28, 2017. Since that time, the parties have conducted discovery and have filed several motions, including motions related to the purported class of plaintiffs. The State's motion to decertify the class was granted; therefore, later in the litigation, plaintiffs will need to file a new motion to certify the class in this case.

The Defendants intend to vigorously defend against the plaintiffs' claims in this lawsuit. The outcome of this lawsuit cannot be determined and no amount has been recorded in the financial statements as of or for the years ended June 30, 2018 or 2017. Management believes that an unfavorable outcome, if any, will not have a material adverse effect on the EUTF's financial position.

Kono, et al. v. Abercrombie, Civil No. 10-1-1966-09 KKS

On September 14, 2010, the trustees of the Hawaii State Teachers Association Voluntary Employees' Beneficiary Association Trust (the VEBA Trust) and certain individuals who allegedly participated in health and other benefit plans provided by the VEBA Trust health plans filed a complaint in the Circuit Court against the State alleging: (1) the State diminished and impaired accrued health benefits for the active and retired teachers participating in the VEBA Trust health plans in violation of Article XVI, Section 2 of the Hawaii Constitution, by enacting Act 106, SLH 2010 ("Act 106") and transferring the VEBA members to the EUTF and/or reassigning the administration of the VEBA Trust health benefit plans from the VEBA Trust to the EUTF; and (2) the State had taken \$3.96 million in surplus funds from the VEBA Trust and this similarly diminished or impaired the VEBA Trust members' accrued health benefits in violation of Article XVI, Section 2.

The State filed a motion for judgment on the pleadings seeking dismissal of the lawsuit. The plaintiffs filed a motion for preliminary injunction seeking to prevent the transfer of VEBA Trust participants to the EUTF health plans under Act 106. On December 7, 2010, both motions were heard by the Circuit Court. The Circuit Court gave an oral ruling that denied both motions but held that VEBA Trust participants had a right to maintain the standard of coverage benefits they had enjoyed under the VEBA Trust health plans when they were transferred to the EUTF on January 1, 2011. The Circuit Court also indicated that to the extent that the VEBA Trust surplus that was paid to the State was an accrued benefit of the VEBA Trust members who had paid into that surplus, the appropriate remedy was that such amounts should be set aside to ensure that former VEBA Trust participants can maintain their standard of coverage benefits.

On March 15, 2011, pursuant to its oral ruling, the Circuit Court issued an order denying the State's motion for judgment on the pleadings, and an order denying plaintiff's motion for preliminary injunction, and a final judgment.

The State filed an appeal of the Circuit Court's orders and the final judgment. The Hawaii Intermediate Court of Appeals (the ICA) dismissed the appeal because the form of final judgment did not comply with court requirements. On October 6, 2011, the Circuit Court issued an amended final judgment. On October 14, 2011, the State filed an appeal of the amended final judgment, the final judgment, and certain other orders entered by the Circuit Court. On November 4, 2011, the plaintiffs filed a cross-appeal. On April 24, 2013, the ICA issued a memorandum opinion vacating the Circuit Court's entry of the final and amended final judgments and certain related orders. The ICA said that entry of these judgments was improper as no dispositive motion was pending at the time the Circuit Court terminated the litigation. The ICA remanded the case back to the Circuit Court for further proceedings consistent with the ICA's opinion.

No trial date has yet been set. The State intends to vigorously defend against the plaintiffs' claims in this lawsuit. The outcome of this lawsuit cannot be determined and no amount has been recorded in the financial statements as of or for the years ended June 30, 2018 and 2017. Management believes that an unfavorable outcome, if any, will not have a material adverse effect on the EUTF's financial position.

(10) Risk Management

The EUTF is exposed to various risks of loss related to, among other risks, torts; theft of, damage to, or destruction of assets; errors and omissions; and workers' compensation. In accordance with HRS 87A-25, the EUTF has obtained fiduciary liability insurance with an annual aggregate for losses of $10 million.

The State purchases policies that provide coverage for all state entities, including the EUTF. The State generally retains the first $1,000,000 per occurrence of property losses, the first $4,000,000 with respect to general liability claims, and the first $500,000 of losses due to crime and cyber liability. Losses in excess of those retention amounts are insured with commercial insurance carriers. The limit per occurrence for property losses is $200,000,000 except for terrorism, which is $50,000,000 per occurrence. The annual aggregate limit for general liability losses is $9,000,000 per occurrence, $50,000,000 for cyber liability losses, and for crime losses, the limit per occurrence is $10,000,000 with no aggregate limit.

The EUTF is covered under the State's self-insurance program for workers' compensation. During fiscal years 2018 and 2017, the EUTF paid $30,346 and $30,615, respectively, in workers' compensation premiums to the State's General Fund.

Settled claims have not exceeded the coverage provided by commercial insurance companies in any of the past ten fiscal years.

(11) Lease Commitment

The EUTF's office is located in the City Financial Tower. The State Department of Accounting and General Services (Lessee) leases the EUTF's office from the ERS (Lessor). The lease was amended on July 20, 2015 increasing the total rental area to 13,601 square feet and extending the term for seven years starting 60 days after completion of the improvements to the suites which was February 1, 2016. Rent on this lease is paid by the EUTF.

At June 30, 2018, the future minimum rental commitment under the noncancelable operating lease through 2023 is as follows:

Year Ending June 30:	
2019	$ 459,000
2020	465,000
2021	471,000
2022	476,000
2023	361,000
	$ 2,232,000

Minimum rent payments are recognized on a straight-line basis over the term of the lease. The rent expense for the years ended June 30, 2018 and 2017 was $439,129 and $440,009, respectively.

