JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LIEUTENANT GOVERNOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAI'I EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAIʻI
DEPARTMENT OF BUDGET AND FINANCE
Ka ʻOihana Mālama Moʻohelu a Kālā
P.O. BOX 150
HONOLULU, HAWAIʻI 96810-0150

SETH S. COLBY, Ph.D.
ACTING DIRECTOR

SABRINA NASIR
DEPUTY DIRECTOR

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT

DEPT. COMM. NO. 122

December 12, 2025

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

The Honorable Nadine K Nakamura, Speaker
and Members of the House of Representatives
Thirty-Third State Legislature
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear President Kouchi, Speaker Nakamura, 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, 2025, 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/hawaii-employer-union- health-benefits-trust-fund/.

Sincerely,

SETH S. COLBY, Ph.D.
Acting Director of Finance

Enclosure

ANNUAL REPORT

FOR THE PERIOD JULY 1, 2024 THROUGH JUNE 30, 2025

Hawaii Employer-Union Health Benefits Trust Fund
State of Hawaii

December 2025

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
ANNUAL REPORT
Fiscal Year Ended June 30, 2025

This report presents an overview of the organization and activities of the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) for the fiscal year ended June 30, 2025. The EUTF manages and administers health and life insurance plans for eligible state and county employees, retirees and their eligible dependents. The statutory 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 at the 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 2025. 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, managing the investments 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, 2025 are shown below:

Employer Trustees

- Audrey Hidano, Dept. of Education
- Wesley Machida, Retiree
- Sabrina Nasir, Deputy Director, Dept. of Budget & Finance
- Ryan Yamane, Director, Dept. of Human Services
- Robert Yu, President and General Manager, Oahu Transit Services

Employee-Beneficiary Trustees

- Jacqueline Ferguson-Miyamoto, Retiree
- Christian Fern, Executive Director, University of Hawaii Professional Assembly (UHPA)
- Osa Tui, President, Hawaii State Teachers Association (HSTA)
- Maureen Wakuzawa, Controller, Hawaii Government Employees Association (HGEA)
- James Wataru, United Public Workers (UPW)

Board officers for the period July 1, 2024 – June 30, 2025 were Ryan Yamane – Chairperson, Robert Yu – Vice-Chairperson, and James Wataru – 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. The EUTF has a total of 62 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, disease management and wellness programs, and auditing of enrollment and claims.

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

- The Financial Management Officer is supported by eight accountants and six account clerks, who reconcile employee/retiree accounts, collect employer/employee/retiree contributions for health benefits, process all carrier and 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 TELUS Health and is supported by nine IT staff.
- The Member Services Branch Manager oversees the Member Services Branch and is supported by 21 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 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 and Pharmacy Benefits Consultant: The Board has contracted with the Segal Company (Segal) to provide benefit plan and pharmacy benefit consulting services. Segal is a major national benefits consulting firm and provides access to their wide range of services from their Glendale, California office.
- Pharmacy Benefits Claims Auditor: Pharmaceutical Strategies Group (PSG) provides pharmacy benefit claims audit services for the self-insured prescription drug plans administered by CVS Caremark and SilverScript.
- Claims Auditor: Claims Technologies Inc. provides claims audit services for the plans excluding the self-insured prescription drug plans administered by CVS Caremark and SilverScript.
- Benefits Administration System (BAS): Since May 5, 2022, TELUS Health has been providing the BAS software which handles all enrollment information, member records and premium calculations. The BAS features a self-service member portal in which members can securely view and manage personal information, communications, supporting documents, enrolled benefits for both members and dependents, and monthly premium amounts. In addition, the BAS

features an employer portal where employers can upload files to process demographic changes, terminations, and add new hires.

- Investment Consultants:
  1. Meketa Investment Group (Meketa) provides general and private equity investment consulting services which includes 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, Meketa assists in the asset allocation and selection, monitoring and termination of investment managers/funds for the EUTF's short-term funds.
  2. Callan provides private credit and real asset investment consulting services.
- Global Custody Services: Northern Trust Company provides global custody and securities lending services for EUTF's investments.
- Banking Services: Bank of Hawaii provides a full range of banking services including custody, check clearing, automated clearing house, and lock box services.
- Actuary: Gabriel Roeder Smith & Company (GRS) 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, 2025 audit in July 2025.

HEALTH AND LIFE INSURANCE BENEFIT PLANS

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

Medical and Chiropractic

- Hawaii Medical Service Association (HMSA)
  1. PPO Plans – 90/10 and 80/20 plans for EUTF and HSTA VB* employees
  2. PPO Plan – 75/25 plan for EUTF employees
  3. HMO Plan for EUTF employees
  4. PPO Plans – 90/10 plans for EUTF and HSTA VB* retirees

Medical, Chiropractic and Prescription Drug

- Kaiser Permanente (Kaiser)
  1. Comprehensive HMO Plans for EUTF and HSTA VB* employees
  2. Standard HMO Plan for EUTF 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

Medical

- Humana – Medicare Advantage Plan for EUTF Medicare retirees

Prescription Drug

- CVS Caremark
  1. Prescription drug coverage for HMSA PPO and HMO Plans for EUTF and HSTA VB* 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* employees and retirees
    2. Supplemental plan for HSTA VB* employees

Vision

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

Life Insurance

- Securian Financial – EUTF and HSTA VB* employees and retirees

Supplemental Medical and Prescription Drug

- Verdegard (f.k.a., HMA) – EUTF employees

*HSTA VB refers to the plans developed in response to Judge Karl 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.

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

INSURED AND SELF-INSURED PLANS

The following plans are fully insured:

- HMSA medical and chiropractic**
- Kaiser medical, chiropractic and prescription drug
- Humana medical
- HDS dental**
- VSP vision**
- Securian Financial life insurance

** Fully insured with one-way risk sharing - premium refund if premiums exceeds incurred claims and expenses by year (HDS and VSP) or contract period (HMSA).

The following plans are self insured:

- CVS Caremark prescription drug for employees and non-Medicare retirees
- SilverScript EGWP prescription drug for Medicare retirees
- Verdegard supplemental medical and prescription drug

ACTIVITIES IN FISCAL YEAR 2025

<u>BAS</u>
EUTF continues to take advantage of the new features of the BAS, namely the employer and member self service functions. All employers except the County of Hawaii upload on a regular basis a human resource information system (HRIS) electronic file which eliminates the need for preparation, submission and processing of hard copy forms for demographic and employment (e.g., bargaining unit and department changes, and terminations) changes. Additionally, the Department of Education, the University of

Hawaii, the Judiciary, the County of Kauai and the County of Maui have eliminated the need for new employees to complete, employers to review and EUTF staff to input new hire enrollment forms by also including new hire information in the HRIS electronic file. EUTF continues to encourage other employers to utilize the full functionality of the BAS.

Employees have been able to complete qualifying event transactions (e.g., marriage or birth) online since implementation of the BAS. Online optionality was expanded to the 2024 open enrollment. Approximately 67% of open enrollment changes for 2025 were made online resulting in less work for employers and EUTF staff.

Benefit Plans

EUTF conducted open enrollment in October 2024 for retirees, with an effective date of January 1, 2025 and in May 2025 for employees, with an effective date of July 1, 2025.

During the year, the EUTF enhanced utilization management criteria on the self-insured prescription drug plans administered by CVS for GLP-1 (e.g., Ozempic, Ryblesus, Trulicity, Victoza, Wegovy and Saxenda) and GIP/GLP-1 (e.g., Mounjaro and Zepbound) agonist agents to ensure proper usage.

Effective July 1, 2025, the HMSA HMO medical/CVS prescription drug plan was closed to new enrollees. Those already enrolled may add or remove dependents during open enrollment or through a qualifying event.

Dependent Child Eligibility Criteria

Effective July 1, 2025, the EUTF expanded the dependent child eligibility criteria for active employee dental and vision plans and all retiree plans to match the active employee medical/prescription plans which are subject to the Affordable Care Act (ACA). Under ACA, active employee medical/prescription drug plans are required to cover dependent children, regardless of marital and student status and residency, through the end of the month in which the child turns age 26. The prior dependent child eligibility criteria for these plans were coverage up to age 19 and 24, if a full-time student, and the child must be unmarried and reside with the employee/retiree. A special open enrollment was conducted April 16-30 for retirees to add dependent children under the expanded criteria. Active employees were able to add dependent children under the expanded criteria to their dental and vision plans during regular open enrollment in May.

Investments

The other post-employment benefits trust fund (OPEB Trust) returned 7.1% gross of fees (7.0% net of fees) during the fiscal year and has returned 7.3% annualized net of fees since inception (June 23, 2011) through June 30, 2025 which exceeded the investment target return of 7.0%. OPEB Trust net assets were $8.96 billion (State's portion was $5.92 billion) at June 30, 2025.

Ongoing Programs and General Operations

1. During fiscal year 2025, the EUTF handled 50,839 (versus 55,547 in fiscal year 2024) customer service and 13,533 (versus 16,488 in 2024) accounting phone calls.
2. An annual actuarial valuation of the other post-employment benefit obligation for retiree health benefits for July 1, 2024 was completed by GRS. The report is posted on EUTF's website and attached to this report.

3. An annual audit of the EUTF, as required by Chapter 87A-25(2), was conducted for the fiscal year July 1, 2024 through June 30, 2025 by KKDLY LLC. The report is posted on EUTF's website and attached to this report.

Enrollment Counts - Active (Summary)

The table below shows Active enrollment for period ending 06-30-2025

Count by Subscribers and Dependents

Benefit Plan	Subscribers	Dependents	Total
Medical			
EUTF			
PPO-90/10 HMSA Medical and Chiro bundled with PPO Drug (CVS)	2,349	1,156	3,505
PPO-80/20 HMSA Medical and Chiro bundled with PPO Drug (CVS)	10,282	7,230	17,512
PPO-75/25 HMSA Medical and Chiro bundled with PPO Drug (CVS)	22,125	21,571	43,696
HMO HMSA Medical and Chiro bundled with HMO Drug (CVS)	647	311	958
HMO Comprehensive Kaiser Medical, Drug and Chiro	3,809	2,660	6,469
HMO Standard Kaiser Medical, Drug and Chiro	9,988	8,977	18,965
Verdegard Supplemental Medical and Drug	523	879	1,402
EUTF Total	**49,723**	**42,784**	**92,507**
HSTA VB			
HSTA VB PPO-90/10 Medical and Chiro (HMSA) bundled with PPO Drug (CVS), Vision (VSP)	699	676	1,375
HSTA VB PPO-80/20 Medical and Chiro (HMSA) bundled with PPO Drug (CVS), Vision (VSP)	1,536	2,281	3,817
HSTA VB HMO Medical, Drug and Chiro (Kaiser) bundled with Vision (VSP)	552	733	1,285
HSTA VB Total	**2,787**	**3,690**	**6,477**
Medical Total	**52,510**	**46,474**	**98,984**
Drug			
EUTF			
PPO-90/10 CVS Prescription Drug bundled with PPO Medical (HMSA)	2,349	1,156	3,505
PPO-80/20 CVS Prescription Drug bundled with PPO Medical (HMSA)	10,280	7,230	17,510
PPO-75/25 CVS Prescription Drug bundled with PPO Medical (HMSA)	22,124	21,571	43,695
HMO CVS Prescription Drug bundled with HMO Medical (HMSA)	647	311	958
EUTF Total	**35,400**	**30,268**	**65,668**
HSTA VB			
HSTA VB PPO-90/10 Prescription Drug (CVS) bundled with HSTA VB PPO Medical (HMSA)	699	676	1,375
HSTA VB PPO-80/20 Prescription Drug (CVS) bundled with HSTA VB PPO Medical (HMSA)	1,537	2,281	3,818
HSTA VB Total	**2,236**	**2,957**	**5,193**
Drug Total	**37,636**	**33,225**	**70,861**
Dental			
EUTF			
Dental (HDS)	51,748	43,084	94,832
EUTF Total	**51,748**	**43,084**	**94,832**
HSTA VB			
HSTA VB Dental (HDS)	2,972	3,648	6,620
HSTA VB Supplemental Dental (HDS)	67	102	169
HSTA VB Total	**3,039**	**3,750**	**6,789**
Dental Total	**54,787**	**46,834**	**101,621**
Vision			
EUTF			
Vision (VSP)	49,749	40,184	89,933
EUTF Total	**49,749**	**40,184**	**89,933**
HSTA VB			
HSTA VB Vision (VSP) - Stand Alone	170	320	490
HSTA VB Vision (VSP) bundled with Medical	2,788	3,178	5,966
HSTA VB Total	**2,958**	**3,498**	**6,456**
Vision Total	**52,707**	**43,682**	**96,389**
Life			
EUTF			
EUTF Securian Life Insurance	58,623	0	58,623
EUTF Total	**58,623**	**0**	**58,623**
HSTA VB			
HSTA VB Securian Life Insurance	3,635	0	3,635
HSTA VB Total	**3,635**	**0**	**3,635**
Life Total	**62,258**	**0**	**62,258**

