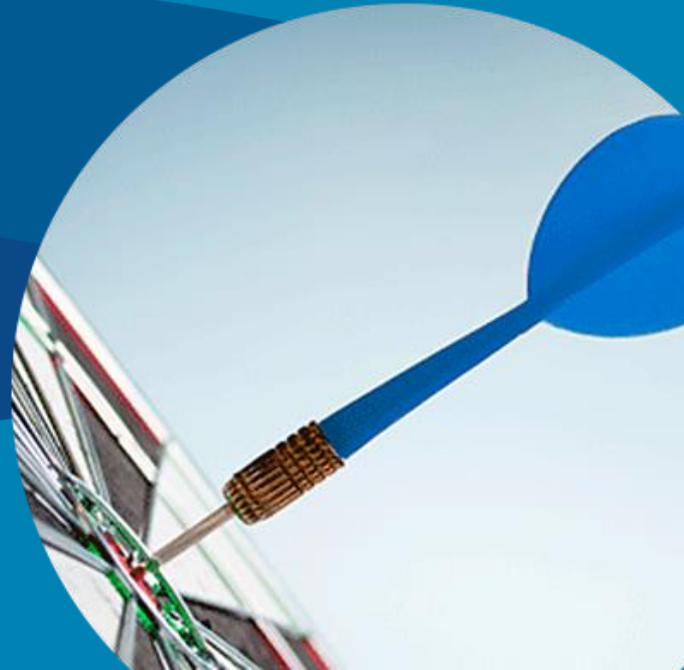




Employees' Retirement System of the State of Hawaii

Actuarial Valuation Results for Fiscal Year Ending June 30, 2025



Purpose of the Actuarial Valuation

- Annual “health checkup” of ERS
- The ***primary*** purpose is to assess the current contribution policy set in statute
 - Determine whether the current contribution rates are expected to fully amortize the unfunded actuarial accrued liability (UAAL) over a period of 24 years or less (Statutory Maximum)
 - Recommend changes if found not adequate
 - Recommend possible improvements in methods or policies
- Funding Period: the estimated number of years it will take to fully extinguish the current UAAL assuming current contributions remain in place and all assumptions are met
 - UAAL: the difference between the actuarial liabilities and the actuarial assets

System Demographics & Tidbits

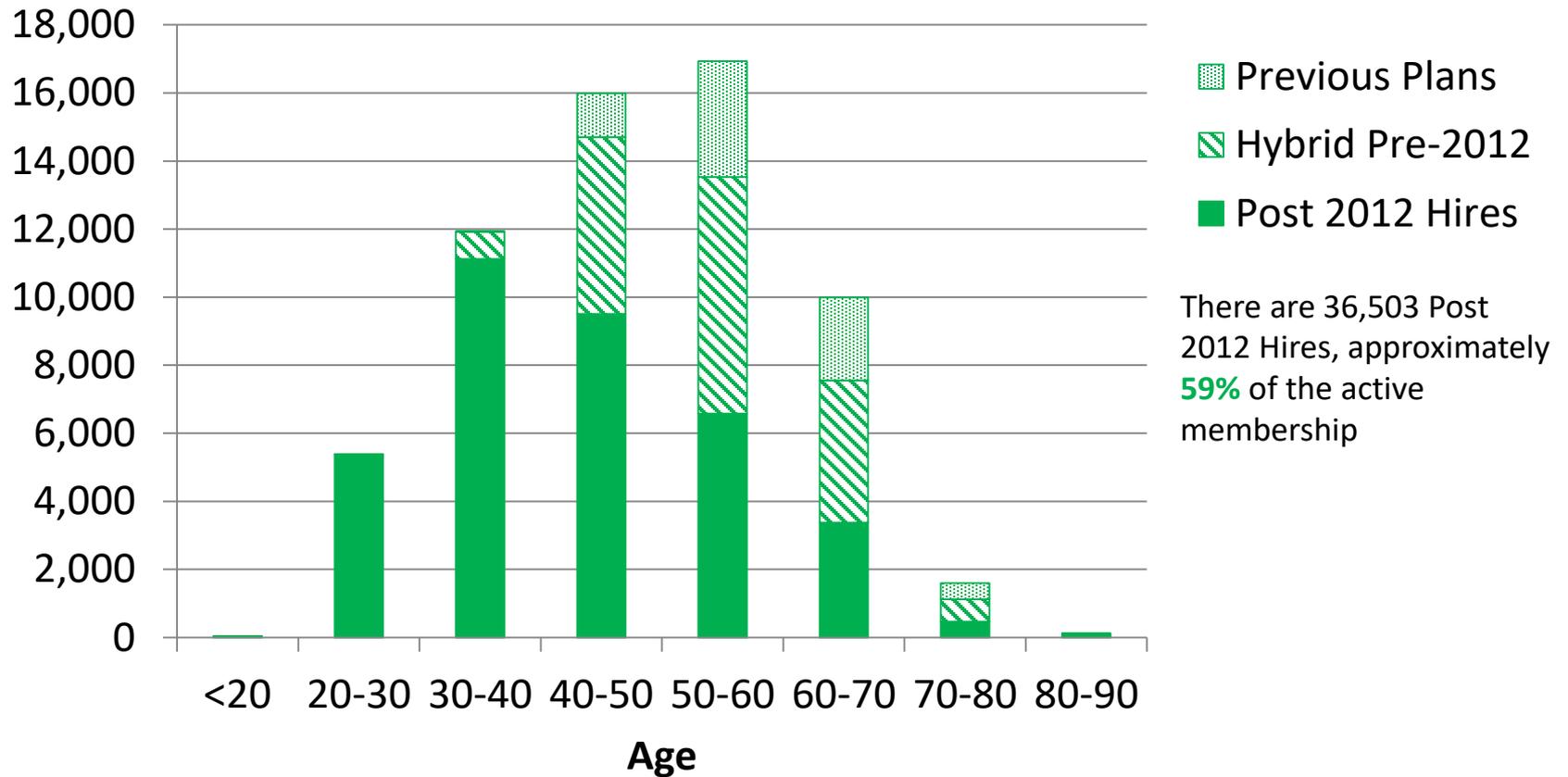
- Retirees
 - 161 Retirees & Survivors are over 100 years old (oldest retiree was 108 on valuation date)
 - Compares to Texas Teachers which has about 350 retirees over 100 years of age, but 10 times the total number of retirees of ERS
 - 440 benefit recipients have been receiving payments for at least 40 years
 - Longest recipient in payment status since 1961