(12) OPEB Trust by Employer

The fair value of the OPEB Trust by employer as of June 30, 2018 and 2017, respectively, are as follows:

	2018	2017
State of Hawaii	$ 1,295,035,876	$ 879,516,589
City & County of Honolulu	466,530,271	372,671,219
County of Hawaii	150,596,543	126,320,614
County of Maui	237,818,973	205,190,246
County of Kauai	113,204,077	98,373,208
County of Kauai - Department of Water Supply	9,059,245	8,049,348
Board of Water Supply - Honolulu	79,886,830	71,667,726
County of Hawaii - Department of Water Supply	17,271,797	15,243,827
Honolulu Authority for Rapid Transportation	1,077,953	641,072
	$ 2,370,481,565	$ 1,777,673,849

(13) Subsequent Events

The EUTF has evaluated subsequent events through December 4, 2018, the date at which the financial statements were available to be issued, and determined that there are no other items to disclose.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

Required Supplementary Information (Unaudited)

Schedule of Investment Returns
June 30, 2016 through 2018

	2018	2017	2016
Annual money-weighted rate of return, net of investment expense	7.34%	9.28%	2.95%

Schedule is intended to show information for ten years. Additional years will be built prospectively as data becomes available.

Required Supplementary Information (Unaudited)

Ten-Year Loss Development Information

June 30, 2009 through 2018

Self-Insured Healthcare Plans for Active Employees

The EUTF began providing and administering fully-insured health and other benefit plans beginning July 1, 2003. The EUTF also began providing self-insured plans effective July 1, 2007 through December 31, 2011 for medical plans and continues to offer self-insured prescription drug plans for active employees. Therefore, the loss development table on page 91 shows data for ten successive policy years starting from the fiscal year ended June 30, 2009, for active employee self-insured plans.

The tables on the following page illustrates how the EUTF's earned revenue (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the EUTF related to the self-insured activities as of the end of each of the past ten years.

The rows of the table are defined as follows:

(1) This line shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.

(2) This line shows each fiscal year's other operating costs of the EUTF including overhead and claims expense not allocable to individual claims.

(3) This line shows the EUTF's gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and allocated adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).

(4) This section of ten rows shows the cumulative net amounts paid as of the end of successive years for each policy year.

(5) This line shows the latest re-estimated amount of claims assumed by reinsurers as of the end of the current year for each policy year.

(6) This section of ten rows shows how each policy year's net incurred claims increased or decreased as of the end of successive years. This annual re-estimation results from new information received on known claims, reevaluation of existing information on known claims, and emergence of new claims not previously known.

(7) This line compares the latest re-estimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought.

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
STATE OF HAWAII

Required Supplementary Information (Unaudited)

Ten-Year Loss Development Information

June 30, 2009 through 2018

As data for individual policy years mature, the correlation between original estimates and re-estimated amounts commonly is used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years. The columns of the tables show data for successive policy years.

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
STATE OF HAWAII

Required Supplementary Information (Unaudited)

Self-Insured Active Employee Healthcare Benefit Plans
Ten-Year Loss Development Information

June 30, 2009 through 2018

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1. Required contribution and investment revenue:										
Earned	$ 221,762,304	$ 256,755,699	$ 246,004,463	$ 153,831,438	$ 51,774,778	$ 58,365,379	$ 73,318,620	$ 84,751,959	$ 92,776,406	$ 87,451,628
Ceded	-	-	-	-	-	-	-	-	-	-
Net earned	$ 221,762,304	$ 256,755,699	$ 246,004,463	$ 153,831,438	$ 51,774,778	$ 58,365,379	$ 73,318,620	$ 84,751,959	$ 92,776,406	$ 87,451,628
2. Unallocated expenses	$ 2,324,705	$ 3,464,359	$ 3,828,417	$ 2,142,126	$ 1,241,104	$ 1,101,332	$ 1,324,632	$ 1,545,900	$ 1,744,179	$ 1,565,548
3. Estimated claims and expenses, end of policy year:										
Incurred	$ 267,973,485	$ 244,971,987	$ 241,048,648	$ 150,488,917	$ 46,818,770	$ 69,066,849	$ 78,889,868	$ 88,570,757	$ 89,608,294	$ 80,584,753
Ceded	-	-	-	-	-	-	-	-	-	-
Net incurred	$ 267,973,485	$ 244,971,987	$ 241,048,648	$ 150,488,917	$ 46,818,770	$ 69,066,849	$ 78,889,868	$ 88,570,757	$ 89,608,294	$ 80,584,753
4. Net paid (cumulative) as of:										
End of policy year	$ 262,097,745	$ 251,299,883	$ 237,215,369	$ 185,234,570	$ 52,654,087	$ 69,825,153	$ 82,307,251	$ 92,379,275	$ 89,832,650	$ 84,612,745
One year later	283,354,922	239,959,499	234,225,771	144,371,143	51,976,970	69,080,249	78,879,468	88,543,157	89,630,594	
Two years later	283,378,367	239,959,499	234,225,771	144,371,143	51,976,970	69,080,249	78,879,468	88,543,157		
Three years later	283,378,367	239,959,499	234,225,771	144,371,143	51,976,970	69,080,249	78,879,468			
Four years later	283,378,367	239,959,499	234,225,771	144,371,143	51,976,970	69,080,249				
Five years later	283,378,367	239,959,499	234,225,771	144,371,143	51,976,970					
Six years later	283,378,367	239,959,499	234,225,771	144,371,143						
Seven years later	283,378,367	239,959,499	234,225,771							
Eight years later	283,378,367	239,959,499								
Nine years later	283,378,367									
5. Reestimated ceded claims and expenses	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6. Reestimated net incurred claims and expenses:										
End of policy year	$ 267,973,485	$ 244,971,987	$ 241,048,648	$ 150,488,917	$ 46,818,770	$ 69,066,849	$ 78,889,868	$ 88,570,757	$ 89,608,294	$ 80,584,753
One year later	283,354,922	239,959,499	234,225,771	144,371,143	51,976,970	69,080,249	78,879,468	88,543,157	$ 89,630,594	
Two years later	283,378,367	239,959,499	234,225,771	144,371,143	51,976,970	69,080,249	78,879,468	88,543,157		
Three years later	283,378,367	239,959,499	234,225,771	144,371,143	51,976,970	69,080,249	78,879,468			
Four years later	283,378,367	239,959,499	234,225,771	144,371,143	51,976,970	69,080,249				
Five years later	283,378,367	239,959,499	234,225,771	144,371,143	51,976,970					
Six years later	283,378,367	239,959,499	234,225,771	144,371,143						
Seven years later	283,378,367	239,959,499	234,225,771							
Eight years later	283,378,367	239,959,499								
Nine years later	283,378,367									
7. Increase (decrease) in estimated net incurred claims and expenses from end of policy year	$ 15,404,882	$ (5,012,488)	$ (6,822,877)	$ (6,117,774)	$ 5,158,200	$ 13,400	$ (10,400)	$ (27,600)	$ 22,300	$ -

See accompanying independent auditors' report.