Data Taken 06-26-2025

Enrollment Counts - EUTF Active

The table below shows EUTF Active enrollment for period ending 06-30-2025

Count by Subscribers by Enrollment Coverage

Benefit Plan	Self	Two-Party	Family	Total
Medical				
PPO-90/10 HMSA Medical and Chiro bundled with PPO Drug (CVS)	1,755	304	290	2,349
PPO-80/20 HMSA Medical and Chiro bundled with PPO Drug (CVS)	6,690	1,646	1,946	10,282
PPO-75/25 HMSA Medical and Chiro bundled with PPO Drug (CVS)	12,189	3,848	6,088	22,125
HMO HMSA Medical and Chiro bundled with HMO Drug (CVS)	495	68	84	647
HMO Comprehensive Kaiser Medical, Drug and Chiro	2,492	628	689	3,809
HMO Standard Kaiser Medical, Drug and Chiro	5,793	1,719	2,476	9,988
Verdegard Supplemental Medical and Drug	146	121	256	523
Medical Total	**29,560**	**8,334**	**11,829**	**49,723**
Drug				
PPO-90/10 CVS Prescription Drug bundled with PPO Medical (HMSA)	1,755	304	290	2,349
PPO-80/20 CVS Prescription Drug bundled with PPO Medical (HMSA)	6,688	1,646	1,946	10,280
PPO-75/25 CVS Prescription Drug bundled with PPO Medical (HMSA)	12,188	3,848	6,088	22,124
HMO CVS Prescription Drug bundled with HMO Medical (HMSA)	495	68	84	647
Drug Total	**21,126**	**5,866**	**8,408**	**35,400**
Dental (HDS)	**29,147**	**11,113**	**11,488**	**51,748**
Vision (VSP)	**28,625**	**10,431**	**10,693**	**49,749**
Life Insurance (Securian)	**58,623**			**58,623**

Count by Subscribers and Dependents

Benefit Plan	Subscribers	Dependents	Total
Medical			
PPO-90/10 HMSA Medical and Chiro bundled with PPO Drug (CVS)	2,349	1,156	3,505
PPO-80/20 HMSA Medical and Chiro bundled with PPO Drug (CVS)	10,282	7,230	17,512
PPO-75/25 HMSA Medical and Chiro bundled with PPO Drug (CVS)	22,125	21,571	43,696
HMO HMSA Medical and Chiro bundled with HMO Drug (CVS)	647	311	958
HMO Comprehensive Kaiser Medical, Drug and Chiro	3,809	2,660	6,469
HMO Standard Kaiser Medical, Drug and Chiro	9,988	8,977	18,965
Verdegard Supplemental Medical and Drug	523	879	1,402
Medical Total	**49,723**	**42,784**	**92,507**
Drug			
PPO-90/10 CVS Prescription Drug bundled with PPO Medical (HMSA)	2,349	1,156	3,505
PPO-80/20 CVS Prescription Drug bundled with PPO Medical (HMSA)	10,280	7,230	17,510
PPO-75/25 CVS Prescription Drug bundled with PPO Medical (HMSA)	22,124	21,571	43,695
HMO CVS Prescription Drug bundled with HMO Medical (HMSA)	647	311	958
Drug Total	**35,400**	**30,268**	**65,668**
Dental (HDS)	**51,748**	**43,084**	**94,832**
Vision (VSP)	**49,749**	**40,184**	**89,933**

Data Taken 06-26-2025

Enrollment Counts - HSTA VB Active

The table below shows HSTA VB Active enrollment for period ending 06-30-2025

Count by Subscribers by Enrollment Coverage

Benefit Plan	Self	Two-Party	Family	Total
Medical				
HSTA VB PPO-90/10 Medical and Chiro (HMSA) bundled with PPO Drug (CVS), Vision (VSP)	396	104	199	699
HSTA VB PPO-80/20 Medical and Chiro (HMSA) bundled with PPO Drug (CVS), Vision (VSP)	560	275	701	1,536
HSTA VB HMO Medical, Drug and Chiro (Kaiser) bundled with Vision (VSP)	244	90	218	552
Medical Total	**1,200**	**469**	**1,118**	**2,787**
Drug				
HSTA VB PPO-90/10 Prescription Drug (CVS) bundled with HSTA VB PPO Medical (HMSA)	396	104	199	699
HSTA VB PPO-80/20 Prescription Drug (CVS) bundled with HSTA VB PPO Medical (HMSA)	561	275	701	1,537
Drug Total	**957**	**379**	**900**	**2,236**
Dental				
HSTA VB Dental (HDS)	1,205	687	1,080	2,972
HSTA VB Supplemental Dental (HDS)	10	29	28	67
Dental Total	**1,215**	**716**	**1,108**	**3,039**
Vision				
HSTA VB Vision (VSP) - Stand Alone	24	49	97	170
HSTA VB Vision (VSP) bundled with Medical	1,246	595	947	2,788
Vision Total	**1,270**	**644**	**1,044**	**2,958**
Life Insurance (Securian)	**3,635**			**3,635**

Count by Subscribers and Dependents

Benefit Plan	Subscribers	Dependents	Total
Medical			
HSTA VB PPO-90/10 Medical and Chiro (HMSA) bundled with PPO Drug (CVS), Vision (VSP)	699	676	1,375
HSTA VB PPO-80/20 Medical and Chiro (HMSA) bundled with PPO Drug (CVS), Vision (VSP)	1,536	2,281	3,817
HSTA VB HMO Medical, Drug and Chiro (Kaiser) bundled with Vision (VSP)	552	733	1,285
Medical Total	**2,787**	**3,690**	**6,477**
Drug			
HSTA VB PPO-90/10 Prescription Drug (CVS) bundled with HSTA VB PPO Medical (HMSA)	699	676	1,375
HSTA VB PPO-80/20 Prescription Drug (CVS) bundled with HSTA VB PPO Medical (HMSA)	1,537	2,281	3,818
Drug Total	**2,236**	**2,957**	**5,193**
Dental			
HSTA VB Dental (HDS)	2,972	3,648	6,620
HSTA VB Supplemental Dental (HDS)	67	102	169
Dental Total	**3,039**	**3,750**	**6,789**
Vision			
HSTA VB Vision (VSP) - Stand Alone	170	320	490
HSTA VB Vision (VSP) bundled with Medical	2,788	3,178	5,966
Vision Total	**2,958**	**3,498**	**6,456**

Data Taken 06-26-2025

Enrollment Counts - EUTF Active

The table below shows EUTF Active enrollment for period ending 06-30-2025

Count by Subscribers by Bargaining Unit

Benefit Plan		00	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	Total
Medical																		
PPO-90/10 HMSA Medical and Chiro bundled with PPO Drug (CVS)		64	243	25	383	31	359	82	268	126	53	108	31	122	426	25	3	2,349
PPO-80/20 HMSA Medical and Chiro bundled with PPO Drug (CVS)		183	1,395	145	2,186	164	1,250	302	693	585	215	399	185	622	1,835	69	54	10,282
PPO-75/25 HMSA Medical and Chiro bundled with PPO Drug (CVS)	1	491	3,237	220	4,256	254	3,215	335	783	1,355	555	971	1,129	966	3,995	128	234	22,125
HMO HMSA Medical and Chiro bundled with HMO Drug (CVS)		17	70	15	118	8	97	11	43	36	15	31	6	43	125	10	2	647
HMO Comprehensive Kaiser Medical, Drug and Chiro	1	60	557	86	752	82	511	103	301	157	70	190	75	228	580	41	15	3,809
HMO Standard Kaiser Medical, Drug and Chiro		190	1,324	93	1,768	114	1,887	158	517	712	217	354	364	335	1,797	65	93	9,988
Verdegard Supplemental Medical and Drug		18	46	4	125	11	57	11	17	27	18	10	25	21	126	7		523
Medical Total	**2**	**1,023**	**6,872**	**588**	**9,588**	**664**	**7,376**	**1,002**	**2,622**	**2,998**	**1,143**	**2,063**	**1,815**	**2,337**	**8,884**	**345**	**401**	**49,723**
Drug																		
PPO-90/10 CVS Prescription Drug bundled with PPO Medical (HMSA)		64	243	25	383	31	359	82	268	126	53	108	31	122	426	25	3	2,349
PPO-80/20 CVS Prescription Drug bundled with PPO Medical (HMSA)		183	1,395	145	2,186	164	1,250	302	693	585	215	398	185	622	1,835	68	54	10,280
PPO-75/25 CVS Prescription Drug bundled with PPO Medical (HMSA)	1	491	3,237	220	4,256	254	3,215	335	783	1,355	555	971	1,129	966	3,995	127	234	22,124
HMO CVS Prescription Drug bundled with HMO Medical (HMSA)		17	70	15	118	8	97	11	43	36	15	31	6	43	125	10	2	647
Drug Total	**1**	**755**	**4,945**	**405**	**6,943**	**457**	**4,921**	**730**	**1,787**	**2,102**	**838**	**1,508**	**1,351**	**1,753**	**6,381**	**230**	**293**	**35,400**
Dental (HDS)	**2**	**1,094**	**7,136**	**617**	**10,279**	**723**	**7,518**	**1,045**	**2,678**	**2,976**	**1,181**	**2,159**	**1,889**	**2,412**	**9,271**	**359**	**409**	**51,748**
Vision (VSP)	**2**	**1,055**	**6,925**	**599**	**9,900**	**704**	**7,102**	**1,010**	**2,533**	**2,864**	**1,146**	**2,058**	**1,818**	**2,331**	**8,962**	**348**	**392**	**49,749**
Life Insurance (Securian)	**2**	**1,287**	**8,140**	**731**	**11,906**	**854**	**8,006**	**1,222**	**3,039**	**3,295**	**1,370**	**2,529**	**2,091**	**2,669**	**10,602**	**409**	**471**	**58,623**

Enrollment Counts - HSTA VB Active

The table below shows HSTA VB Active enrollment for period ending 06-30-2025

Count by Subscribers by Bargaining Unit

Benefit Plan	05	Total
Medical		
HSTA VB PPO-90/10 Medical and Chiro (HMSA) bundled with PPO Drug (CVS), Vision (VSP)	699	699
HSTA VB PPO-80/20 Medical and Chiro (HMSA) bundled with PPO Drug (CVS), Vision (VSP)	1,536	1,536
HSTA VB HMO Medical, Drug and Chiro (Kaiser) bundled with Vision (VSP)	552	552
Medical Total	**2,787**	**2,787**
Drug		
HSTA VB PPO-90/10 Prescription Drug (CVS) bundled with HSTA VB PPO Medical (HMSA)	699	699
HSTA VB PPO-80/20 Prescription Drug (CVS) bundled with HSTA VB PPO Medical (HMSA)	1,537	1,537
Drug Total	**2,236**	**2,236**
Dental		
HSTA VB Dental (HDS)	2,972	2,972
HSTA VB Supplemental Dental (HDS)	67	67
Dental Total	**3,039**	**3,039**
Vision		
HSTA VB Vision (VSP) - Stand Alone	170	170
HSTA VB Vision (VSP) bundled with Medical	2,788	2,788
Vision Total	**2,958**	**2,958**
Life Insurance (Securian)	**3,635**	**3,635**

Data Taken 06-26-2025

Enrollment Counts - Retiree (Summary)

The table below shows Retiree enrollment for period ending 06-30-2025

Count by Subscribers and Dependents

Benefit Plan	Subscribers	Dependents	Total
Medical			
EUTF			
PPO-90/10 Medical (HMSA) - Retiree			
Medicare	34,848	13,443	48,291
Non-Medicare	5,152	4,466	9,618
PPO-90/10 Medical (HMSA) - Retiree Total	**40,000**	**17,909**	**57,909**
HMO Medical (Kaiser), Drug (Kaiser) - Retiree			
Medicare	7,050	2,388	9,438
Non-Medicare	1,083	833	1,916
HMO Medical (Kaiser), Drug (Kaiser) - Retiree Total	**8,133**	**3,221**	**11,354**
PPO Medical - Medicare Advantage (Humana) - Retiree			
Medicare	88	15	103
PPO Medical - Medicare Advantage (Humana) - Retiree Total	**88**	**15**	**103**
Out-of-State Plan - Retiree			
Medicare	191	60	251
Non-Medicare	6	3	9
Out-of-State Plan - Retiree Total	**197**	**63**	**260**
EUTF Total	**48,418**	**21,208**	**69,626**
HSTA VB			
HSTA VB PPO-90/10 Medical and Chiro (HMSA) bundled with PPO Drug (SilverScript or CVS), Vision (VSP) - Retiree			
Medicare	1,910	824	2,734
Non-Medicare	4	0	4
HSTA VB PPO-90/10 Medical and Chiro (HMSA) bundled with PPO Drug (SilverScript or CVS), Vision (VSP) - Retiree Total	**1,914**	**824**	**2,738**
HSTA VB PPO-90/10 Medical and Chiro (HMSA) bundled with Vision (VSP) - Retiree			
Medicare	13	5	18
HSTA VB PPO-90/10 Medical and Chiro (HMSA) bundled with Vision (VSP) - Retiree Total	**13**	**5**	**18**
HSTA VB HMO Medical, Drug and Chiro (Kaiser) bundled with Vision (VSP) - Retiree			
Medicare	202	61	263
Non-Medicare	3	1	4
HSTA VB HMO Medical, Drug and Chiro (Kaiser) bundled with Vision (VSP) - Retiree Total	**205**	**62**	**267**
HSTA VB Out-of-State Plan - Retiree			
Medicare	2	2	4
HSTA VB Out-of-State Plan - Retiree Total	**2**	**2**	**4**
HSTA VB Total	**2,134**	**893**	**3,027**
Medical Total	**50,552**	**22,101**	**72,653**
Drug			
EUTF			
PPO Drug (SilverScript) - Medicare	33,407	12,757	46,164
PPO Prescription Drug (CVS) - Non-Medicare	5,498	4,585	10,083
EUTF Total	**38,905**	**17,342**	**56,247**
HSTA VB			
HSTA VB PPO-90/10 Prescription Drug (SilverScript) bundled with HSTA VB PPO Medical (HMSA) - Medicare	1,905	825	2,730
HSTA VB PPO-90/10 Prescription Drug (CVS) bundled with HSTA VB PPO Medical (HMSA) - Non-Medicare	9	0	9
HSTA VB Total	**1,914**	**825**	**2,739**
Drug Total	**40,819**	**18,167**	**58,986**
Dental			
Dental (HDS)	49,365	22,196	71,561
HSTA VB Dental (HDS) - Retiree	2,132	894	3,026
Dental Total	**51,497**	**23,090**	**74,587**
Vision			
Vision (VSP)	49,264	22,144	71,408
HSTA VB Vision (VSP) bundled with Medical - Retiree	2,134	891	3,025
Vision Total	**51,398**	**23,035**	**74,433**
Life			
EUTF Securian Life Insurance - Retiree	46,169	0	46,169
HSTA VB Securian Life Insurance - Retiree	2,086	0	2,086
Life Total	**48,255**	**0**	**48,255**

