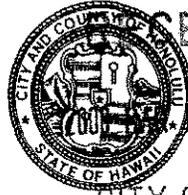


DEPARTMENT OF BUDGET AND FISCAL SERVICES
CITY AND COUNTY OF HONOLULU
530 SOUTH KING STREET, ROOM 208 • HONOLULU, HAWAII 96813
PHONE: (808) 768-3900 • FAX: (808) 768-3179 • INTERNET: www.honolulu.gov

MUFI HANNEMANN
MAYOR



RECEIVED

18 A 11: 14

CITY COUNCIL
HONOLULU, HAWAII
March 14, 2008

MARY PATRICIA WATERHOUSE
DIRECTOR

MARK K. OTO
DEPUTY DIRECTOR

RECEIVED

MAR 18 4 11 PM '08

CITY CLERK
HONOLULU, HAWAII

The Honorable Todd K. Apo
Honolulu City Council
530 South King Street, Room 202
Honolulu, Hawaii 96813

Dear Councilmember Apo:

Please find attached the letter from the Executive Director of the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) which explains the Other Post- Employment Benefits (OPEB) payment procedures.

Please feel free to contact me at 768-3901, if you have any questions.

Sincerely,

A handwritten signature in cursive script, appearing to read "M. Waterhouse".

Mary Patricia Waterhouse, Director
Budget and Fiscal Services

Attachment

APPROVED:

A handwritten signature in cursive script, appearing to read "Wayne M. Hashiro".
Wayne M. Hashiro, P.E.
Managing Director

DEPT. COM. 199

B

LINDA LINGLE
GOVERNOR



STATE OF HAWAII
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
P.O. BOX 2121
HONOLULU, HAWAII 96805-2121
Oahu (808) 586-7390
Toll Free 1(800) 295-0089
www.eutf.hawaii.gov

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STANLEY T. SHIRAKI

ADMINISTRATOR
JAMES WILLIAMS

February 7, 2008

TO: Georgina Kawamura, Director
State of Hawaii, Department of Budget and Finance

Mary Patricia Waterhouse, Director
City & County of Honolulu, Department of Budget and Fiscal Services

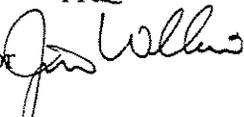
Wallace G. Rezentes, Jr., Director
County of Kauai, Department of Finance

Kalbert Young, Director
County of Maui, Department of Finance

William Takaba, Director
County of Hawaii, Department of Finance

Clifford P. Lum, Manager
Honolulu Board of Water Supply

Milton Pavao, Manager
Hawaii Department of Water Supply

FROM: Jim Williams, Administrator 

SUBJECT: Post Employment Benefits Other than Pensions (OPEB) under GASB
Statements 43 and 45

DIRECTOR OF BUDGET
& FISCAL SERVICES
C/O OFFICE OF THE DIRECTOR

'08 FEB -8 P 2:59

The Hawaii Employer Union Health Benefits Trust Fund (EUTF) is prepared and ready to accept any "pre-funding" contributions from the various employers. As discussed in my memorandum (9/27/07, enclosed) to the State Director of Finance (copied to all employers) the EUTF is prepared to separately track and account for, over time, any contributions made by each employer above and beyond the billed annual pay-as-you-go (PAYGO) requirements. The result of separately tracking each employer's contribution is that the EUTF will be treated as a Multi-Employer Agent Plan under GASB 43 and 45.

Memorandum to Georgina K. Kawamura, Mary Patricia Waterhouse, Wallace G .Rezentes, Jr., Kalbert Young, William Takaba, Clifford P. Lum, Milton Pavao

February 7, 2008

Subject: Post Employment Benefits Other than Pensions (OPEB) under GASB Statements 43 and 45
Page 2

As a Multi-Employer Agent Plan, the EUTF does not bill employers a “contractually required contribution.” Rather, each employer decides whether and how much it wants to pre-fund OPEB expenses in relation to the Annual Required Contribution (ARC) as presented in the annual actuarial valuation report. An employer that wanted to fully pre-fund OPEB would make payments such that the billed annual pay-as-you-go retiree costs plus an additional contributed amount would be equal to the ARC for that year. There is no requirement that employers pay more than the amount billed by the EUTF for current retiree benefit costs. The amounts paid and the resulting impact on the OPEB liability will be reflected in the employers’ financial reports as determined by GASB 45.

Currently, the EUTF will invest the monies received to pre-fund OPEB in short term investments (30 to 90 days) such as student loans, repurchase agreements or time certificates of deposits. The average interest rate has been around 5.6%. The EUTF is planning to invest these monies on a long term basis once an investment consultant is hired. The EUTF has issued RFP No. 08-002, Proposals to Furnish Investment Consulting Services on January 7, 2008. The proposals are due March 3, 2008 with an expected contract date of June 2008. The investment consultant will assist the EUTF in preparing investment policies and procedures, an asset allocation plan, prepare a written plan for public market portfolios, assist in the selection of one or more money managers, and monitor and oversee the money managers.

The EUTF believes that by pre-funding OPEB expenses, combined with the EUTF’s development of an appropriate investment program, employers will be able to use the higher discount rate (see actuarial valuation report) resulting in a lower liability and ARC. Employers should consult with their respective auditors to confirm this conclusion.

If you have any questions, or if you would like to meet with us to discuss pre-funding OPEB expenses, please contact me at 587-5434 or Ms. Donna Tonaki at 586-1690.

Enclosure

c: Board of Trustees

LINDA LINGLE
GOVERNOR



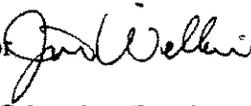
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LAWRENCE M. REIFURTH
STANLEY T. SHIRAKI

ADMINISTRATOR
JAMES WILLIAMS

September 27, 2007

TO: Ms. Georgina Kawamura
Director of Finance

FROM: Jim Williams, Administrator 

SUBJECT: Post Employment Benefits Other than Pensions (OPEB) under GASB Statements 43 and 45

This is in response to your memorandum of September 12, 2007 requesting that the EUTF "separately track and account for, over time, any contributions made by each employer above and beyond the billed annual pay-as-you-go (PAYGO) requirements.

The EUTF Board of Trustees reviewed your request at their meeting of September 26, 2007. A representative of Grant-Thornton, the EUTF auditor, was present and advised the Trustees that separate tracking would result in the EUTF being classified as a multi-employer agent plan under GASB 43/45 guidelines. The Board of Trustees then approved my recommendation "that the EUTF cooperate with the State and other employers in tracking employer contributions, earnings and charges for each employer. The result of adopting this approach will be that the EUTF is treated as a Multi-Employer Agent Plan under GASB 43/45. Since only Cost-Sharing Plans need to establish the Contractually Required Contribution, the Board of Trustees does not need to take action on that issue."

The EUTF will proceed with plans to separately track employer contributions and to prepare EUTF financial statements as a Multi-Employer Agent Plan. Our staff will work with your department, the other employers and the Department of Accounting and General Services (DAGS) to implement this approach.

c: Board of Trustees
Russ Saito, State Comptroller
Mary Patricia Waterhouse, City and County of Honolulu
Wallace G. Rezendes, Jr., County of Kauai
Kalbert Young, County of Maui
William Takaba, County of Hawaii
Clifford P. Lum, Honolulu Board of Water Supply
Milton Pavao, Hawaii Department of Water Supply