OTHER SUPPLEMENTARY INFORMATION

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
STATE OF HAWAII

Schedules of Administrative Operating Expenses - Enterprise Fund

Years Ended June 30, 2018 and 2017

	2018	2017
Administrative operating expenses:		
Personnel services	$ 4,780,556	$ 4,805,969
Contracted services	2,031,580	1,851,008
Occupancy	439,129	440,009
Printing and binding	123,966	103,819
Postage	121,975	114,535
Insurance	91,651	119,669
Repairs and maintenance	78,641	10,609
Telephone	43,988	41,434
Transportation	34,550	29,582
Rental of equipment	32,283	25,754
Supplies	12,034	12,898
Other	112,805	78,434
Total administrative operating expenses	$ 7,903,158	$ 7,633,720

See accompanying independent auditors' report.

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
STATE OF HAWAII

Schedule of Changes in Fiduciary Net Position - Agency Fund

Year Ended June 30, 2018

	July 1, 2017	Additions	Deductions	June 30, 2018
Assets:				
Cash and cash equivalents	$ 14,932,817	$ 398,258,356	$ (406,797,423)	$ 6,393,750
Investments	132,898,566	34,764,733	(4,360,543)	163,302,756
Receivables:				
Premiums receivable from State of Hawaii and counties	32,661,437	468,356,638	(468,650,705)	32,367,370
Rebates and other receivables from insurance companies	34,120,290	59,378,267	(67,528,353)	25,970,204
Experience refunds due from insurance companies	7,368,752	27,866,048	(21,260,325)	13,974,475
Medicare reimbursements from individuals, net	255,855	76,830,655	(77,018,082)	68,428
Other receivables	-	151,178	-	151,178
Total receivables	74,406,334	632,582,786	(634,457,465)	72,531,655
Deposits	8,165,204	-	-	8,165,204
Total assets	$ 230,402,921	$ 1,065,605,875	$ (1,045,615,431)	$ 250,393,365
Liabilities:				
Premiums payable	$ 22,523,732	$ 289,729,079	$ (287,828,625)	$ 24,424,186
Benefit claims payable	15,780,576	199,139,440	(198,212,095)	16,707,921
Due to retirees, net	17,344	2,241,195	(2,244,985)	13,554
Other payables	278,035	31,169	(5,897)	303,307
Amounts held on behalf of employers for benefits	191,803,234	217,631,797	(200,490,634)	208,944,397
Total liabilities	$ 230,402,921	$ 708,772,680	$ (688,782,236)	$ 250,393,365

See accompanying independent auditors' report.

PART III

INTERNAL CONTROL AND COMPLIANCE SECTION

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Auditor
State of Hawaii:

Board of Trustees
Hawaii Employer-Union Health Benefits Trust Fund
State of Hawaii:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Hawaii Employer-Union Health Benefits Trust Fund of the State of Hawaii and the Hawaii Employer-Union Health Benefits Trust Fund for Other Post-Employment Benefits (collectively referred to as the EUTF) as of and for the years ended June 30, 2018 and 2017, and the related notes to financial statements, and have issued our report thereon dated December 4, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the EUTF's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the EUTF's internal control. Accordingly, we do not express an opinion on the effectiveness of the EUTF's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the EUTF's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KKDLY LLC

Honolulu, Hawaii
December 4, 2018

Enrollment Counts - Actives (Summary)