Data Taken 06-26-2025

Enrollment Counts - EUTF Retiree

The table below shows EUTF Retiree enrollment for period ending 06-30-2025

Count by Subscribers by Enrollment Coverage

Benefit Plan	Self	Two-Party	Family	Total
Medical				
PPO-90/10 Medical (HMSA) - Retiree				
Medicare	21,912	12,506	430	34,848
Non-Medicare	1,984	2,273	895	5,152
PPO-90/10 Medical (HMSA) - Retiree Total	**23,896**	**14,779**	**1,325**	**40,000**
HMO Medical (Kaiser), Drug (Kaiser) - Retiree				
Medicare	4,743	2,239	68	7,050
Non-Medicare	465	473	145	1,083
HMO Medical (Kaiser), Drug (Kaiser) - Retiree Total	**5,208**	**2,712**	**213**	**8,133**
PPO Medical - Medicare Advantage (Humana) - Retiree				
Medicare	73	15		88
PPO Medical - Medicare Advantage (Humana) - Retiree Total	**73**	**15**		**88**
Out-of-State Plan - Retiree				
Medicare	135	52	4	191
Non-Medicare	3	3		6
Out-of-State Plan - Retiree Total	**138**	**55**	**4**	**197**
Medical Total	**29,315**	**17,561**	**1,542**	**48,418**
Drug				
PPO Drug (SilverScript) - Medicare	**21,124**	**11,880**	**403**	**33,407**
PPO Prescription Drug (CVS) - Non-Medicare	**2,215**	**2,385**	**898**	**5,498**
Drug Total	**23,339**	**14,265**	**1,301**	**38,905**
Dental (HDS)	**29,290**	**18,520**	**1,555**	**49,365**
Vision (VSP)	**29,250**	**18,448**	**1,566**	**49,264**
Life Insurance (Securian)	**46,169**			**46,169**

Count by Subscribers and Dependents

Benefit Plan	Subscribers	Dependents	Total
Medical			
PPO-90/10 Medical (HMSA) - Retiree			
Medicare	34,848	13,443	48,291
Non-Medicare	5,152	4,466	9,618
PPO-90/10 Medical (HMSA) - Retiree Total	**40,000**	**17,909**	**57,909**
HMO Medical (Kaiser), Drug (Kaiser) - Retiree			
Medicare	7,050	2,388	9,438
Non-Medicare	1,083	833	1,916
HMO Medical (Kaiser), Drug (Kaiser) - Retiree Total	**8,133**	**3,221**	**11,354**
PPO Medical - Medicare Advantage (Humana) - Retiree			
Medicare	88	15	103
PPO Medical - Medicare Advantage (Humana) - Retiree Total	**88**	**15**	**103**
Out-of-State Plan - Retiree			
Medicare	191	60	251
Non-Medicare	6	3	9
Out-of-State Plan - Retiree Total	**197**	**63**	**260**
Medical Total	**48,418**	**21,208**	**69,626**
Drug			
PPO Drug (SilverScript) - Medicare	**33,407**	**12,757**	**46,164**
PPO Prescription Drug (CVS) - Non-Medicare	**5,498**	**4,585**	**10,083**
Drug Total	**38,905**	**17,342**	**56,247**
Dental (HDS)	**49,365**	**22,196**	**71,561**
Vision (VSP)	**49,264**	**22,144**	**71,408**

Data Taken 06-26-2025

Enrollment Counts - HSTA VB Retiree

The table below shows HSTA VB Retiree enrollment for period ending 06-30-2025

Count by Subscribers by Enrollment Coverage

Benefit Plan	Self	Two-Party	Family	Total
Medical				
HSTA VB PPO-90/10 Medical and Chiro (HMSA) bundled with PPO Drug (SilverScript or CVS), Vision (VSP) - Retiree				
Medicare	1,101	797	12	1,910
Non-Medicare	4			4
HSTA VB PPO-90/10 Medical and Chiro (HMSA) bundled with PPO Drug (SilverScript or CVS), Vision (VSP) - Retiree Total	**1,105**	**797**	**12**	**1,914**
HSTA VB PPO-90/10 Medical and Chiro (HMSA) bundled with Vision (VSP) - Retiree				
Medicare	8	5		13
HSTA VB PPO-90/10 Medical and Chiro (HMSA) bundled with Vision (VSP) - Retiree Total	**8**	**5**		**13**
HSTA VB HMO Medical, Drug and Chiro (Kaiser) bundled with Vision (VSP) - Retiree				
Medicare	142	59	1	202
Non-Medicare	2	1		3
HSTA VB HMO Medical, Drug and Chiro (Kaiser) bundled with Vision (VSP) - Retiree Total	**144**	**60**	**1**	**205**
HSTA VB Out-of-State Plan - Retiree				
Medicare		2		2
HSTA VB Out-of-State Plan - Retiree Total		**2**		**2**
Medical Total	**1,257**	**864**	**13**	**2,134**
Drug				
HSTA VB PPO-90/10 Prescription Drug (SilverScript) bundled with HSTA VB PPO Medical (HMSA) - Medicare	**1,095**	**798**	**12**	**1,905**
HSTA VB PPO-90/10 Prescription Drug (CVS) bundled with HSTA VB PPO Medical (HMSA) - Non-Medicare	**9**			**9**
Drug Total	**1,104**	**798**	**12**	**1,914**
Dental (HDS)	**1,254**	**865**	**13**	**2,132**
Vision (VSP)	**1,257**	**866**	**11**	**2,134**
Life Insurance (Securian)	**2,086**			**2,086**

Count by Subscribers and Dependents

Benefit Plan	Subscribers	Dependents	Total
Medical			
HSTA VB PPO-90/10 Medical and Chiro (HMSA) bundled with PPO Drug (SilverScript or CVS), Vision (VSP) - Retiree			
Medicare	1,910	824	2,734
Non-Medicare	4	0	4
HSTA VB PPO-90/10 Medical and Chiro (HMSA) bundled with PPO Drug (SilverScript or CVS), Vision (VSP) - Retiree Total	**1,914**	**824**	**2,738**
HSTA VB PPO-90/10 Medical and Chiro (HMSA) bundled with Vision (VSP) - Retiree			
Medicare	13	5	18
HSTA VB PPO-90/10 Medical and Chiro (HMSA) bundled with Vision (VSP) - Retiree Total	**13**	**5**	**18**
HSTA VB HMO Medical, Drug and Chiro (Kaiser) bundled with Vision (VSP) - Retiree			
Medicare	202	61	263
Non-Medicare	3	1	4
HSTA VB HMO Medical, Drug and Chiro (Kaiser) bundled with Vision (VSP) - Retiree Total	**205**	**62**	**267**
HSTA VB Out-of-State Plan - Retiree			
Medicare	2	2	4
HSTA VB Out-of-State Plan - Retiree Total	**2**	**2**	**4**
Medical Total	**2,134**	**893**	**3,027**
Drug			
HSTA VB PPO-90/10 Prescription Drug (SilverScript) bundled with HSTA VB PPO Medical (HMSA) - Medicare	**1,905**	**825**	**2,730**
HSTA VB PPO-90/10 Prescription Drug (CVS) bundled with HSTA VB PPO Medical (HMSA) - Non-Medicare	**9**	**0**	**9**
Drug Total	**1,914**	**825**	**2,739**
Dental (HDS)	**2,132**	**894**	**3,026**
Vision (VSP)	**2,134**	**891**	**3,025**

Data Taken 06-26-2025

Enrollment Counts - All Subscribers

The table below shows All Subscriber enrollments for period ending 06-30-2025

Employer	Medical	Drug	Dental	Vision	Life
City and County of Honolulu					
Active	7,253	5,408	7,573	7,329	8,737
Retiree (Medicare)	6,110	4,617			
Retiree (Non-Medicare)	1,653	1,411	7,874	7,893	6,826
City and County of Honolulu Total	**15,016**	**11,436**	**15,447**	**15,222**	**15,563**
Honolulu Board of Water Supply					
Active	465	334	474	458	535
Retiree (Medicare)	484	390			
Retiree (Non-Medicare)	69	64	559	564	485
Honolulu Board of Water Supply Total	**1,018**	**788**	**1,033**	**1,022**	**1,020**
Honolulu Authority for Rapid Transportation					
Active	37	27	38	38	40
Retiree (Medicare)	17	14			
Retiree (Non-Medicare)	3	1	21	21	23
Honolulu Authority for Rapid Transportation Total	**57**	**42**	**59**	**59**	**63**
County of Hawaii					
Active	2,206	1,702	2,252	2,183	2,630
Retiree (Medicare)	1,403	1,240			
Retiree (Non-Medicare)	406	392	1,824	1,826	1,666
County of Hawaii Total	**4,015**	**3,334**	**4,076**	**4,009**	**4,296**
Hawaii Dept of Water					
Active	127	103	132	130	151
Retiree (Medicare)	108	93			
Retiree (Non-Medicare)	14	15	124	124	117
Hawaii Dept of Water Total	**249**	**211**	**256**	**254**	**268**
County of Kauai					
Active	1,036	908	1,075	1,056	1,212
Retiree (Medicare)	718	666			
Retiree (Non-Medicare)	162	164	888	901	820
County of Kauai Total	**1,916**	**1,738**	**1,963**	**1,957**	**2,032**
Kauai Department of Water					
Active	68	58	73	71	82
Retiree (Medicare)	46	43			
Retiree (Non-Medicare)	14	14	60	60	63
Kauai Department of Water Total	**128**	**115**	**133**	**131**	**145**
County of Maui					
Active	2,231	1,107	2,334	2,261	2,622
Retiree (Medicare)	1,344	845			
Retiree (Non-Medicare)	462	305	1,835	1,839	1,688
County of Maui Total	**4,037**	**2,257**	**4,169**	**4,100**	**4,310**
State of Hawaii					
Active	38,216	27,418	39,897	38,318	45,067
Retiree (Medicare)	33,994	27,345			
Retiree (Non-Medicare)	3,447	3,127	38,210	38,069	36,466
State of Hawaii Total	**75,657**	**57,890**	**78,107**	**76,387**	**81,533**
Hawaii Public Charter Schools					
Active	871	571	939	863	1,182
Retiree (Medicare)	80	59			
Retiree (Non-Medicare)	18	14	102	101	101
Hawaii Public Charter Schools Total	**969**	**644**	**1,041**	**964**	**1,283**
Grand Total	**103,062**	**78,455**	**106,284**	**104,105**	**110,513**

Data Taken 06-26-2025

Hawaii Employer-Union Health Benefits Trust Fund
State of Hawaii

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

June 30, 2025

Submitted by

THE AUDITOR
STATE OF HAWAII

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
STATE OF HAWAII

Financial Statements and Supplementary Information

June 30, 2025

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HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
STATE OF HAWAII

Financial Statements and Supplementary Information

June 30, 2025

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PART I

INTRODUCTION SECTION

KKDLY LLC
CERTIFIED PUBLIC ACCOUNTANTS

November 26, 2025

The Auditor
State of Hawaii:

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

We have completed our audit 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 year ended June 30, 2025. We transmit herewith our independent auditors' report containing our opinions on those financial statements and our 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*.

Audit Objectives

The objectives of the audit 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 audit of the EUTF's financial statements as of and for the year ended June 30, 2025, 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.

Topa Financial Center | 745 Fort Street | Suite 2100 | Honolulu, Hawaii 96813
P: 808.521.3962 | F: 808.531.3217 | www.kkdly.com

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 financial statements.

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 (unaudited), the EUTF's financial statements and the related notes, required supplementary information (unaudited), and other supplementary information as of and for the year ended June 30, 2025, 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 engagement. 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 Audit of the Financial Statements

Opinions

We have audited the statement of net position of the enterprise fund of the Hawaii Employer-Union Health Benefits Trust Fund of the State of Hawaii (the Trust Fund) and the statement of fiduciary net position of 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, 2025, and the related statements of revenues, expenses, and changes in net position, and cash flows of the enterprise fund, as well as the statement of changes in fiduciary net position of the OPEB Trust for the year 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the enterprise fund of the Trust Fund, as well as the financial position of the OPEB Trust, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit 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 (*Government Auditing Standards*). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the EUTF and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Emphasis of Matters

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the EUTF adopted the provisions of Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*, effective July 1, 2024. Our opinions are not modified with respect to this matter.

Relationship to the State of Hawaii

As discussed in Note 1, 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, 2025, and the changes in its financial position, or, where applicable, its cash flows for the year 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the EUTF's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 EUTF's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the EUTF's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 audit 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the EUTF's basic financial statements. The schedule of administrative operating expenses – enterprise fund (supplementary information) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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. The information has been subjected to the auditing procedures applied in the audit 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 November 26, 2025, 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
November 26, 2025

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
STATE OF HAWAII

Management's Discussion and Analysis (Unaudited)

June 30, 2025

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 year ended June 30, 2025. 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 and other postemployment benefits (OPEB) retiree healthcare benefits (including their respective beneficiaries) 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, 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* (Statement No. 74).

The EUTF entered into contracts for medical, prescription drug, chiropractic, and supplemental health insurance with carriers and third-party administrators (TPA) for retirees and active employees effective January 1, 2021 and July 1, 2021, respectively, for two-years with two one-year extensions through December 31, 2024 and June 30, 2025, respectively. The EUTF also entered into contracts for medical, prescription drug, and chiropractic for retirees effective January 1, 2025 for two-years with two one-year extensions though December 31, 2028.

