

**COUNCIL OF THE COUNTY OF MAUI**

# **BUDGET AND FINANCE COMMITTEE**

April 20, 2018

**Committee  
Report No. \_\_\_\_\_**

Honorable Chair and Members  
of the County Council  
County of Maui  
Wailuku, Maui, Hawaii

Chair and Members:

Your Budget and Finance Committee, having met on March 28, 2018, makes reference to County Communication 18-69, from the Director of Finance, transmitting a report, entitled "County of Maui Retiree Health Care Plan Actuarial Valuation Report as of July 1, 2017," prepared by GRS Retirement Consulting.

The Director of Finance said the report indicates the County's Unfunded Actuarial Accrued Liability ("UAAL") in the Employer-Union Health Benefits Trust Fund ("EUTF") increased from \$297 million on July 1, 2015, to \$317.6 million on July 1, 2017. The increase in the UAAL is due to new demographic and healthcare assumptions. The most notable change in assumptions is the longer life expectancies of participants in the County of Maui Retiree Health Care Plan ("Plan"). The Director noted savings from a decrease in healthcare costs that occurred because members are leading healthier lifestyles partially offset the impact of the new assumptions.

According to the Director, the Annual Required Contribution ("ARC") to the EUTF will increase to \$34,967,000 in Fiscal Year ("FY") 2019 from \$32,891,000 in FY 2018.

He said Act 268 (2013) established an ARC equal to the normal cost of health premiums plus an amortization payment to fund the UAAL over a period of no more than 30 years. A phase-in schedule beginning in FY 2015 required 20 percent of the ARC to be paid. Each subsequent year, the amount of the ARC to be paid increased by 20 percent per year. Government employers are now required to contribute 100 percent of the ARC starting in FY 2019.

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Your Committee noted that since the establishment of the ARC, the County of Maui has consistently paid a minimum of 100 percent of the ARC.

The Budget Director said the Mayor's Proposed FY 2019 Budget includes an \$18 million payment towards the UAAL. He said \$17 million was paid towards the UAAL in FY 2018, which was approximately \$2 million more than what was required. Paying more to the EUTF benefits the County because the EUTF pays the County an administrative interest fee of approximately 7.5 percent on the County's investment.

Your Committee noted the County's net assets in the EUTF appreciated by \$13,727,878 in FY 2017. The Director of Finance said the appreciation could have resulted from valuation increases in stock, bonds, or real estate.

The Director said the County's net assets in the Plan help reduce the County's UAAL. The UAAL is calculated as the difference between what the County owes to the EUTF and the County's plan assets. He acknowledged the Department of Finance has not verified the information contained in the report.

Your Committee expressed concern that the ARC constitutes approximately 20 percent of the County's payroll costs. However, your Committee recognized as costs for the EUTF continue to rise, efforts to pay more now will assist taxpayers in the future.

Your Committee voted 8-0 to recommend filing of the communication. Committee Chair Hokama, Vice-Chair White, and members Atay, Carroll, Cochran, Crivello, King, and Sugimura voted "aye." Committee member Guzman was excused.

Your Budget and Finance Committee **RECOMMENDS** that County Communication 18-69 be FILED.

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This report is submitted in accordance with Rule 8 of the Rules of the Council.

  
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RIKI HOKAMA, Chair

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