The table below shows Active enrollments for period ending 06-30-2018

Total Number of Active = 68,277

Count by Subscribers and Dependents

Benefit Plan	Type Subscribers	Dependents	Total	Waived Plans
Medical Plans				
EUTF				
PPO-90/10 Medical (HMSA), Chiro (RSN)	4,415	3,017	7,432	
PPO-80/20 Medical (HMSA), Chiro (RSN)	15,857	14,320	30,177	
PPO-75/25 Medical (HMSA), Chiro (RSN)	11,214	12,115	23,329	
HMO Medical (HMSA), Chiro (RSN) bundled with HMO Drug (CaremarkPCS)	1,476	929	2,405	
HMO Comprehensive Medical (Kaiser), Drug (Kaiser), Chiro (RSN)	5,575	4,734	10,309	
HMO Standard Medical (Kaiser), Drug (Kaiser), Chiro (RSN)	6,993	6,360	13,353	
Supplemental Medical (RSN), Drug (RSN), Chiro (RSN)	763	1,354	2,117	
EUTF Total	**46,293**	**42,829**	**89,122**	
HSTA VB				
HSTA VB PPO-90/10 Medical (HMSA), Chiro (RSN) bundled with PPO Drug (CaremarkPCS), Vision (VSP)	1,336	1,433	2,769	
HSTA VB PPO-80/20 Medical (HMSA), Chiro (RSN) bundled with PPO Drug (CaremarkPCS), Vision (VSP)	2,639	4,050	6,689	
HSTA VB HMO Medical (Kaiser), Drug (Kaiser), Chiro (RSN) bundled with Vision (VSP)	961	1,264	2,225	
HSTA VB Total	**4,936**	**6,747**	**11,683**	
Medical Plans Total	**51,229**	**49,576**	**100,805**	**17,048**
Drug Plans				
EUTF				
PPO Prescription Drug (90/10) - CVS	4,415	3,017	7,432	
PPO Prescription Drug (80/20) - CVS	15,857	14,320	30,177	
PPO Prescription Drug (75/25) - CVS	11,214	12,115	23,329	
HMO Drug (CaremarkPCS) bundled with HMO Medical (HMSA)	1,476	929	2,405	
EUTF Total	**32,962**	**30,381**	**63,343**	
HSTA VB				
HSTA VB PPO Prescription Drug (90/10) - CVS	1,336	1,433	2,769	
HSTA VB PPO Prescription Drug (80/20) - CVS	2,639	4,050	6,689	
HSTA VB Total	**3,975**	**5,483**	**9,458**	
Drug Plans Total	**36,937**	**35,864**	**72,801 ***	**31,340**
Dental Plans				
EUTF				
Dental (HDS)	49,585	45,934	95,519	
EUTF Total	**49,585**	**45,934**	**95,519**	
HSTA VB				
HSTA VB Dental (HDS)	5,279	6,931	12,210	
HSTA VB Supplemental Dental (HDS)	135	264	399	
HSTA VB Total	**5,414**	**7,195**	**12,609**	
Dental Plans Total	**54,999**	**53,129**	**108,128**	**13,278**
Vision Plans				
EUTF				
Vision (VSP)	46,947	41,989	88,936	
EUTF Total	**46,947**	**41,989**	**88,936**	
HSTA VB				
HSTA VB Vision (VSP) - Stand Alone	277	539	816	
HSTA VB Vision (VSP) bundled with Medical	4,935	6,090	11,025	
HSTA VB Total	**5,212**	**6,629**	**11,841**	
Vision Plans Total	**52,159**	**48,618**	**100,777**	**16,118**
Life Insurance (USAble)				
EUTF				
Life Insurance (USAble)	60,192	0	60,192	
EUTF Total	**60,192**	**0**	**60,192**	
HSTA VB				
HSTA VB Life Insurance (USAble)	6,658	0	6,658	
HSTA VB Total	**6,658**	**0**	**6,658**	
Life Insurance (USAble) Total	**66,850**	**0**	**66,850**	**1,427**

**NOTE: The Drug Plan Total does not reflect enrollments in Medical Plans such as Kaiser Medical and Supplemental Medical (Royal State) which includes drug, but does not have a separate Drug enrollment count. Total Drug count for these plans is 14,292*

Data Taken 06-17-2018

Enrollment Counts - EUTF Actives

The table below shows EUTF Actives enrollments for period ending 06-30-2018

Count by Enrollment Coverage

Count of Subscribers	Type of Enrollment			
Benefit Plan	**Self**	**Two-Party**	**Family**	**Grand Total**
Medical Plans				
PPO-90/10 Medical (HMSA), Chiro (RSN)	2,959	670	786	4,415
PPO-80/20 Medical (HMSA), Chiro (RSN)	9,102	2,840	3,915	15,857
PPO-75/25 Medical (HMSA), Chiro (RSN)	5,789	1,960	3,465	11,214
HMO Medical (HMSA), Chiro (RSN) bundled with HMO Drug (CaremarkPCS)	1,058	173	245	1,476
HMO Comprehensive Medical (Kaiser), Drug (Kaiser), Chiro (RSN)	3,347	991	1,237	5,575
HMO Standard Medical (Kaiser), Drug (Kaiser), Chiro (RSN)	4,006	1,241	1,746	6,993
Supplemental Medical (RSN), Drug (RSN), Chiro (RSN)	202	164	397	763
Medical Plans Total	**26,463**	**8,039**	**11,791**	**46,293**
Drug Plans				
PPO Prescription Drug (90/10) - CVS	2,959	670	786	4,415
PPO Prescription Drug (80/20) - CVS	9,102	2,840	3,915	15,857
PPO Prescription Drug (75/25) - CVS	5,789	1,960	3,465	11,214
HMO Drug (CaremarkPCS) bundled with HMO Medical (HMSA)	1,058	173	245	1,476
Drug Plans Total	**18,908**	**5,643**	**8,411**	**32,962**
Dental Plan (HDS)	**25,849**	**11,503**	**12,233**	**49,585**
Vision Plan (VSP)	**25,288**	**10,471**	**11,188**	**46,947**
Life Insurance (USAble)	**60,192**			**60,192**

Count by Subscribers and Dependents

	Type		
Benefit Plan	**Subscribers**	**Dependents**	**Total**
Medical Plans			
PPO-90/10 Medical (HMSA), Chiro (RSN)	4,415	3,017	7,432
PPO-80/20 Medical (HMSA), Chiro (RSN)	15,857	14,320	30,177
PPO-75/25 Medical (HMSA), Chiro (RSN)	11,214	12,115	23,329
HMO Medical (HMSA), Chiro (RSN) bundled with HMO Drug (CaremarkPCS)	1,476	929	2,405
HMO Comprehensive Medical (Kaiser), Drug (Kaiser), Chiro (RSN)	5,575	4,734	10,309
HMO Standard Medical (Kaiser), Drug (Kaiser), Chiro (RSN)	6,993	6,360	13,353
Supplemental Medical (RSN), Drug (RSN), Chiro (RSN)	763	1,354	2,117
Medical Plans Total	**46,293**	**42,829**	**89,122**
Drug Plans			
PPO Prescription Drug (90/10) - CVS	4,415	3,017	7,432
PPO Prescription Drug (80/20) - CVS	15,857	14,320	30,177
PPO Prescription Drug (75/25) - CVS	11,214	12,115	23,329
HMO Drug (CaremarkPCS) bundled with HMO Medical (HMSA)	1,476	929	2,405
Drug Plans Total	**32,962**	**30,381**	**63,343**
Dental Plan (HDS)	**49,585**	**45,934**	**95,519**
Vision Plan (VSP)	**46,947**	**41,989**	**88,936**