The EUTF entered into contracts for dental, vision, and life insurance plans with carriers for retirees and active employees effective January 1, 2023 and July 1, 2023, respectively, for two-years with two one-year extensions through December 31, 2026 and June 30, 2027, respectively. Extensions through December 31, 2025 have been exercised by the EUTF.

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 (e.g., 90/10, 80/20, 75/25, and HMO); Hawaii Dental Service (HDS) dental plans; and Vision Service Plan (VSP) vision plans. For plans on the HMSA contract, surpluses are netted against shortfalls on all plans offered by HMSA and surpluses/shortfalls are settled at the end of the contract, including extensions exercised. However, surpluses and shortfalls are not netted between the active employee and retiree group contracts.

The following plans are fully-insured (rates are experience rated and are negotiated, surpluses and shortfalls are retained by the carrier, and risk is retained by the carrier): Kaiser medical and prescription drug standard and comprehensive plans; and Securian Financial life insurance plan.

The CVS Caremark and SilverScript prescription drug plans and Verdegard Administrators (formerly known as Hawaii-Mainland Administrators (HMA)) supplemental medical and prescription drug plan 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 the EUTF and risk is retained by the EUTF).

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 prescription drug only (additional dependents were enrolled as a result); 3) 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 VB 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 11 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
  - Statement of net position - This statement summarizes the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at year-end.
  - Statement of revenues, expenses, and changes in net position - This statement summarizes the financial results of the operations for the year.
  - Statement of cash flows - This statement identifies the sources and uses of cash and cash equivalents.
- OPEB Trust - Retiree Healthcare Benefits
  - Statement of fiduciary net position - This statement summarizes the assets, liabilities, and net position at year-end.
  - Statement of changes in fiduciary net position - This statement summarizes the financial results of the operations for the year.

Financial Highlights

For the years ended June 30, 2025 and 2024, contributions to the EUTF were as follows:

	2025	2024
Employer contributions	$ 1,696,550,169	$ 1,649,574,210
Employee contributions	207,869,311	202,855,840

For the years ended June 30, 2025 and 2024, the EUTF incurred the following:

	2025	2024
Carrier payments - fully-insured plans	$ 979,552,687	$ 912,379,055
Benefit claims - self-insured	556,586,353	489,755,600
Medicare Part B reimbursements	129,373,175	120,899,638
Administrative operating expenses	8,976,483	8,928,034

Change in Accounting Principle

Effective July 1, 2024, the EUTF adopted the provisions of GASB Statement No. 101, *Compensated Absences* (Statement No. 101). The primary objective of the statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This statement requires recognition of a liability for compensated absences that (1) is attributed to services already rendered; (2) accumulates; and (3) is more likely than not to be used for time off or otherwise paid or settled.

As further discussed in Note 2 to the financial statements, the cumulative effect of applying the provisions of this statement has been reported as a restatement of the beginning net position for the year ended June 30, 2025. Specifically, the adoption of Statement No. 101 had the effect of decreasing net position as of June 30, 2024 by $482,442. The restatement of the comparative financial data for the prior period presented was not practical due to the unavailability of requisite information.

Financial Analysis

Enterprise Fund

A summary of the EUTF's net position for active employees is shown below as of June 30, 2025 and 2024:

	2025	2024	Change	% Change
Assets:				
Current assets	$ 260,445,527	$ 258,655,492	$ 1,790,035	0.7%
Capital assets, net	7,457,944	9,453,121	(1,995,177)	-21.1%
Total assets	267,903,471	268,108,613	(205,142)	-0.1%
Deferred outflows of resources	2,944,238	2,513,691	430,547	17.1%
Liabilities:				
Current liabilities	70,094,494	61,839,233	8,255,261	13.3%
Noncurrent liabilities	14,830,508	16,110,516	(1,280,008)	-7.9%
Total liabilities	84,925,002	77,949,749	6,975,253	8.9%
Deferred inflows of resources	1,809,512	1,554,046	255,466	16.4%
Net position:				
Net investment in capital assets	4,446,798	5,736,397	(1,289,599)	-22.5%
Unrestricted	179,666,397	185,382,112	(5,715,715)	-3.1%
Total net position	$ 184,113,195	$ 191,118,509	$ (7,005,314)	-3.7%

The enterprise fund's total assets decreased by $205,000 or 0.1% during the year ended June 30, 2025. The overall decrease is due primarily to decreases in cash and cash equivalents of $3.1 million, rebates and other receivables from insurance companies of $8.2 million, and capital assets, net of $2.0 million offset by increases in investments of $7.8 million attributable to favorable investment results, and premiums receivable from State of Hawaii and counties of $5.0 million due to increased employer contributions.

The enterprise fund's total liabilities increased by $7.0 million or 8.9% during the year ended June 30, 2025. The overall increase is due to increases in premiums payable of $3.6 million due to higher premiums, benefit claims payable of $2.1 million due to higher prescription drug premiums, and vouchers, contracts, and other payables of $3.5 million. These increases were offset by decreases in accrued wages and employee benefits payable of $845,000 due to the payout of the temporary hazard pay to employees and the net other postemployment benefits liability of $1.2 million.

The enterprise fund's total net position decreased by $7.0 million or 3.7% during the year ended June 30, 2025. This was attributable to an operating loss of $16.7 million, offset by investment income of $10.2 million for the year ended June 30, 2025.

A summary of changes in net position for the years ended June 30, 2025 and 2024, for active employees follows:

	2025	2024	Change	% Change
Revenues:				
Operating revenues	$ 125,700,820	$ 106,010,937	$ 19,689,883	18.6%
Nonoperating revenues	10,211,202	16,125,246	(5,914,044)	-36.7%
Total revenues	135,912,022	122,136,183	13,775,839	11.3%
Operating expenses	142,434,894	128,052,429	14,382,465	11.2%
Change in net position	(6,522,872)	(5,916,246)	(606,626)	-10.3%
Net position at beginning of year, as previously reported	191,118,509	197,034,755	(5,916,246)	-3.0%
Adustment for change in accounting principle	(482,442)	-	(482,442)	-100.0%
Net position at beginning of year, as restated	190,636,067	197,034,755	(6,398,688)	-3.2%
Net position at end of year	$ 184,113,195	$ 191,118,509	$ (7,005,314)	-3.7%

The enterprise fund's total revenues increased by $13.8 million and or 11.3% during the year ended June 30, 2025. The increase is primarily attributable to a $18.2 million increase in premium revenues – self-insured and a $1.0 million increase in experience refunds, net offset by a $5.9 million decrease in investment income.

The enterprise fund's operating expenses increased by $14.4 million or 11.2% during the year ended June 30, 2025. The increase is due primarily to a $14.4 million increase in benefits claims expense for self-insured plans.

OPEB Trust

A summary of the OPEB Trust's fiduciary net position as of June 30, 2025 and 2024 follows:

	2025	2024	Change	% Change
Assets:				
Cash and cash equivalents	$ 1,051,160,807	$ 1,131,614,723	$ (80,453,916)	-7.1%
Investments	8,495,889,563	7,258,636,710	1,237,252,853	17.0%
Invested securities lending collateral	36,140,095	25,652,787	10,487,308	40.9%
Receivables:				
Rebates and other receivables from insurance companies	47,967,617	69,355,349	(21,387,732)	-30.8%
Experience refunds due from insurance companies	-	54,881	(54,881)	-100.0%
Other receivables	145,096	156,295	(11,199)	-7.2%
Deposits	8,165,204	8,165,204	-	0.0%
Total assets	9,639,468,382	8,493,635,949	1,145,832,433	13.5%
Liabilities:				
Premiums payable	48,322,565	64,753,047	(16,430,482)	-25.4%
Benefit claims payable	32,928,893	27,989,610	4,939,283	17.6%
Securities lending collateral	36,140,095	25,652,787	10,487,308	40.9%
Other payables	2,568,796	2,502,023	66,773	2.7%
Total liabilities	119,960,349	120,897,467	(937,118)	-0.8%
Net position restricted for postemployment benefits other than pensions	$ 9,519,508,033	$ 8,372,738,482	$ 1,146,769,551	13.7%

Cash and cash equivalents and investments had a net increase of $1,156.8 million or 13.8% during the year ended June 30, 2025 primarily due to the increase in fiduciary net position of $1,146.8 million.

Rebates and other receivables from insurance companies decreased by $21.4 million or 30.8% during the year ended June 30, 2025 primarily due to lower prescription drug rebates.

A summary of the changes in the OPEB Trust's fiduciary net position for the years ended June 30, 2025 and 2024 follows:

	2025	2024	Change	% Change
Additions:				
Employer contributions	$ 1,137,896,147	$ 1,145,052,767	$ (7,156,620)	-0.6%
Net investment income	608,823,702	656,234,618	(47,410,916)	-7.2%
Other revenues, net	-	204,611	(204,611)	-100.0%
Total additions	1,746,719,849	1,801,491,996	(54,772,147)	-3.0%
Deductions:				
Benefits claims expense and carrier payments, net of retiree contributions	599,474,917	564,364,399	35,110,518	6.2%
Other expenses, net	475,381	-	475,381	100.0%
Total deductions	599,950,298	564,364,399	35,585,899	6.3%
Change in fiduciary net position	1,146,769,551	1,237,127,597	(90,358,046)	-7.3%
Net position restricted for postemployment benefits other than pensions:				
Beginning of year	8,372,738,482	7,135,610,885	1,237,127,597	17.3%
End of year	$ 9,519,508,033	$ 8,372,738,482	$ 1,146,769,551	13.7%

During the year ended June 30, 2025, the net position restricted for postemployment benefits other than pensions of the OPEB Trust increased by $1,146.8 million or 13.7% primarily attributable to employer contributions of $1,137.9 million and investment earnings, net of $608.8 million, offset by benefit claims expense and carrier payments, net of retiree contributions of $599.9 million.

Net investment income decreased by $47.4 million or 7.2% primarily due to lower annual money-weighted rate of return, net of investment expenses in fiscal year 2025 versus 2024 of 7.08% and 11.28%, respectively.

Benefit claims expense and carrier payments, net of retiree contributions increased by $35.1 million or 6.2% primarily due to more claims paid than premiums collected for the self-insured plans and the fully-insured with one way risk sharing plans.

Capital Assets

The EUTF's capital assets consist of office furniture, equipment, computer equipment, software, right-to-use lease assets, and right-to-use subscription assets.

Capital assets, net amounted to $7.5 million and $9.5 million as of June 30, 2025 and 2024, respectively. The decrease in capital assets of $2.0 million is primarily attributable to depreciation and amortization expense of $2.0 million for the year ended June 30, 2025.

Economic Factors Affecting Next Fiscal Year

Factors Affecting Fiscal Year 2026

New retiree and active employee medical, prescription drug, chiropractic, and supplemental health insurance contracts were implemented effective January 1, 2025 through December 31, 2027, and July 1, 2025 through June 30, 2027, respectively.

Effective July 1, 2025, the HMSA HMO medical, prescription drug, and chiropractic plan will be closed to new enrollees.

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
201 Merchant Street, Suite 1700
Honolulu, Hawaii 96813

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
STATE OF HAWAII

Statement of Net Position – Enterprise Fund

June 30, 2025

Assets:	
Current assets:	
Cash and cash equivalents	$ 217,708
Investments	185,405,294
Receivables:	
Premiums receivable from State of Hawaii and counties	44,532,131
Rebates and other receivables from insurance companies	23,935,038
Experience refunds due from insurance companies	1,305,340
Prepaid expenses and other current assets	28,742
Deposits	5,021,274
Total current assets	260,445,527
Capital assets, net	7,457,944
Total assets	267,903,471
Deferred Outflows of Resources:	
Related to pension	1,790,953
Related to other postemployment benefits	1,153,285
Total deferred outflows of resources	2,944,238
Liabilities:	
Current liabilities:	
Premiums payable	52,993,575
Benefit claims payable	9,437,166
Vouchers, contracts, and other payables	4,991,934
Accrued wages and employee benefits payable	575,706
Due to employees, net	822,144
Due to State of Hawaii and counties	107,780
Subscription payable, current portion	535,189
Lease payable, current portion	198,479
Accrued compensated absences, current portion	432,521
Total current liabilities	70,094,494
Noncurrent liabilities:	
Net pension liability	6,974,293
Net other postemployment benefits liability	4,907,173
Subscription payable, less current portion	1,943,306
Lease payable, less current portion	334,172
Accrued compensated absences, less current portion	671,564
Total liabilities	84,925,002
Deferred Inflows of Resources:	
Related to pension	369,133
Related to other postemployment benefits	1,440,379
Total deferred inflows of resources	1,809,512
Net Position:	
Net investment in capital assets	4,446,798
Unrestricted	179,666,397
Total net position	$ 184,113,195

See accompanying notes to financial statements.

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
STATE OF HAWAII

Statement of Revenues, Expenses, and Changes in Net Position – Enterprise Fund

Year Ended June 30, 2025

Operating revenues:	
Premium revenues - self-insured	$ 122,669,154
Experience refunds, net	2,227,667
Other revenues, net	803,999
Total operating revenues	125,700,820
Operating expenses:	
Benefits claims expense - self-insured	130,432,280
Administrative operating expenses	8,976,483
Depreciation and amortization	2,012,574
Other expenses, net	1,013,557
Total operating expenses	142,434,894
Operating loss	(16,734,074)
Nonoperating revenues:	
Investment income	10,211,202
Change in net position	(6,522,872)
Net position at beginning of year, as previously reported	191,118,509
Adjustment for change in accounting principle	(482,442)
Net position at beginning of year, as restated	190,636,067
Net position at end of year	$ 184,113,195

See accompanying notes to financial statements.

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
STATE OF HAWAII

Statement of Cash Flows – Enterprise Fund

Year Ended June 30, 2025

Cash flows from operating activities:	
Cash received from State of Hawaii, counties and individuals for premiums and benefits payments	$ 767,927,800
Cash paid for premiums and benefit payments	(765,467,596)
Cash paid to employees	(7,968,554)
Cash received from vendors	710,057
Net cash used in operating activities	(4,798,293)
Cash flows used in capital and related financing activities:	
Principal repayments of subscription payable	(514,609)
Principal repayments of lease payable	(190,969)
Purchase of capital assets	(17,397)
Net cash used in capital and related financing activities	(722,975)
Cash flows from investing activities:	
Interest and dividends	7,763,438
Purchase of investments, net	(5,350,399)
Net cash provided by investing activities	2,413,039
Net decrease in cash and cash equivalents	(3,108,229)
Cash and cash equivalents at beginning of year	3,325,937
Cash and cash equivalents at end of year	$ 217,708

See accompanying notes to financial statements.

(Continued)

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
STATE OF HAWAII

Statement of Cash Flows – Enterprise Fund (Continued)

Year Ended June 30, 2025

Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (16,734,074)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization	2,012,574
Decrease (increase) in assets and deferred outflows of resources:	
Premiums receivable from State of Hawaii and counties	(4,965,696)
Rebates and other receivables from insurance companies	8,191,993
Experience refunds due from insurance companies	(326,799)
Prepaid expenses and other current assets	401
Deferred outflows of resources	(430,547)
Increase (decrease) in liabilities and deferred inflows of resources:	
Premiums payable	3,557,301
Benefit claims payable	2,141,160
Vouchers, contracts, and other payables	3,488,050
Accrued wages and employee benefits payable	(845,235)
Due to employees, net	(377,835)
Due to State of Hawaii and counties	(14,903)
Accrued compensated absences	5,193
Net pension liability	401,573
Net other postemployment benefits liability	(1,156,915)
Deferred inflows of resources	255,466
Total adjustments	11,935,781
Net cash used in operating activities	$ (4,798,293)

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

Statement of Fiduciary Net Position – OPEB Trust

June 30, 2025

Assets:	
Cash and cash equivalents	$ 1,051,160,807
Investments	8,495,889,563
Total cash and cash equivalents and investments	9,547,050,370
Invested securities lending collateral	36,140,095
Receivables:	
Rebates and other receivables from insurance companies	47,967,617
Other receivables	145,096
Total receivables	48,112,713
Deposits	8,165,204
Total assets	9,639,468,382
Liabilities:	
Premiums payable	48,322,565
Benefit claims payable	32,928,893
Securities lending collateral	36,140,095
Other payables	2,568,796
Total liabilities	119,960,349
Net position restricted for postemployment benefits other than pensions	$ 9,519,508,033

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

Statement of Changes in Fiduciary Net Position – OPEB Trust

Year Ended June 30, 2025

Additions:	
Employer contributions	$ 1,137,896,147
Investment income:	
From investing activities:	
Net appreciation in the fair value of investments	460,966,229
Interest and dividends	158,394,690
	619,360,919
Less: investment expenses	11,018,408
Net investment income from investing activities	608,342,511
From securities lending activities:	
Securities lending income	616,823
Securities lending expenses	135,632
Net investment income from securities lending activities	481,191
Total net investment income	608,823,702
Total additions	1,746,719,849
Deductions:	
Benefits claims expense and carrier payments, net of retiree contributions	599,474,917
Other expenses, net	475,381
Total deductions	599,950,298
Change in fiduciary net position	1,146,769,551
Net position restricted for postemployment benefits other than pensions:	
Beginning of year	8,372,738,482
End of year	$ 9,519,508,033

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 State of Hawaii (the State) and county (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.

The Trust Fund is administered by a Board of Trustees (the Board) composed of 10 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).

Act 268, SLH 2013 (Act 268), further amended Chapter 87A, HRS (codified as Chapter 87A-42). Effective July 1, 2018, annual employer contributions for retirees and their beneficiaries are equal to the amount of the annual required contribution as determined by an actuary and placed into the OPEB Trust. The annual required contribution is defined as the employer's contribution that is sufficient to cover (1) the normal cost, which is the cost of other post-employment benefits attributable to the current year of service, and (2) an amortization payment, which is a catch-up payment for past service costs to fund the unfunded actuarial accrued liability over the next 30 years. Accordingly, all employer contributions for retirees and their beneficiaries are required to be placed in the OPEB Trust effective July 1, 2018.

The EUTF, an agent multiple-employer defined benefit OPEB plan, is administratively attached to the State Department of Budget and Finance. The EUTF's 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, chiropractic, dental, vision, 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 EUTF provided insurance coverage to the following individuals as of June 30, 2025:

Active employees	64,602
Retirees	54,302
Dependents	77,659
Total	196,563

(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.

Financial Statement Presentation, Measurement Focus, and Basis of Accounting

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 and operating expenses are premium revenues and benefit claims expenses, respectively, for self-insured plans. Investment income is reported as nonoperating revenues.

OPEB Trust

The EUTF accounts for the OPEB assets, liabilities, net position, and operations related to postemployment health benefits for retirees and their beneficiaries in the OPEB Trust, including cash and cash equivalents, investments, premium contributions and payments, investment income, employer OPEB contributions, and benefit claims expense and carrier payments.

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. An allowance for employer receivables is not considered necessary based on past collection experience.

Capital Assets, Net

The EUTF's capital assets consist of office furniture, equipment, 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. The cost of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities, or extend useful lives are capitalized. When capital assets are disposed, the cost and related accumulated depreciation are removed from the respective accounts with a resulting gain or loss reflected in the statement of revenues, expenses, and changes in net position - enterprise fund. Depreciation expense is determined using the straight-line method over the assets' estimated useful life of seven years.

Capital assets also include right-to-use lease assets (lease assets) and right-to-use subscription assets (subscription assets). Refer to *Leases* and *Subscription-Based Information Technology Arrangements* sections below for the EUTF's accounting policy for lease assets and subscription assets, and related amortization.

Leases

The EUTF recognizes lease liabilities and lease assets for leases with an initial, individual value of $100,000 or more for land and building leases and $25,000 or more for equipment and others, with a lease term greater than one year. Variable payments based on future performance of the lessee or usage of the underlying asset are not included in the measurement of the lease liability.

At the commencement of a lease, the EUTF initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made.

Lease assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term along with any initial direct costs that are ancillary charges necessary to place the lease assets into service. Lease assets are amortized using the straight-line method over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the EUTF has determined is reasonably certain of being exercised. In this case, the lease asset is amortized over the useful life of the underlying asset.

Key estimates and judgments related to leases include how the EUTF determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The EUTF uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the EUTF generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the EUTF is reasonably certain to exercise.

The EUTF monitors changes in circumstances that would require a remeasurement of its lease and will remeasure any lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported in capital assets (see Note 4) and lease liabilities are reported as lease payable (see Note 5) in the accompanying statement of net position – enterprise fund.

Subscription-Based Information Technology Arrangements

The EUTF recognizes a subscription liability and a subscription asset in the financial statements for subscription liabilities with an initial, individual value of $500,000 or more with a subscription term greater than one year. Variable payments based on future performance of the EUTF, usage of the underlying information technology (IT) asset, or number of user seats are not included in the measurement of the subscription liability, rather, those variable payments are recognized as outflows of resources (expenses) in the period the obligation for those payments is incurred.

At the commencement of a subscription-based information technology arrangement (SBITA), the EUTF initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made.

Subscription assets are recorded at the amount of the initial measurement of the subscription liabilities, plus any payments made to the SBITA vendor before the commencement of the subscription term and capitalizable initial implementation cost, less any incentives received from the SBITA vendor at or before the commencement of the subscription term.

Costs associated with a SBITA, other than the subscription payments, are accounted for as follows:

- *Preliminary project stage* – Outlays are expensed as incurred.
- *Initial implementation stage* – Outlays are capitalized as an addition to the subscription asset.
- *Operation and additional implementation stage* – Outlays are expensed as incurred unless they meet specific capitalization criteria.

Subscription assets are reported in capital assets (see Note 4) and subscription liabilities are reported as subscription payable (see Note 6) in the accompanying statement of net position – enterprise fund.

Subscription assets are amortized using the straight-line method over the shorter of the subscription term or the useful life of the underlying IT asset, unless the subscription contains a purchase option that the EUTF has determined is reasonably certain of being exercised. In this case, the subscription asset is amortized over the useful life of the underlying IT asset.

Key estimates and judgements related to the SBITA include how the EUTF determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The EUTF uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the EUTF generally uses its estimated incremental borrowing rate as the discount rate for the SBITA.

- The subscription term includes the noncancelable period of the SBITA. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price that the EUTF is reasonably certain to exercise.

The EUTF monitors changes in circumstances that would require a remeasurement of its subscription liability.

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows (inflows) of resources represent a consumption of (acquisition of) net assets that applies to a future period.

The deferred outflows of resources related to pension and OPEB resulted from the differences between expected and actual experience, changes in proportion and differences between contributions and proportionate share of contributions, changes in assumptions, and the net difference between projected and actual earnings on pension and OPEB plan investments, 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 year.

The deferred inflows 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 changes in assumptions, which will be amortized over five years.

The EUTF's deferred outflows/inflows of resources related to pension and OPEB are detailed in Note 10.

Compensated Absences

The EUTF follows the State's policy to permit employees to accumulate earned but unused vacation, compensatory time, and sick leave benefits, as well as participate in the leave donation pool and the direct sharing programs (collectively, compensated absences). A liability is recognized only for leave that is (a) attributable to services already rendered, (b) accumulates, and (c) is more likely than not to be used, paid, or settled. The liability for vacation and compensatory time leave is measured using the pay or salary rates in effect at the financial statement date, including shortage differentials. The measurement also includes fringe benefits associated with payments made for vacation leave. The liability for sick leave that is more likely than not to be used, paid, or settled through cash or noncash means is measured using the historical average use approach. This method is based upon the EUTF's historical experience with sick leave usage through payouts over the last five years, and considers past trends to determine the amount of sick leave expected to be used or paid in the future. The liability of the leave donation pool is measured using the average rate of entitled employees utilizing the leave donation as of the financial statement date. The liability for the direct sharing program is measured using the rate of the employee utilizing the leave as of the financial statement date. All leave is accrued when incurred in the financial statements and presented under the caption accrued compensated absences in the accompanying statement of net position-enterprise fund.

Risk Management

The EUTF is exposed to various risks for losses related to torts; theft of, damage to, or destruction of assets; errors or omissions; workers' compensation; and acts of terrorism. 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.

Benefits Claims Expense and Carrier Payments

The benefits claims expense for self-insured prescription drug plans and the supplemental medical and drug plan includes the ultimate net cost of all reported claims incurred through the end of the fiscal year for healthcare benefits. The benefits claims expense also includes an additional estimate for unreported claims that have been incurred as of fiscal year-end.

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. Rebates receivable are generally 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 $9,437,166 for active employees and $32,928,893 for retirees as of June 30, 2025, 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 benefits claims incurred as of June 30, 2025.

Benefits claims expense for active employees are reported in the enterprise fund. In accordance with Statement No. 10, only benefits claims expense (and related premium revenue) for self-insured plans, where the risk of loss for these self-insured plans are retained by the EUTF, are reported in the accompanying statement of revenues, expenses, and changes in net position – enterprise fund. Premiums paid to carriers for fully-insured plans (and related required premiums from employers) for active employees are included as components of premiums receivable from State of Hawaii and counties in the statement of net position – enterprise fund.

For retirees, benefits claims expense for self-insured plans and premiums paid to carriers for fully-insured plans (and related contributions from employers) are reported in the accompanying statement of changes in the fiduciary net position – OPEB Trust in accordance with Statement No. 74. Retiree contributions reduce reported benefits claims expense and carrier payments.

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 year ended June 30, 2025, the EUTF recognized losses of $322,330 related to active employees and $214,887 related to retirees.

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 losses as decreases 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 ERS and additions to/deductions from the ERS' 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.

Postemployment Benefits Other Than Pension

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 benefit terms. The EUTF's investments are reported at 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, deferred outflows of resources, liabilities, and deferred inflows of resources, 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.

Recently Issued or Adopted Accounting Pronouncements

GASB Statement No. 101

During fiscal year 2025, the EUTF implemented GASB Statement No. 101, *Compensated Absences*. The primary objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This statement requires recognition of a liability for compensated absences that (1) is attributed to services already rendered; (2) accumulates; and (3) is more likely than not to be used for time off or otherwise paid or settled.

Upon implementation of this statement, the beginning net position balance has been restated to reflect the cumulative effect of the statement. The impact of the changes is summarized as follows:

Beginning net position, as previously reported	$ 191,118,509
Adjustment for GASB Statement No. 101	(482,442)
Beginning net position, as restated	$ 190,636,067

GASB Statement No. 102

During fiscal year 2025, the EUTF implemented GASB Statement No. 102, *Certain Risk Disclosures*. The primary objective of this statement is to provide users of government financial statements with information about risks related to a government's vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability.

GASB Statement No. 103

The GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The primary objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this statement are effective for reporting periods beginning after June 15, 2025. The EUTF is currently evaluating the impact that this statement will have on its financial statements.

GASB Statement No. 104

The GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The primary objective of this statement is to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this statement are effective for reporting periods beginning after June 15, 2025. 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, 2025, the EUTF's cash and cash equivalents and investments are reported in the financial statements as follows:

	Enterprise Fund	OPEB Trust	Total
Cash and cash equivalents	$ 217,708	$ 1,051,160,807	$ 1,051,378,515
Investments	185,405,294	8,495,889,563	8,681,294,857
Total	$ 185,623,002	$ 9,547,050,370	$ 9,732,673,372
Invested securities lending collateral	$ -	$ 36,140,095	$ 36,140,095

Cash and Cash Equivalents

The EUTF maintains bank accounts at a major financial institution located in Hawaii and a cash management account with a broker-dealer. As of June 30, 2025, the carrying amount of these accounts were $1,051,378,515 and the related bank balances were $1,048,251,163.