Data Taken 06-17-2018

Enrollment Counts - HSTA VB Actives

The table below shows HSTA VB Actives enrollments for period ending 06-30-2018

Count by Enrollment Coverage

Count of Subscribers	Type of Enrollment			
Benefit Plan	**Self**	**Two-Party**	**Family**	**Grand Total**
Medical Plans				
HSTA VB PPO-90/10 Medical (HMSA), Chiro (RSN) bundled with PPO Drug (CaremarkPCS), Vision (VSP)	723	182	431	1,336
HSTA VB PPO-80/20 Medical (HMSA), Chiro (RSN) bundled with PPO Drug (CaremarkPCS), Vision (VSP)	961	433	1,245	2,639
HSTA VB HMO Medical (Kaiser), Drug (Kaiser), Chiro (RSN) bundled with Vision (VSP)	467	129	365	961
Medical Plans Total	**2,151**	**744**	**2,041**	**4,936**
Drug Plan				
HSTA VB PPO Prescription Drug (90/10) - CVS	723	182	431	1,336
HSTA VB PPO Prescription Drug (80/20) - CVS	961	433	1,245	2,639
Drug Plan Total	**1,684**	**615**	**1,676**	**3,975**
Dental Plans				
HSTA VB Dental (HDS)	2,128	1,084	2,067	5,279
HSTA VB Supplemental Dental (HDS)	21	30	84	135
Dental Plans Total	**2,149**	**1,114**	**2,151**	**5,414**
Vision Plans				
HSTA VB Vision (VSP) - Stand Alone	43	66	168	277
HSTA VB Vision (VSP) bundled with Medical	2,187	923	1,825	4,935
Vision Plans Total	**2,230**	**989**	**1,993**	**5,212**
Life Insurance (USAble)	**6,658**			**6,658**

Count by Subscribers and Dependents

	Type		
Benefit Plan	**Subscribers**	**Dependents**	**Total**
Medical Plans			
HSTA VB PPO-90/10 Medical (HMSA), Chiro (RSN) bundled with PPO Drug (CaremarkPCS), Vision (VSP)	1,336	1,433	2,769
HSTA VB PPO-80/20 Medical (HMSA), Chiro (RSN) bundled with PPO Drug (CaremarkPCS), Vision (VSP)	2,639	4,050	6,689
HSTA VB HMO Medical (Kaiser), Drug (Kaiser), Chiro (RSN) bundled with Vision (VSP)	961	1,264	2,225
Medical Plans Total	**4,936**	**6,747**	**11,683**
Drug Plans			
HSTA VB PPO Prescription Drug (90/10) - CVS	1,336	1,433	2,769
HSTA VB PPO Prescription Drug (80/20) - CVS	2,639	4,050	6,689
Drug Plans Total	**3,975**	**5,483**	**9,458**
Dental Plans			
HSTA VB Dental (HDS)	5,279	6,931	12,210
HSTA VB Supplemental Dental (HDS)	135	264	399
Dental Plans Total	**5,414**	**7,195**	**12,609**
Vision Plans			
HSTA VB Vision (VSP) - Stand Alone	277	539	816
HSTA VB Vision (VSP) bundled with Medical	4,935	6,090	11,025
Vision Plans Total	**5,212**	**6,629**	**11,841**

Data Taken 06-17-2018

Enrollment Counts - EUTF Actives

The table below shows EUTF Actives enrollments for period ending 06-30-2018

Count by Bargaining Unit

Count of Subscribers

Benefit Plan	BU 00	BU 01	BU 02	BU 03	BU 04	BU 05	BU 06	BU 07	BU 08	BU 09	BU 10	BU 11	BU 12	BU 13	BU 14	Grand Total
Medical Plans																
PPO-90/10 Medical (HMSA), Chiro (RSN)	152	551	42	829	39	479	124	440	251	101	187	93	289	795	43	4,415
PPO-80/20 Medical (HMSA), Chiro (RSN)	375	2,496	255	3,675	211	1,069	374	1,075	775	330	751	345	1,286	2,627	213	15,857
PPO-75/25 Medical (HMSA), Chiro (RSN)	303	1,488	112	2,480	148	1,579	158	440	723	172	450	702	249	2,079	131	11,214
HMO Medical (HMSA), Chiro (RSN) bundled with HMO Drug (CaremarkPCS)	35	226	20	303	12	187	16	95	75	34	73	22	132	228	18	1,476
HMO Comprehensive Medical (Kaiser), Drug (Kaiser), Chiro (RSN)	104	911	109	1,311	88	459	113	481	222	134	305	145	366	753	74	5,575
HMO Standard Medical (Kaiser), Drug (Kaiser), Chiro (RSN)	166	822	53	1,427	51	1,251	66	371	613	153	294	278	197	1,151	100	6,993
Supplemental Medical (RSN), Drug (RSN), Chiro (RSN)	20	60	9	239	23	85	9	20	23	9	16	43	32	168	7	763
Medical Plans Total	**1,155**	**6,554**	**600**	**10,264**	**572**	**5,109**	**860**	**2,922**	**2,682**	**933**	**2,076**	**1,628**	**2,551**	**7,801**	**586**	**46,293**
Drug Plans																
PPO Prescription Drug (90/10) - CVS	152	551	42	829	39	479	124	440	251	101	187	93	289	795	43	4,415
PPO Prescription Drug (80/20) - CVS	375	2,496	255	3,675	211	1,069	374	1,075	775	330	751	345	1,286	2,627	213	15,857
PPO Prescription Drug (75/25) - CVS	303	1,488	112	2,480	148	1,579	158	440	723	172	450	702	249	2,079	131	11,214
HMO Drug (CaremarkPCS) bundled with HMO Medical (HMSA)	35	226	20	303	12	187	16	95	75	34	73	22	132	228	18	1,476
Drug Plans Total	**865**	**4,761**	**429**	**7,287**	**410**	**3,314**	**672**	**2,050**	**1,824**	**637**	**1,461**	**1,162**	**1,956**	**5,729**	**405**	**32,962**
Dental Plan (HDS)	**1,257**	**7,024**	**643**	**11,455**	**655**	**5,293**	**910**	**3,029**	**2,765**	**987**	**2,212**	**1,734**	**2,651**	**8,349**	**621**	**49,585**
Vision Plan (VSP)	**1,189**	**6,740**	**624**	**10,849**	**618**	**4,850**	**872**	**2,824**	**2,567**	**934**	**2,112**	**1,646**	**2,564**	**7,964**	**594**	**46,947**
Life Insurance (USAble)	**1,603**	**8,460**	**744**	**14,178**	**758**	**6,278**	**1,145**	**3,724**	**3,749**	**1,162**	**2,675**	**2,005**	**2,916**	**10,036**	**759**	**60,192**