Investments

EUTF Investment Pool

The EUTF's investment pool, at fair value, consists of the following investments as of June 30, 2025:

Equity securities:	
Commingled funds - domestic	$ 1,655,728,556
Commingled funds - international	1,180,764,805
Common stocks - domestic	385,411,617
Common stocks - international	24,269,784
Exchange traded fund - domestic	798,423
Preferred stock - domestic	850,267
Fixed income securities:	
U.S. treasury and government agency bonds	465,198,564
Commingled funds - domestic inflation - linked	324,773,508
Mutual fund - domestic	234,200,775
Alternative investments	3,804,845,205
Real estate	606,520,099
Derivatives - equity options	(2,066,746)
Total investments	$ 8,681,294,857

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, 2025 as follows:

Money market fund	$ 36,140,095

<u>*Commingled Funds*</u>

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 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-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.

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 Fund

The money market fund seeks 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 making recommendations to the Board related to investing EUTF assets in compliance with applicable HRS and with the foremost intention of preserving capital and then providing sufficient investment appreciation to meet the current and future retiree healthcare benefit payments. The Investment Committee's duties include making recommendations to the Board related to investment policies for the EUTF and periodically reviewing 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 Investment Policy Statement (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.

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, the general consultant, and staff, 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 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.

In May 2024, the EUTF Board approved new OPEB Trust long-term strategic allocation targets. The high-level risk-based allocation targets are as follows:

Approved Long-term High-level Class Targets	
Aggressive growth	18.00%
Traditional growth	30.00%
Stabilized growth	22.00%
Diversifying strategies	30.00%
	100.00%

To prudently transition to the long-term policy mix an evolving policy plan was approved by the Board. As of June 30, 2025 the evolving policy plan for the OPEB Trust is as follows:

Asset Class/Strategy	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 4**	**Long-term Policy**
Expected Completion Date	**1/1/25**	**7/1/25**	**1/1/26**	**7/1/26**	**1/1/27**
Private equity	11.00%	12.00%	13.00%	14.00%	15.00%
U.S. microcap	4.00%	3.50%	3.50%	3.00%	3.00%
Global equity	30.00%	30.00%	30.00%	30.00%	30.00%
Global options	4.00%	3.50%	2.00%	1.50%	0.00%
Private credit	8.50%	9.50%	10.00%	10.00%	10.00%
Real assets	10.00%	10.50%	11.00%	11.50%	12.00%
US TIPs	5.00%	3.50%	3.00%	2.50%	2.50%
ILS/Reinsurance	5.00%	5.50%	5.50%	5.50%	5.50%
Long treasuries	5.50%	5.00%	5.00%	5.00%	5.00%
Alternative risk premia	3.00%	5.00%	5.00%	5.00%	5.00%
Systematic trend following	10.00%	10.00%	10.00%	10.00%	10.00%
Tail risk	0.25%	0.25%	0.25%	0.25%	0.25%
Long volatility	1.75%	1.75%	1.75%	1.75%	1.75%
Cash	2.00%	0.00%	0.00%	0.00%	0.00%
	100.00%	100.00%	100.00%	100.00%	100.00%

The portfolio policy plan for the EUTF's short-term liquidity/operating asset pool as of June 30, 2025 is as follows:

Strategic Classification	Target
Short-term investment:	
Cash and cash equivalents and short-term fixed income	100.00%
Long-term investment:	
Global equity	40.00%
Liquid credit	30.00%
US TIPs	5.00%
Long treasuries	5.00%
Alternative risk premia	10.00%
Systematic trend following	10.00%
	100.00%

Class Ranges

The Board will utilize the following strategic class and asset class ranges/bounds in managing the OPEB Trust 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.

Classification	Range
Strategic class:	
Aggressive growth	±4%
Traditional growth	±5%
Stabilized growth	±4%
Diversifying strategies	±6%
Asset class:	
Private equity	---
U.S. microcap	±2%
U.S. equity	±3%
Non-U.S. equity	±3%
Global options	±2%
Private credit	---
Real assets	---
US TIPs	±2%
Reinsurance	±2%
Long treasuries	±2%
Alternative risk premia	±2%
Systematic trend following	±2%
Tail risk/Long vol	±1%
Cash	0-3%

These ranges apply to the prevailing evolving policy allocation of the short-term liquidity/operating asset pool portfolio.

Asset Classification	Range
Global equity	±4%
Liquid credit	±4%
US TIPs	±3%
Long treasuries	±3%
Alternative risk premia	±2%
Systematic trend following	±2%

Rebalancing

The Board 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.

Rate of Return

For the year ended June 30, 2025, the annual money-weighted rate of return on investments, net of investment expenses, for the OPEB Trust was 7.08%. 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, 2025:

		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	$ 385,411,617	$ 385,411,617	$ -
Common stocks - international	24,269,784	24,269,784	-
Exchange traded fund - domestic	798,423	798,423	-
Preferred stock - domestic	850,267	850,267	-
Fixed income securities:			
U.S. treasury and government agency bonds	465,198,564	-	465,198,564
Mutual fund - domestic	234,200,775	234,200,775	-
Derivatives - equity options	(2,066,746)	-	(2,066,746)
Total investments measured by fair value levels	1,108,662,684	$ 645,530,866	$ 463,131,818
Investments measured at net asset value (NAV):			
Commingled funds:			
Domestic equity	1,655,728,556		
International equity	1,180,764,805		
Domestic inflation - linked fixed income	324,773,508		
Alternative investments	3,804,845,205		
Real estate	606,520,099		
Total investments measured at NAV	7,572,632,173		
Total investments measured at fair value	$ 8,681,294,857		
Invested securities lending collateral - money market fund - measured at NAV	$ 36,140,095		

Investments in common and preferred stocks and a mutual fund are valued at the daily closing price as reported by the fund. The mutual fund held by the EUTF is an open-end fund that is registered with the SEC. The funds are required to publish their daily NAV and to transact at that price.

Investments in U.S. government securities, including U.S. treasury and government agency bonds, are based on quoted market prices or pricing models maximizing the use of observable inputs for similar securities.

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.

Investments in commingled funds are valued at NAV. Investments in a money market fund are valued at the NAV of the custodian bank liquid asset portfolio. In addition, real estate and alternative investments held in limited partnerships and limited liability companies (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, 2025. 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, 2025.

Investments Measured at NAV	Fair Value June 30, 2025	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled funds:				
Domestic equity	$ 1,655,728,556	$ -	Daily	Same as trade date
International equity	1,180,764,805	-	Daily	Same as trade date
Domestic inflation - linked fixed income	324,773,508	-	Daily	Trade date - 2
Alternative investments	3,804,845,205	1,789,039,226	Monthly/ Quarterly/Semi-Annually/ Annually	Various up to trade date - 90
Real estate	606,520,099	226,952,502	Quarterly	Various up to trade date - 90
Total investments measured at NAV	$ 7,572,632,173	$ 2,015,991,728		
Invested securities lending collateral - money market fund - measured at NAV	$ 36,140,095			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, 2025:

Debt Security Type	Fair Value	Effective Weighted Duration (Years)	Percent of Debt Securities
Fixed income securities:			
U.S. treasury bonds	$ 464,357,234	14.40	45.34%
Commingled funds - domestic inflation - linked	324,773,508	6.38	31.71%
Mutual fund - domestic	234,200,775	2.70	22.87%
U.S. government agency bonds	841,330	8.66	0.08%
Total	$ 1,024,172,847		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, 2025, the EUTF investments include one fixed income oriented commingled fund and one fixed income oriented mutual fund: the BlackRock U.S. Inflation- Linked Bond Fund and the Vanguard Short-Term Corporate Bond Index Fund I with ratings ranging from AAA to NR. The EUTF's direct holdings in U.S. treasury and government agency bonds have an 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 custodian banks. 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, preferred stock, 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, 2025, the EUTF had deposits in excess of Federal Deposit Insurance Corporation 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, 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 and common stocks.

The following table summarizes the EUTF's exposure to foreign currency risk in U.S. dollars as of June 30, 2025:

Currencies	Cash and Cash Equivalents	Derivatives	Total
Australian dollar	$ 208,462	$ (29,902)	$ 178,560
British pound sterling	(1,215,495)	(21,552,812)	(22,768,307)
Canadian dollar	(322,621)	(128,707,952)	(129,030,573)
Euro	828,898	37,755,452	38,584,350
Hong Kong dollar	792	-	792
Japanese yen	1,139,959	(79,020,561)	(77,880,602)
Swiss franc	99,831	(3,151)	96,680
	$ 739,826	$ (191,558,926)	$ (190,819,100)

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, 2025, the total securities lent for collateral amounted to $280,169,555. At June 30, 2025, the total cash and noncash collateral received amounted to $36,140,095 and $251,765,322, respectively. All three of the commingled funds held in the EUTF investment pool participate 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.

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 net appreciation in the fair value of investments in the accompanying statement 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, 2025 the net notional value of futures contracts was $194,066,397.

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, 2025 with the related maturity information:

Derivatives (by type)	Notional Value	Market Value	Maturity (range from)
Futures:			
Equity futures long	$ 249,139,552	$ -	.2 year
Equity futures short	-	-	.2 year
Commodity futures long	103,568,298	-	.2 to .4 year
Commodity futures short	(89,247,921)	-	.1 to .5 year
Foreign exchange contracts long	327,547,330	-	.2 to .3 year
Interest rate contracts shorts	(396,940,862)	-	.2 year
Futures total	194,066,397	-	
Options:			
Equity options written	-	(31,174,613)	under .2 year
Grand total	$ 194,066,397	$ (31,174,613)	

In addition, the EUTF holds investments in 59 limited partnerships and two limited liability companies. The three largest limited partnerships consist of investments in: 1) Adaptive Trend Fund, LP managed by AlphaSimplex, 2) Pillar ENSO Fund managed by Pillar Capital Management Limited, and 3) Kepos Alternative Risk Premia Fund, LP managed by Kepos. 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. Pillar Capital Management Limited is an actively managed portfolio that invests in various forms of insurance-linked securities (e.g., catastrophe bonds, collateralized reinsurance, etc.) where returns/premiums are generally sourced from natural catastrophe insurance policies or derivatives thereof. Kepos utilizes a risk-balanced approach to harvest value, carry, and momentum risk premia across broad asset classes (e.g., equity, fixed income, currencies, and commodities). The fund targets a 10% long-term volatility level. The limited liability companies consist of 1) the Prime Property Fund, LLC managed by Morgan Stanley and 2) the PIMCO Private Income Fund managed by Pacific Investment Management Company. 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. Pacific Investment Management Company implements an opportunistic income-oriented strategy with the flexibility to invest across residential mortgage, commercial real estate, corporate credit, and specialty lending.

(4) Capital Assets

The enterprise fund's capital asset activity for the year ended June 30, 2025 was as follows:

	Balance at July 1, 2024	Additions	Disposals	Balance at June 30, 2025
Capital assets being depreciated:				
Office furniture and equipment	$ 982,870	$ -	$ -	$ 982,870
Computer equipment and software	18,193,085	17,397	-	18,210,482
Less accumulated depreciation	(13,322,237)	(1,275,092)	-	(14,597,329)
	5,853,718	(1,257,695)	-	4,596,023
Lease assets:				
Building and improvements	881,261	-	-	881,261
Equipment	85,488	-	-	85,488
Less accumulated amortization	(259,519)	(196,327)	-	(455,846)
	707,230	(196,327)	-	510,903
Subscription asset:				
Subscription asset	3,974,483	-	-	3,974,483
Less accumulated amortization	(1,082,310)	(541,155)	-	(1,623,465)
	2,892,173	(541,155)	-	2,351,018
Total captial assets, net	$ 9,453,121	$ (1,995,177)	$ -	$ 7,457,944

(5) Lease Payable

The EUTF has entered into leases for building space and equipment use (see Note 13). The terms of the agreements are 5 years. The calculated interest rates used ranged from 2.87% to 3.93%.

Principal and interest payments to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	$ 198,479	$ 17,131	$ 215,610
2027	201,593	9,357	210,950
2028	132,579	1,910	134,489
Total	$ 532,651	$ 28,398	$ 561,049

A reconciliation of changes in lease payable is as follows for the year ended June 30, 2025:

Balance at beginning of year	$ 723,620
Reductions	(190,969)
Balance at end of year	532,651
Less current portion	(198,479)
Noncurrent portion	$ 334,172

(6) Subscription Payable

The EUTF has entered into a SBITA for licensing, hosting, and software of the benefits administration system. The term of the SBITA agreement is through November 2029. The calculated interest rate used was 3.93%.

Principal and interest payments to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	$ 535,189	$ 86,363	$ 621,552
2027	556,593	64,902	621,495
2028	578,743	42,692	621,435
2029	601,998	19,375	621,373
2030	205,972	1,139	207,111
Total	$ 2,478,495	$ 214,471	$ 2,692,966

A reconciliation of changes in subscription payable is as follows for the year ended June 30, 2025.

Balance at beginning of year	$ 2,993,104
Reductions	(514,609)
Balance at end of year	2,478,495
Less current portion	(535,189)
Noncurrent portion	$ 1,943,306

(7) 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 third-party administrators (the TPA). 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 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, chiropractic, prescription drug, dental, vision, and life insurance:

Medical and Chiropractic

Hawaii Medical Service Association (HMSA) - *Fully-insured with one-way risk sharing*

- 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 (excluding chiropractic) and HSTA VB retirees 90/10

Medical, Chiropractic, 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 (excluding chiropractic) and HSTA VB retirees (non-Medicare and Senior Advantage Medicare)

Medical

Humana - *Fully-insured*

- Medical Advantage Plan - EUTF Medicare retirees

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 (HDS) - *Fully-insured with one-way risk sharing*

- EUTF and HSTA VB active employees and retirees
- Supplemental plan for HSTA VB active employees

Vision

Vision Service Plan (VSP) - *Fully-insured with one-way risk sharing*

- EUTF and HSTA VB active employees and retirees

Life Insurance

Securian Financial - *Fully-insured*

- Term life insurance - EUTF and HSTA VB active employees and retirees

Supplemental Medical and Prescription Drug

Verdegard Administrators - *Self-insured*

- 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, 2025:

	Active Employees	Retirees
Experience refunds due from insurance companies:		
HDS	$ 1,305,340	$ -
Rebates and other receivables from insurance companies:		
Rebates receivable from CVS	$ 23,493,738	$ 7,513,224
Other receivables from CVS	410,326	-
Other receivables from HMSA	14,547	21,820
Other receivables from Humana	(159)	-
Other receivables from HDS	2,586	2,468
Other receivables from Kaiser	14,000	8,530
Rebates and manufacturer's discount receivable from SilverScript	-	39,223,469
Other receivables from SilverScript	-	1,198,106
	$ 23,935,038	$ 47,967,617
Premiums payable:		
HDS	$ 3,291,912	$ 3,228,805
HDS - HSTA VB	251,107	166,418
HMSA	30,975,823	37,611,476
HMSA - HSTA VB	2,725,101	793,504
Humana	-	5,694
Kaiser Hawaii	14,341,670	5,933,408
Kaiser Hawaii - HSTA VB	824,162	129,929
Minnesota Life	236,316	184,694
Minnesota Life - HSTA VB	14,976	8,594
VSP	311,557	249,340
VSP - HSTA VB	20,951	10,703
	$ 52,993,575	$ 48,322,565

(8) Benefits Claims Expense

The EUTF is self-insured for the prescription drug plans and the supplemental medical and prescription drug plan. 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 benefits claims expense related to the self-insured supplemental medical and prescription drug plans is as follows for the year ended June 30, 2025:

	Active Employees	Retirees	Total
Balance at June 30, 2024	$ 7,296,006	$ 27,989,610	$ 35,285,616
Claims and changes in estimates	192,739,555	358,438,202	551,177,757
Contractor processing administrative fees	963,211	4,445,385	5,408,596
Paid (including rebates) during the year	(191,561,606)	(357,944,304)	(549,505,910)
Balance at June 30, 2025	$ 9,437,166	$ 32,928,893	$ 42,366,059

Below is a summary of benefit claims payable by TPA at June 30, 2025:

	Active Employees	Retirees	Total
Benefit claims - CVS	$ 9,013,000	$ 3,457,635	$ 12,470,635
Benefit claims - Verdegard	20,528	369	20,897
Benefit claims - SilverScript	-	28,542,238	28,542,238
IBNR for self-insured plans	233,200	551,100	784,300
Admin fee - CVS	161,756	11,013	172,769
Admin fee - Verdegard	8,682	-	8,682
Admin fee - SilverScript	-	366,538	366,538
	$ 9,437,166	$ 32,928,893	$ 42,366,059

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, 2025 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
Verdegard - drug contract	63,274	-	63,274
	$ 5,021,274	$ 8,165,204	$ 13,186,478

(9) Summary of Required Premium Contributions and OPEB Trust Annual Required Contributions

The employer and employee required premium contributions for active employees and OPEB Trust annual required contributions for retirees for the year ended June 30, 2025, are as follows:

	Active Employees	Retirees	Total
Employer contributions:			
State of Hawaii	$ 406,999,013	$ 830,204,000	$ 1,237,203,013
City & County of Honolulu	80,432,842	193,217,000	273,649,842
County of Hawaii	25,692,366	44,577,000	70,269,366
County of Maui	24,917,386	40,651,147	65,568,533
County of Kauai, including Department of Water Supply	14,306,296	18,814,000	33,120,296
Board of Water Supply - Honolulu	4,872,998	8,386,000	13,258,998
County of Hawaii - Department of Water Supply	1,433,121	2,047,000	3,480,121
	558,654,022	1,137,896,147	1,696,550,169
Active employee and retiree contributions	201,073,401	6,795,910	207,869,311
	$ 759,727,423	$ 1,144,692,057	$ 1,904,419,480

The required premium contributions for active employees include both contributions for self-insured and fully-insured plans. The self-insured contributions amounting to $122,669,154 for the year ended June 30, 2025, are reported as operating revenues in the accompanying statement of revenues, expenses, and changes in net position of the enterprise fund. The contributions related to the fully-insured plans are included as a component of the premiums receivable from State of Hawaii and counties in the accompanying statement of net position of the enterprise fund. Contributions related to the fully-insured plans for the year ended June 30, 2025 reported in the enterprise fund amounted to $637,058,269.

OPEB Trust annual required contributions for retirees are reported as additions in the accompanying statement of changes in fiduciary net position – OPEB Trust and amounted to $1,137,896,147 for the year ended June 30, 2025. Retiree contributions reduce benefit claims expense and carrier payments in the accompanying statement of changes in fiduciary net position – OPEB Trust and amounted to $6,795,910 for the year ended June 30, 2025.

For the year ended June 30, 2025 the OPEB Trust annual required contribution rate for the State (primary government), which includes the EUTF, was 25.46% of covered-employee payroll.

(10) 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 Chapter 88, HRS 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% to 2.25%) 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 10 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. 10 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 surviving dependent children, no benefit is payable.

Ordinary death benefits are available to employees who were active at time of death with at least 10 years of credited service. The surviving spouse/reciprocal beneficiary (until remarriage/reentry into a new reciprocal beneficiary relationship) and surviving 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 surviving 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. 10 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 dependent children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or surviving 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 10 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 10 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 10 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. 10 years of credited service is required for ordinary disability.

For police officers and firefighters, ordinary disability benefits are 1.75% of average final compensation for each year of service 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. 10 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 surviving 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 10 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 10 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 10 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 10 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 Chapter 88, HRS 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 three 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 year 2025 were 41%, for police officers and firefighters, and 24% for all other employees. Contributions to the pension plan from the EUTF were $1,055,582 for the year ended June 30, 2025.

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 GASB 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 Annual Comprehensive Financial Report (ACFR).

At June 30, 2025, the EUTF reported a net pension liability of $6,974,293 for its proportionate share of the State's net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

At June 30, 2025, the EUTF's proportionate share of the State's (primary government) net pension liability was .09%.

There were no changes in actuarial assumptions as of June 30, 2023 to June 30, 2024. There were no changes between the measurement date, June 30, 2024 and the reporting date, June 30, 2025, that are expected to have a significant effect on the EUTF's proportionate share of the State's net pension liability.

For the year ended June 30, 2025, the EUTF recognized pension expense of $969,889. At June 30, 2025, the EUTF reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	$ 1,055,582	$ -
Net difference between projected and actual earnings on pension plan investments	412,656	-
Differences between expected and actual experience	225,888	(50,475)
Changes in proportion and differences between contributions and proportionate share of contributions	96,827	(5,483)
Changes in assumptions	-	(313,175)
	$ 1,790,953	$ (369,133)

The $1,055,582 reported as deferred outflows of resources related to pension at June 30, 2025 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 ending June 30, 2026.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension at June 30, 2025 will be recognized in pension expense as follows:

Year Ending June 30:	
2026	$ (73,955)
2027	245,144
2028	137,672
2029	57,377
	$ 366,238

Actuarial Assumptions

The total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions adopted by the ERS' Board of Trustees on August 8, 2022, based on the 2021 experience study for the five-year period from July 1, 2016 through June 30, 2021:

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 2022 Public Retirees of Hawaii mortality tables with full generational projections in future years. Pre-retirement mortality rates are based on multiples of the Pub-2010 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 Client-Constrained Simulation-based Optimization Model (a statistical technique known as "resampling with replacement" that directly keys in on specific plan-level risk factors as stipulated by the ERS' Board of Trustees) 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 nominal rates of return (real returns + inflation) by the target asset allocation percentage.

The rate of returns based on ERS' investment consultant as of June 30, 2024, are summarized in the following table:

Classes	Strategic Class Weights	Long-Term Expected Geometric Rate of Return
Broad growth:		
Public equity	20.00%	7.20%
Private equity	19.00%	9.90%
Liquid credit	4.00%	6.50%
Private credit	8.00%	9.20%
Real estate	9.00%	6.30%
Infrastructure	7.00%	7.30%
Timber/agriculture/infrastructure	3.00%	5.30%
Diversifying strategies:		
Systematic trend following	8.00%	3.80%
Long US treasuries	4.00%	4.30%
Intermediate government	14.00%	4.00%
Reinsurance	4.00%	5.30%
Total investments	100.00%	

Discount Rate

The discount rate used to measure the total 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	$ 9,315,486	$ 6,974,293	$ 5,035,081

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. The ERS' complete financial statements are available at *http://www.ers.ehawaii.gov/resources/financials*.

Payables to the Pension Plan

The State's employer contributions payable to the ERS, which includes the EUTF, was approximately $81,300,000 as of June 30, 2025.

Postemployment Health Care and Life Insurance Benefits

Plan Description

The EUTF provides a single delivery system of health care and life insurance benefits for all qualified 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 10 years or more of credited service, and 50% of the base monthly contribution for employees retiring with fewer than 10 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 10 years of service, the State makes no contributions. For those retiring with at least 10 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 10 years of service, the State makes no contributions. For those retiring with at least 10 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. Retirees can elect family coverage but must pay the difference.

Members Covered by Benefit Terms

At July 1, 2024, the State's plan members covered by benefit terms consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	40,158
Inactive plan members entitled to but not yet receiving benefits	7,381
Active plan members	49,427
Total plan members	96,966

Contributions

Contributions are governed by Chapter 87A, HRS and may be amended through legislation. Contributions to the OPEB plan from the EUTF were $976,849 for the year ended June 30, 2025. 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 GASB 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 ACFR.

At June 30, 2025, the EUTF reported a net OPEB liability of $4,907,173 for its proportionate share of the State's net OPEB liability. The net OPEB liability was measured as of July 1, 2024, 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, 2025, the EUTF's proportionate share of the State's (primary government) net OPEB liability was .13%.

There were no changes between the measurement date, July 1, 2024, and the reporting date, June 30, 2025, 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, 2025, the EUTF recognized OPEB expense of $132,119. At June 30, 2025, 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	$ 976,849	$ -
Net difference between projected and actual earnings on OPEB plan investments	147,442	-
Changes in assumptions	28,994	(101,335)
Differences between expected and actual experience	-	(1,339,044)
	$ 1,153,285	$ (1,440,379)

The $976,849 reported as deferred outflows of resources related to OPEB at June 30, 2025 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, 2026.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2025 will be recognized in OPEB expense as follows:

Year Ending June 30:		
2026	$	(441,364)
2027		(277,257)
2028		(279,631)
2029		(132,846)
2030		(132,845)
	$	(1,263,943)

Actuarial Assumptions

The total OPEB liability in the July 1, 2024 actuarial valuation was determined using the following actuarial assumptions adopted by the EUTF's Board of Trustees on January 9, 2023, based on the experience study covering the five-year period ended June 30, 2022 as conducted for the ERS:

Inflation	2.50%
Salary increases	3.75% to 6.75%, including inflation
Investment rate of return	7.00%
Healthcare cost trend rates:	
PPO*	Initial rate of 6.20%; declining to a rate of 4.25% after 20 years
HMO**	Initial rate of 6.20%; declining to a rate of 4.25% after 20 years
Part B & Base Monthly Contribution (BMC)	Initial rate of 5.00%; declining to a rate of 4.25% after 20 years
Dental	4.00%
Vision	2.50%
Life insurance	0.00%

* Blended rates for medical and prescription drug.
** Includes prescription drug assumptions.

Mortality rates are based on system-specific mortality tables utilizing ultimate scale MP2021 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
Global equity	30.00%	6.00%
Private equity	15.00%	10.10%
Real assets	12.00%	5.00%
Private credit	10.00%	7.80%
Trend following	10.00%	2.40%
Reinsurance	5.50%	5.10%
Long treasuries	5.00%	2.60%
Alternative risk premia	5.00%	3.80%
U.S. microcap	3.00%	8.30%
TIPS	2.50%	2.10%
Tail risk/Long volatility	2.00%	-1.30%
	100.00%	

Single Discount Rate

The discount rate used to measure the total OPEB liability was 7.00%, based on the expected rate of return on OPEB plan investments of 7.00%. 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.

Assumption Changes

There were no assumption changes during the current measurement period.

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, 2024.

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Beginning balance	$ 8,789,086	$ 2,724,998	$ 6,064,088
Service cost	242,143	-	242,143
Interest on the total OPEB liability	823,301	-	823,301
Difference between expected and actual experience	(921,571)	-	(921,571)
Employer contributions	-	855,281	(855,281)
Net investment income	-	446,000	(446,000)
Benefit payments	(422,862)	(422,862)	-
Administrative expense	-	(431)	431
Other	-	(62)	62
Net changes	(278,989)	877,926	(1,156,915)
Ending balance	$ 8,510,097	$ 3,602,924	$ 4,907,173

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 proportionate share of the State'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	$ 6,326,746	$ 4,907,173	$ 3,765,590

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 proportionate share of the State'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	$ 3,706,222	$ 4,907,173	$ 6,436,609

Payables to the OPEB Plan

There were no contributions payable from the State to the EUTF as of June 30, 2025.

Deferred Compensation Plan

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, 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 accompanying basic financial statements.