Enrollment Counts - HSTA VB Actives

The table below shows HSTA VB Actives enrollments for period ending 06-30-2018

Count by Bargaining Unit

Count of Subscribers

Benefit Plan	BU 05
Medical Plans	
HSTA VB PPO-90/10 Medical (HMSA), Chiro (RSN) bundled with PPO Drug (CaremarkPCS), Vision (VSP)	1,336
HSTA VB PPO-80/20 Medical (HMSA), Chiro (RSN) bundled with PPO Drug (CaremarkPCS), Vision (VSP)	2,639
HSTA VB HMO Medical (Kaiser), Drug (Kaiser), Chiro (RSN) bundled with Vision (VSP)	961
Medical Plans Total	**4,936**
Drug Plan	
HSTA VB PPO Prescription Drug (90/10) - CVS	1,336
HSTA VB PPO Prescription Drug (80/20) - CVS	2,639
Drug Plan Total	**3,975**
Dental Plans	
HSTA VB Dental (HDS)	5,279
HSTA VB Supplemental Dental (HDS)	135
Dental Plans Total	**5,414**
Vision Plans	
HSTA VB Vision (VSP) - Stand Alone	277
HSTA VB Vision (VSP) bundled with Medical	4,935
Vision Plans Total	**5,212**
Life Insurance (USAble)	**6,658**

Data Taken 06-17-2018

Enrollment Counts - Retirees (Summary)

The table below shows Retiree enrollments for period ending 06-30-2018

Total Number of Retiree = 48,520

Count by Subscribers and Dependents

Benefit Plan	Type Subscribers	Dependents	Total	Waived Plans
Medical Plans				
EUTF				
PPO-90/10 Medical (HMSA) - Retiree				
Retiree (Medicare)	30,319	11,940	42,259	
Retiree (Non-Medicare)	5,598	4,435	10,033	
PPO-90/10 Medical (HMSA) - Retiree Total	**35,917**	**16,375**	**52,292**	
HMO Medical (Kaiser), Drug (Kaiser) - Retiree				
Retiree (Medicare)	6,435	2,291	8,726	
Retiree (Non-Medicare)	1,103	785	1,888	
HMO Medical (Kaiser), Drug (Kaiser) - Retiree Total	**7,538**	**3,076**	**10,614**	
Out-of-State Plan				
Retiree (Medicare)	160	64	224	
Retiree (Non-Medicare)	11	2	13	
Out-of-State Plan Total	**171**	**66**	**237**	
EUTF Total	**43,626**	**19,517**	**63,143**	
HSTA VB				
HSTA VB PPO-90/10 Medical (HMSA), Chiro (RSN) bundled with PPO Drug (SilverScript or CaremarkPCS), Vision (VSP) - Retiree				
Retiree (Medicare)	2,050	1,033	3,083	
Retiree (Non-Medicare)	76	41	117	
HSTA VB PPO-90/10 Medical (HMSA), Chiro (RSN) bundled with PPO Drug (SilverScript or CaremarkPCS), Vision (VSP) - Retiree Total	**2,126**	**1,074**	**3,200**	
HSTA VB PPO-90/10 Medical (HMSA), Chiro (RSN) bundled with Vision (VSP) - Retiree				
Retiree (Medicare)	9	2	11	
HSTA VB PPO-90/10 Medical (HMSA), Chiro (RSN) bundled with Vision (VSP) - Retiree Total	**9**	**2**	**11**	
HSTA VB HMO Medical (Kaiser), Drug (Kaiser), Chiro (RSN) bundled with Vision (VSP) - Retiree				
Retiree (Medicare)	228	100	328	
Retiree (Non-Medicare)	9	3	12	
HSTA VB HMO Medical (Kaiser), Drug (Kaiser), Chiro (RSN) bundled with Vision (VSP) - Retiree Total	**237**	**103**	**340**	
HSTA VB Out-of-State Plan				
Retiree (Medicare)	3	3	6	
HSTA VB Out-of-State Plan Total	**3**	**3**	**6**	
HSTA VB Total	**2,375**	**1,182**	**3,557**	
Medical Plans Total	**46,001**	**20,699**	**66,700**	**2,519**
Drug Plans				
EUTF				
PPO Drug (SilverScript) - Medicare	29,473	11,403	40,876	
PPO Drug (CaremarkPCS) - Non-Medicare	5,912	4,609	10,521	
EUTF Total	**35,385**	**16,012**	**51,397**	
HSTA VB				
HSTA VB PPO Drug (SilverScript) bundled with PPO-90/10 Medical (HMSA) - Medicare	2,039	1,028	3,067	
HSTA VB PPO Drug (CaremarkPCS) bundled with PPO-90/10 Medical (HMSA) - Non-Medicare	90	46	136	
HSTA VB Total	**2,129**	**1,074**	**3,203**	
Drug Plans Total	**37,514**	**17,086**	**54,600 ***	**11,006**
Dental Plans				
EUTF Total	**44,018**	**19,848**	**63,866**	
HSTA VB Total	**2,363**	**1,179**	**3,542**	
Dental Plans Total	**46,381**	**21,027**	**67,408**	**2,139**
Vision Plans				
EUTF Total	**44,205**	**20,139**	**64,344**	
HSTA VB Total	**2,374**	**1,182**	**3,556**	
Vision Plans Total	**46,579**	**21,321**	**67,900**	**1,941**
Life Insurance Plans				
EUTF Total	**40,685**	**0**	**40,685**	
HSTA VB Total	**2,403**	**0**	**2,403**	
Life Insurance Plans Total	**43,088**	**0**	**43,088**	**164 ****

**NOTE: The Drug Plan Total does not reflect enrollments in Medical Plans such as Kaiser Medical and Out-of-State Medical which includes drug, but does not have a separate Drug enrollment count. Total Drug count for these plans is 7,949*

***NOTE: The Waived Life Insurance Total does not include Survivors who are not eligible for Life Insurance. Total count of Surviors not eligible is 5,268*

Data Taken 06-17-2018

Enrollment Counts - EUTF Retirees

The table below shows EUTF Retirees enrollments for period ending 06-30-2018

Count by Enrollment Coverage

Count of Subscribers	Type of Enrollment			
Benefit Plan	**Self**	**Two-Party**	**Family**	**Grand Total**
Medical Plans				
PPO-90/10 Medical (HMSA) - Retiree				
Retiree (Medicare)	18,887	11,012	420	30,319
Retiree (Non-Medicare)	2,301	2,545	752	5,598
PPO-90/10 Medical (HMSA) - Retiree Total	**21,188**	**13,557**	**1,172**	**35,917**
HMO Medical (Kaiser), Drug (Kaiser) - Retiree				
Retiree (Medicare)	4,244	2,104	87	6,435
Retiree (Non-Medicare)	501	473	129	1,103
HMO Medical (Kaiser), Drug (Kaiser) - Retiree Total	**4,745**	**2,577**	**216**	**7,538**
Out-of-State Plan				
Retiree (Medicare)	101	55	4	160
Retiree (Non-Medicare)	9	2		11
Out-of-State Plan Total	**110**	**57**	**4**	**171**
Medical Plans Total	**26,043**	**16,191**	**1,392**	**43,626**
Drug Plans				
PPO Drug (SilverScript) - Medicare	**18,555**	**10,517**	**401**	**29,473**
PPO Drug (CaremarkPCS) - Non-Medicare	**2,450**	**2,702**	**760**	**5,912**
Drug Plans Total	**21,005**	**13,219**	**1,161**	**35,385**
Dental Plan (HDS)	**26,069**	**16,580**	**1,369**	**44,018**
Vision Plan (VSP)	**26,040**	**16,740**	**1,425**	**44,205**
Life Insurance (USAble)	**40,685**			**40,685**

Count by Subscribers and Dependents

	Type		
Benefit Plan	**Subscribers**	**Dependents**	**Total**
Medical Plans			
PPO-90/10 Medical (HMSA) - Retiree			
Retiree (Medicare)	30,319	11,940	42,259
Retiree (Non-Medicare)	5,598	4,435	10,033
PPO-90/10 Medical (HMSA) - Retiree Total	**35,917**	**16,375**	**52,292**
HMO Medical (Kaiser), Drug (Kaiser) - Retiree			
Retiree (Medicare)	6,435	2,291	8,726
Retiree (Non-Medicare)	1,103	785	1,888
HMO Medical (Kaiser), Drug (Kaiser) - Retiree Total	**7,538**	**3,076**	**10,614**
Out-of-State Plan			
Retiree (Medicare)	160	64	224
Retiree (Non-Medicare)	11	2	13
Out-of-State Plan Total	**171**	**66**	**237**
Medical Plans Total	**43,626**	**19,517**	**63,143**
Drug Plans			
PPO Drug (SilverScript) - Medicare	**29,473**	**11,403**	**40,876**
PPO Drug (CaremarkPCS) - Non-Medicare	**5,912**	**4,609**	**10,521**
Drug Plans Total	**35,385**	**16,012**	**51,397**
Dental Plan (HDS)	**44,018**	**19,848**	**63,866**
Vision Plan (VSP)	**44,205**	**20,139**	**64,344**

Data Taken 06-17-2018

Enrollment Counts - HSTA VB Retirees

The table below shows HSTA VB Retirees enrollments for period ending 06-30-2018

Count by Enrollment Coverage

Count of Subscribers	Type of Enrollment			
Benefit Plan	**Self**	**Two-Party**	**Family**	**Grand Total**
Medical Plans				
HSTA VB PPO-90/10 Medical (HMSA), Chiro (RSN) bundled with PPO Drug (SilverScript or CaremarkPCS), Vision (VSP) - Retiree				
Retiree (Medicare)	1,051	972	27	2,050
Retiree (Non-Medicare)	35	41		76
HSTA VB PPO-90/10 Medical (HMSA), Chiro (RSN) bundled with PPO Drug (SilverScript or CaremarkPCS), Vision (VSP) - Retiree Total	**1,086**	**1,013**	**27**	**2,126**
HSTA VB PPO-90/10 Medical (HMSA), Chiro (RSN) bundled with Vision (VSP) - Retiree				
Retiree (Medicare)	7	2		9
HSTA VB PPO-90/10 Medical (HMSA), Chiro (RSN) bundled with Vision (VSP) - Retiree Total	**7**	**2**		**9**
HSTA VB HMO Medical (Kaiser), Drug (Kaiser), Chiro (RSN) bundled with Vision (VSP) - Retiree				
Retiree (Medicare)	131	95	2	228
Retiree (Non-Medicare)	6	3		9
HSTA VB HMO Medical (Kaiser), Drug (Kaiser), Chiro (RSN) bundled with Vision (VSP) - Retiree Total	**137**	**98**	**2**	**237**
HSTA VB Out-of-State Plan				
Retiree (Medicare)		3		3
HSTA VB Out-of-State Plan Total		**3**		**3**
Medical Plans Total	**1,230**	**1,116**	**29**	**2,375**
Drug Plans				
HSTA VB PPO Drug (SilverScript) bundled with PPO-90/10 Medical (HMSA) - Medicare	**1,045**	**967**	**27**	**2,039**
HSTA VB PPO Drug (CaremarkPCS) bundled with PPO-90/10 Medical (HMSA) - Non-Medicare	**44**	**46**		**90**
Drug Plans Total	**1,089**	**1,013**	**27**	**2,129**
Dental Plan (HDS)	**1,218**	**1,119**	**26**	**2,363**
Vision Plan (VSP)	**1,229**	**1,116**	**29**	**2,374**
Life Insurance (USAble)	**2,403**			**2,403**