(11) Commitments and Contingencies

Litigation

Dannenberg, et al. v. State of Hawaii, Civil No.: 06-1-1141 JPC

This class action was originally filed in June 2006 as Marion Everson, et al. v. State of Hawaii, et al. In this action, 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 August 29, 2013, the First Circuit Court entered an order granting plaintiff's Motion for Class Action Certification. The class certified is for all employees (and their dependent beneficiaries) who began working for the Territory of Hawaii, State of Hawaii or any political subdivision thereof, before July 1, 2003, and who have accrued or will accrue a right to postretirement health benefits as a retiree or dependent-beneficiary of such a retiree.

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 on 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.

Plaintiffs filed a 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. On December 3, 2018, the plaintiffs filed motions to recertify the class and to certify a damages subclass. On February 6, 2019, the court granted the plaintiffs' motion to recertify and an order granting the plaintiffs' motion for recertification was filed on June 21, 2019.

Trial commenced on November 3, 2021 and was completed on November 30, 2021. Proposed findings of fact and conclusions of law were submitted by the parties in January 2022 and the court issued its findings of fact and conclusions of law in March 2023. The trial reconvened in May 2023. The presentation of evidence through witnesses was completed on October 25, 2023. The parties submitted their proposed findings of facts and conclusions of law during November on a schedule approved by the court. The court heard closing arguments from all parties on December 11, 2023, and took the matter under advisement. On January 30, 2024, the court entered final judgement in favor of all defendants and against the plaintiffs on all claims. This is a final judgement entered pursuant to Rule 58, Hawaii Rules of Civil Procedure, and is based on the court's express determination that there are no remaining claims, that there is no reason for delay, and the court's express direction for the entry of judgement. There are no remaining parties and/or issues and the final judgement herein is a complete resolution of this matter.

On February 28, 2024, plaintiffs filed a notice of appeal. The State Defendants will continue to defend against plaintiffs' claims at the appellate level.

In addition, an action for declaratory relief was filed on August 31, 2022, and a first amended complaint was filed on October 3, 2022 by various insurers that have provided a defense for the lawsuit. Insurance coverage counsel has been retained to defend the State in this action. The insurer plaintiffs are seeking a declaration that they have no duty to defend the State under various insurance policies with respect to the lawsuit. The insurer plaintiffs have also requested that the Court find that the insurer plaintiffs are entitled to reimbursement of defense costs incurred, the amount of which was not specified but may be in excess of the initial policy of insurance that has been exhausted.

The insurers and the State Defendants have filed motions for partial summary judgement. On December 11, 2024, the judge ruled in the State's favor. The State is in discussions with the insurers with regard to the dismissal of the suit. Should that not occur, the State intends to continue its vigorous defense against claims brought against the State, the EUTF, and the EUTF Board. At this time, the outcome of this lawsuit cannot be determined and no amount has been recorded in the financial statements as of or for the year ended June 30, 2025. 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 KK*S

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 certain 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 year ended June 30, 2025. Management believes that an unfavorable outcome, if any, will not have a material adverse effect on the EUTF's financial position.

(12) Risk Management

The State retains various risks and insures certain excess layers with commercial insurance companies, except as noted below. The excess layers insured with commercial insurance companies are consistent with the prior fiscal year. Settled claims have not exceeded the coverage provided by commercial insurance companies in any of the past 10 fiscal years. A summary of the State's underwriting risks is as follows:

Property Insurance

The State has an insurance policy with various insurers for property coverage. The limit of loss per occurrence is $200,000,000, except for terrorism losses, which has a $100,000,000 per occurrence limit. The deductible for losses such as windstorm, tsunamis, floods, and earthquakes are 3% of the replacement costs to the property subject to a $1,000,000 per occurrence minimum. The deductible for all other losses, except terrorism, is $1,000,000 per occurrence. The deductible for terrorism is $10,000 per occurrence.

Crime Insurance

The State also has a crime insurance policy for various types of coverages with a limit of loss of $10,000,000 per occurrence with a $500,000 deductible per occurrence. Losses under the deductible amount are paid by the Risk Management Office of the Department of Accounting and General Services, and losses not covered by insurance are paid from the State's General Fund.

Casualty and Professional Liability

From July 1, 2024 to November 30, 2024, the State had an effective general liability insurance policy that provided $5,000,000 of coverage with a $7,500,000 deductible. As of December 1, 2024, the State does not have any liability insurance policy. Therefore, the State is self-insured thereafter. Liability claims up to $25,000 are handled by the Risk Management Office. All other claims are handled by the Department of the Attorney General and funded from legislative appropriations of the State's General Fund.

Cyber Liability Insurance

The State is insured for various types of cyber-related activities with a loss limit up to $10,000,000 with self-insured retention of $1,000,000. This policy covers all departments and divisions except for the University of Hawaii and the State's community hospitals and includes (with sub-limits) media content liability, PCI-DSS assessment coverage, reputational risk response, reputational loss coverage, E-discovery consultant services, data recovery amendatory system failure non-physical damage loss of use (bricking), system failure coverage, criminal reward expense, claim avoidance expense, crypto jacking coverage, fraudulent impersonation and telecommunication fraud coverage, court attendance cost coverage, company definition amendatory-scheduled entities with varying co-insurance (tier 1 & 2).

Self-Insured Risks

The State generally self-insures its liability, automobile no-fault, and workers' compensation losses. Automobile and liability losses up to $25,000 per claim are administered by the Risk Management Office. The State administers its workers' compensation losses via the Department of Human Resources Development.

Fiduciary Liability Insurance

In accordance with HRS 87A-25, the EUTF has obtained fiduciary liability insurance with an annual aggregate for losses of $10,000,000.

(13) Lease Commitment

The EUTF's office is located in the City Financial Tower. The State Department of Budget and Finance, EUTF Division (lessee) leases 10,961 square feet from the ERS (lessor). Rent on this lease is paid by the EUTF. This lease expires in February 2028. In addition, the EUTF has various lease agreements for office equipment. See Notes 4 and 5 for reported lease assets and lease payable, respectively, related to these leases.

(14) SBITA Commitment

The EUTF entered into a SBITA expiring in November 2029 for the licensing, hosting, and software related to the benefits administration system. Payments on this SBITA are paid by the EUTF. See Notes 4 and 6 for reported subscription asset and subscription payable, respectively, related to this SBITA.

(15) Accrued Compensated Absences

A reconciliation of changes in accrued compensated absences is as follows for the year ended June 30, 2025:

Balance at beginning of year, as previously reported	$ 616,450
Adjustment for GASB Statement No. 101 (see Note 2)	482,442
Balance at beginning of year, as restated	1,098,892
Net change	5,193
Balance at end of year	1,104,085
Less current portion	432,521
Noncurrent portion	$ 671,564

(16) OPEB Trust by Employer

The fair value of the OPEB Trust by employer as of June 30, 2025, are as follows:

	Long-term Investment Portfolio	Short-term Liquidity/ Operating Asset Pool	Net Position Restricted for Postemployment Benefits Other than Pensions
State of Hawaii	$ 5,966,690,184	$ 336,410,947	$ 6,303,101,131
City & County of Honolulu	1,605,606,547	73,285,034	1,678,891,581
County of Hawaii	423,505,542	17,785,864	441,291,406
County of Maui	596,151,612	18,423,613	614,575,225
County of Kauai	261,148,126	8,520,460	269,668,586
County of Kauai - Department of Water Supply	18,779,045	599,850	19,378,895
Board of Water Supply - Honolulu	145,900,365	4,498,694	150,399,059
County of Hawaii - Department of Water Supply	34,256,874	1,063,318	35,320,192
Honolulu Authority for Rapid Transportation	6,654,715	227,243	6,881,958
	$ 9,058,693,010	$ 460,815,023	$ 9,519,508,033

(17) Subsequent Events

The EUTF has evaluated subsequent events through November 26, 2025, 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)

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
STATE OF HAWAII

Required Supplementary Information (Unaudited)

Schedule of Investment Returns

Years Ended June 30, 2016 through 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Annual money-weighted rate of return, net of investment expenses	7.08%	11.28%	6.16%	-1.78%	26.67%	2.21%	4.69%	7.34%	9.28%	2.95%

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
STATE OF HAWAII

Required Supplementary Information (Unaudited)

Ten-Year Loss Development Information

Year Ended June 30, 2025

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 86 shows data for 10 successive policy years starting from the year ended June 30, 2016, for active employee self-insured plans.

The loss development table illustrates how the EUTF's earned revenue (net of reinsurance) and investment income (loss) 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 10 years.

The rows of the loss development table are defined as follows:

(1) This line shows the total of each fiscal year's gross earned contribution revenue and investment revenue (losses), 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 10 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 10 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

Year Ended June 30, 2025

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 loss development table 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

Years Ended June 30, 2016 through 2025

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
1. Required contribution and investment revenue:										
Earned	$ 84,751,959	$ 92,776,406	$ 87,451,628	$ 94,610,613	$108,069,954	$ 99,006,422	$ 86,787,180	$ 106,778,476	$ 108,022,844	$ 124,525,687
Ceded	-	-	-	-	-	-	-	-	-	-
Net earned	$ 84,751,959	$ 92,776,406	$ 87,451,628	$ 94,610,613	$108,069,954	$ 99,006,422	$ 86,787,180	$ 106,778,476	$ 108,022,844	$ 124,525,687
2. Unallocated expenses	$ 1,545,900	$ 1,744,179	$ 1,565,548	$ 1,547,580	$ 1,837,013	$ 1,871,307	$ 2,042,692	$ 2,138,266	$ 2,365,624	$ 1,776,667
3. Estimated claims and expenses, end of policy year:										
Incurred	$ 88,570,757	$ 89,608,294	$ 80,584,753	$ 86,462,811	$ 88,136,232	$ 81,523,277	$102,363,397	$ 93,500,457	$ 116,078,103	$ 130,446,280
Ceded	-	-	-	-	-	-	-	-	-	-
Net incurred	$ 88,570,757	$ 89,608,294	$ 80,584,753	$ 86,462,811	$ 88,136,232	$ 81,523,277	$102,363,397	$ 93,500,457	$ 116,078,103	$ 130,446,280
4. Net paid (cumulative) as of:										
End of policy year	$ 92,379,275	$ 89,832,650	$ 84,612,745	$ 94,822,793	$ 81,876,626	$ 85,964,817	$ 92,668,229	$ 95,921,460	$ 129,331,478	$ 120,085,126
One year later	88,543,157	89,630,594	80,577,653	86,301,511	88,133,332	81,540,377	102,377,397	93,508,957	$ 116,053,903	
Two years later	88,543,157	89,630,594	80,577,653	86,301,511	88,133,332	81,540,377	102,377,397	93,508,957		
Three years later	88,543,157	89,630,594	80,577,653	86,301,511	88,133,332	81,540,377	102,377,397			
Four years later	88,543,157	89,630,594	80,577,653	86,301,511	88,133,332	81,540,377				
Five years later	88,543,157	89,630,594	80,577,653	86,301,511	88,133,332					
Six years later	88,543,157	89,630,594	80,577,653	86,301,511						
Seven years later	88,543,157	89,630,594	80,577,653							
Eight years later	88,543,157	89,630,594								
Nine years later	88,543,157									
5. Reestimated ceded claims and expenses	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6. Reestimated net incurred claims and expenses:										
End of policy year	$ 88,570,757	$ 89,608,294	$ 80,584,753	$ 86,462,811	$ 88,136,232	$ 81,523,277	$102,363,397	$ 93,500,457	$ 116,078,103	$ 130,446,280
One year later	88,543,157	89,630,594	80,577,653	86,301,511	88,133,332	81,540,377	102,377,397	93,508,957	$ 116,053,903	
Two years later	88,543,157	89,630,594	80,577,653	86,301,511	88,133,332	81,540,377	102,377,397	93,508,957		
Three years later	88,543,157	89,630,594	80,577,653	86,301,511	88,133,332	81,540,377	102,377,397			
Four years later	88,543,157	89,630,594	80,577,653	86,301,511	88,133,332	81,540,377				
Five years later	88,543,157	89,630,594	80,577,653	86,301,511	88,133,332					
Six years later	88,543,157	89,630,594	80,577,653	86,301,511						
Seven years later	88,543,157	89,630,594	80,577,653							
Eight years later	88,543,157	89,630,594								
Nine years later	88,543,157									
7. Increase (decrease) in estimated net incurred claims and expenses from end of policy year	$ (27,600)	$ 22,300	$ (7,100)	$ (161,300)	$ (2,900)	$ 17,100	$ 14,000	$ 8,500	$ (24,200)	$ (14,000)

See accompanying independent auditors' report.

OTHER SUPPLEMENTARY INFORMATION

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
STATE OF HAWAII

Schedule of Administrative Operating Expenses - Enterprise Fund

Year Ended June 30, 2025

Administrative operating expenses:		
Personal services	$	6,198,089
Contracted services		1,672,711
Occupancy		258,290
Repairs and maintenance		186,995
Printing and binding		165,922
Postage		147,381
Interest		131,660
Insurance		68,980
Telephone		57,405
Other		89,050
Total administrative operating expenses	$	8,976,483

See accompanying independent auditors' report.

PART III

INTERNAL CONTROL AND COMPLIANCE SECTION

CERTIFIED PUBLIC ACCOUNTANTS

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 (*Government Auditing Standards*), 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 year ended June 30, 2025, and the related notes to financial statements, which collectively comprise the EUTF's financial statements, and have issued our report thereon dated November 26, 2025.

Report on 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) as a basis for designing 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.

Topa Financial Center | 745 Fort Street | Suite 2100 | Honolulu, Hawaii 96813
P: 808.521.3962 | F: 808.531.3217 | www.kkdly.com

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 or significant deficiencies may exist that were not identified.

Report on 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, and contracts, noncompliance with which could have a direct and material effect on the financial statements. 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 EUTF'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 EUTF's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KKDLY LLC

Honolulu, Hawaii
November 26, 2025