Data Taken 06-17-2018

Enrollment Counts - HSTA VB Retirees (continued)

The table below shows HSTA VB Retirees enrollments for period ending 06-30-2018

Count by Subscribers and Dependents

Benefit Plan	Type Subscribers	Dependents	Total
Medical Plans			
HSTA VB PPO-90/10 Medical (HMSA), Chiro (RSN) bundled with PPO Drug (SilverScript or CaremarkPCS), Vision (VSP) - Retiree			
Retiree (Medicare)	2,050	1,033	3,083
Retiree (Non-Medicare)	76	41	117
HSTA VB PPO-90/10 Medical (HMSA), Chiro (RSN) bundled with PPO Drug (SilverScript or CaremarkPCS), Vision (VSP) - Retiree Total	**2,126**	**1,074**	**3,200**
HSTA VB PPO-90/10 Medical (HMSA), Chiro (RSN) bundled with Vision (VSP) - Retiree			
Retiree (Medicare)	9	2	11
HSTA VB PPO-90/10 Medical (HMSA), Chiro (RSN) bundled with Vision (VSP) - Retiree Total	**9**	**2**	**11**
HSTA VB HMO Medical (Kaiser), Drug (Kaiser), Chiro (RSN) bundled with Vision (VSP) - Retiree			
Retiree (Medicare)	228	100	328
Retiree (Non-Medicare)	9	3	12
HSTA VB HMO Medical (Kaiser), Drug (Kaiser), Chiro (RSN) bundled with Vision (VSP) - Retiree Total	**237**	**103**	**340**
HSTA VB Out-of-State Plan			
Retiree (Medicare)	3	3	6
HSTA VB Out-of-State Plan Total	**3**	**3**	**6**
Medical Plans Total	**2,375**	**1,182**	**3,557**
Drug Plans			
HSTA VB PPO Drug (SilverScript) bundled with PPO-90/10 Medical (HMSA) - Medicare	**2,039**	**1,028**	**3,067**
HSTA VB PPO Drug (CaremarkPCS) bundled with PPO-90/10 Medical (HMSA) - Non-Medicare	**90**	**46**	**136**
Drug Plans Total	**2,129**	**1,074**	**3,203**
Dental Plan (HDS)	**2,363**	**1,179**	**3,542**
Vision Plan (VSP)	**2,374**	**1,182**	**3,556**

Data Taken 06-17-2018

Enrollment Counts - All Subscribers

The table below shows All Subscribers enrollments for period ending 06-30-2018

Count of Subscribers	Benefit Plan				
Employer	**Medical Plans**	**Drug**	**Dental Plan**	**Vision Plan**	**Life Insurance**
City and County of Honolulu					
Active	7,042	5,229	7,527	7,246	8,817
Retiree (Medicare)	5,454	4,101			
Retiree (Non-Medicare)	1,678	1,386	7,167	7,219	6,107
City and County of Honolulu Total	**14,174**	**10,716**	**14,694**	**14,465**	**14,924**
Honolulu Board of Water Supply					
Active	471	360	498	479	577
Retiree (Medicare)	463	370			
Retiree (Non-Medicare)	105	97	571	577	478
Honolulu Board of Water Supply Total	**1,039**	**827**	**1,069**	**1,056**	**1,055**
County of Hawaii					
Active	2,000	1,575	2,071	2,007	2,406
Retiree (Medicare)	1,118	1,047			
Retiree (Non-Medicare)	446	424	1,550	1,569	1,414
County of Hawaii Total	**3,564**	**3,046**	**3,621**	**3,576**	**3,820**
Hawaii Dept of Water Supply					
Active	132	107	136	134	158
Retiree (Medicare)	77	74			
Retiree (Non-Medicare)	17	16	96	96	86
Hawaii Dept of Water Supply Total	**226**	**197**	**232**	**230**	**244**
County of Kauai					
Active	992	866	1,059	1,026	1,257
Retiree (Medicare)	614	587			
Retiree (Non-Medicare)	204	202	802	824	710
County of Kauai Total	**1,810**	**1,655**	**1,861**	**1,850**	**1,967**
County of Maui					
Active	2,018	1,030	2,148	2,039	2,518
Retiree (Medicare)	1,043	669			
Retiree (Non-Medicare)	411	280	1,466	1,474	1,341
County of Maui Total	**3,472**	**1,979**	**3,614**	**3,513**	**3,859**
State of Hawaii					
Active	37,885	27,332	40,826	38,572	49,993
Retiree (Medicare)	30,403	24,638			
Retiree (Non-Medicare)	3,930	3,592	34,686	34,776	32,907
State of Hawaii Total	**72,218**	**55,562**	**75,512**	**73,348**	**82,900**
Hawaii Public Charter Schools					
Active	689	438	734	656	1,124
Retiree (Medicare)	32	26			
Retiree (Non-Medicare)	6	5	43	44	45
Hawaii Public Charter Schools Total	**727**	**469**	**777**	**700**	**1,169**
Grand Total	**97,230**	**74,451**	**101,380**	**98,738**	**109,938**

Data Taken 06-17-2018