System Demographics & Tidbits

- Active Employees
 - “New Tier” is now 13 years old
 - 59% of active employees are in new tier
 - 10 employees born before 1940 (oldest is 89 years of age on the valuation date)
 - Over 1,900 employees were born in the 21st century (youngest is 19 years old)
 - 424 employees have at least 40 years of service (2 have over 60 years of service)

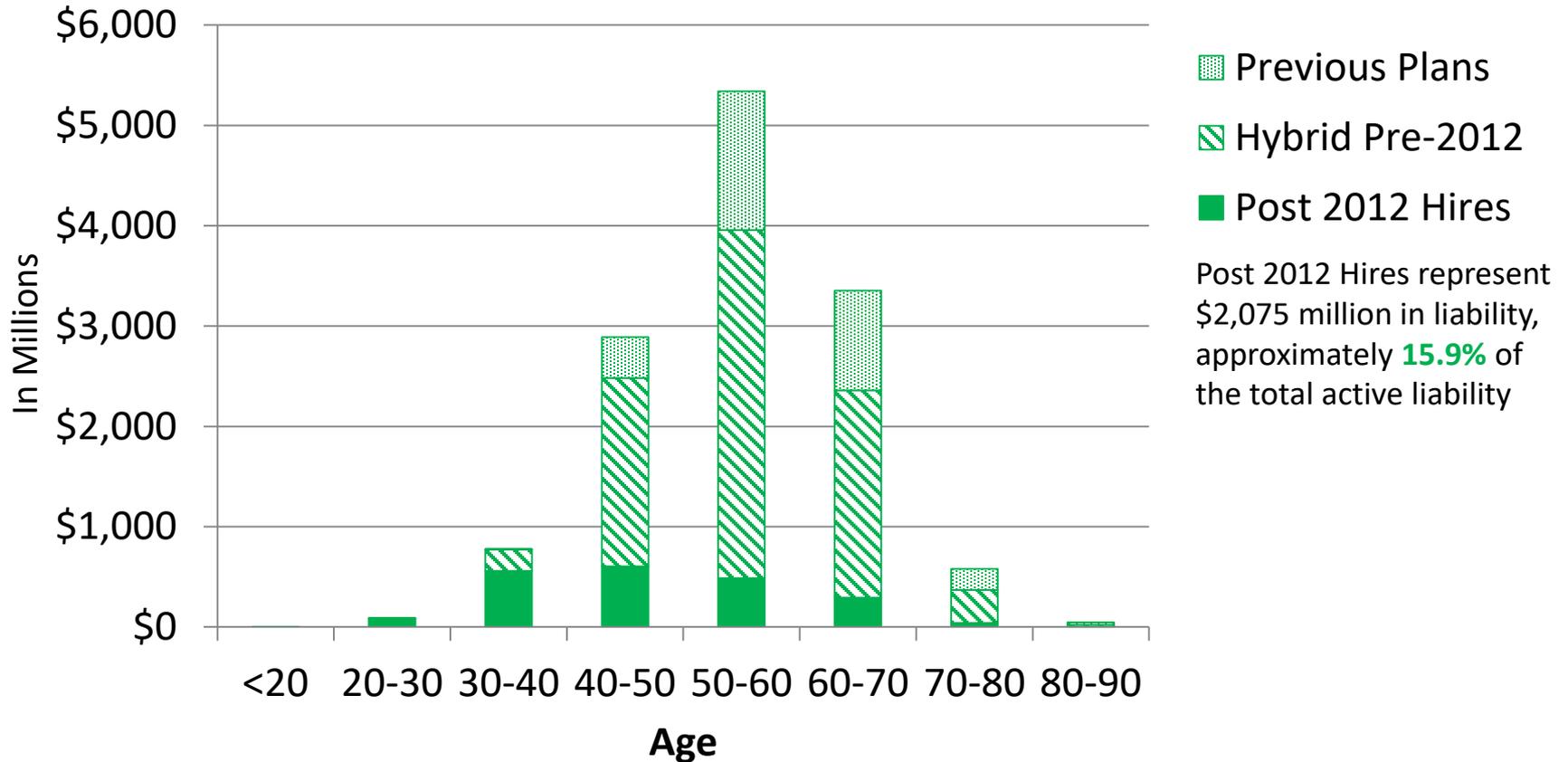
Impact of New Benefit Tiers:

All Other Employees: Employee **Counts** by group and by age



Impact of New Benefit Tiers:

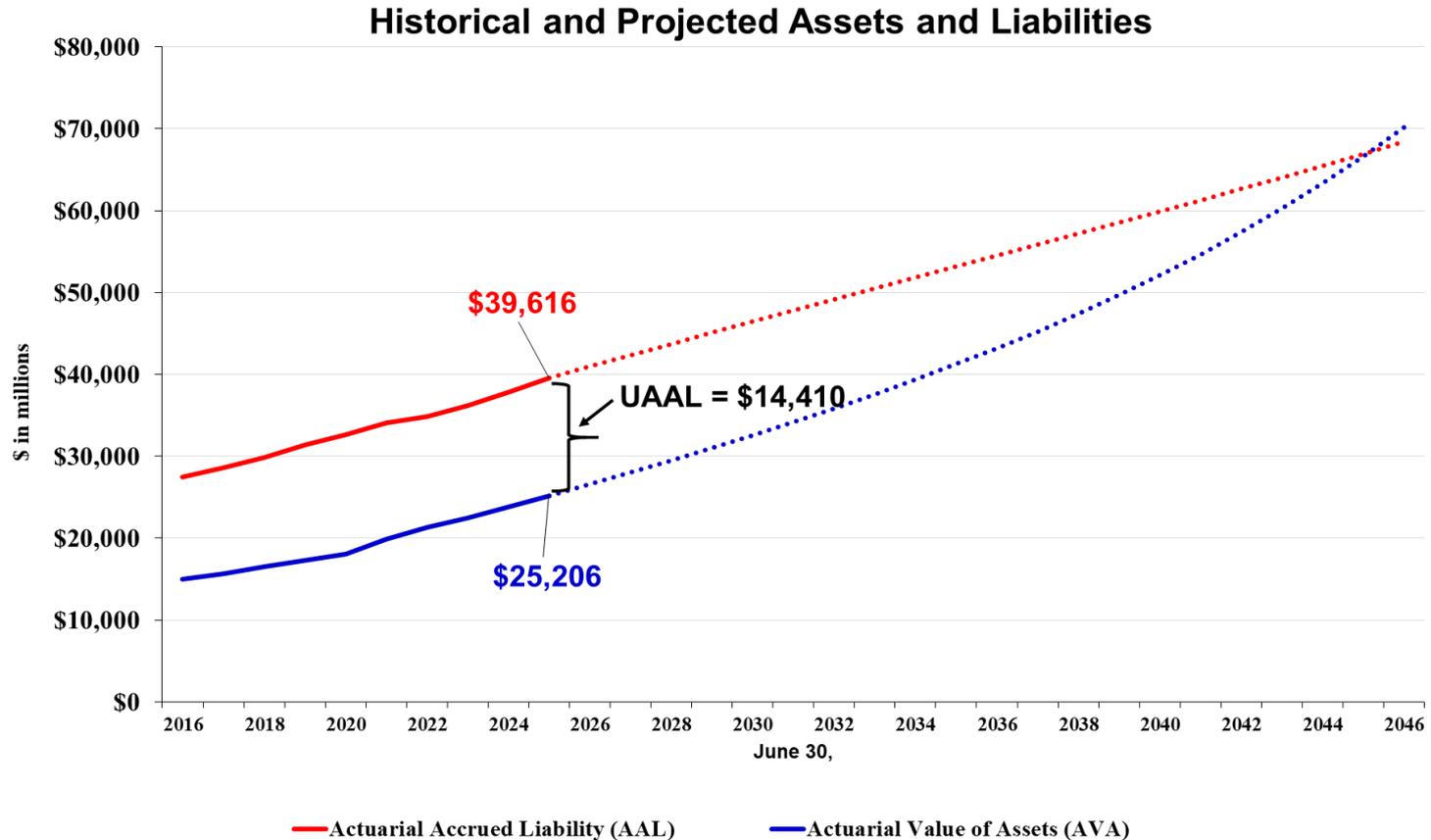
*All Other Employees: Active **Liability** by group and by age*



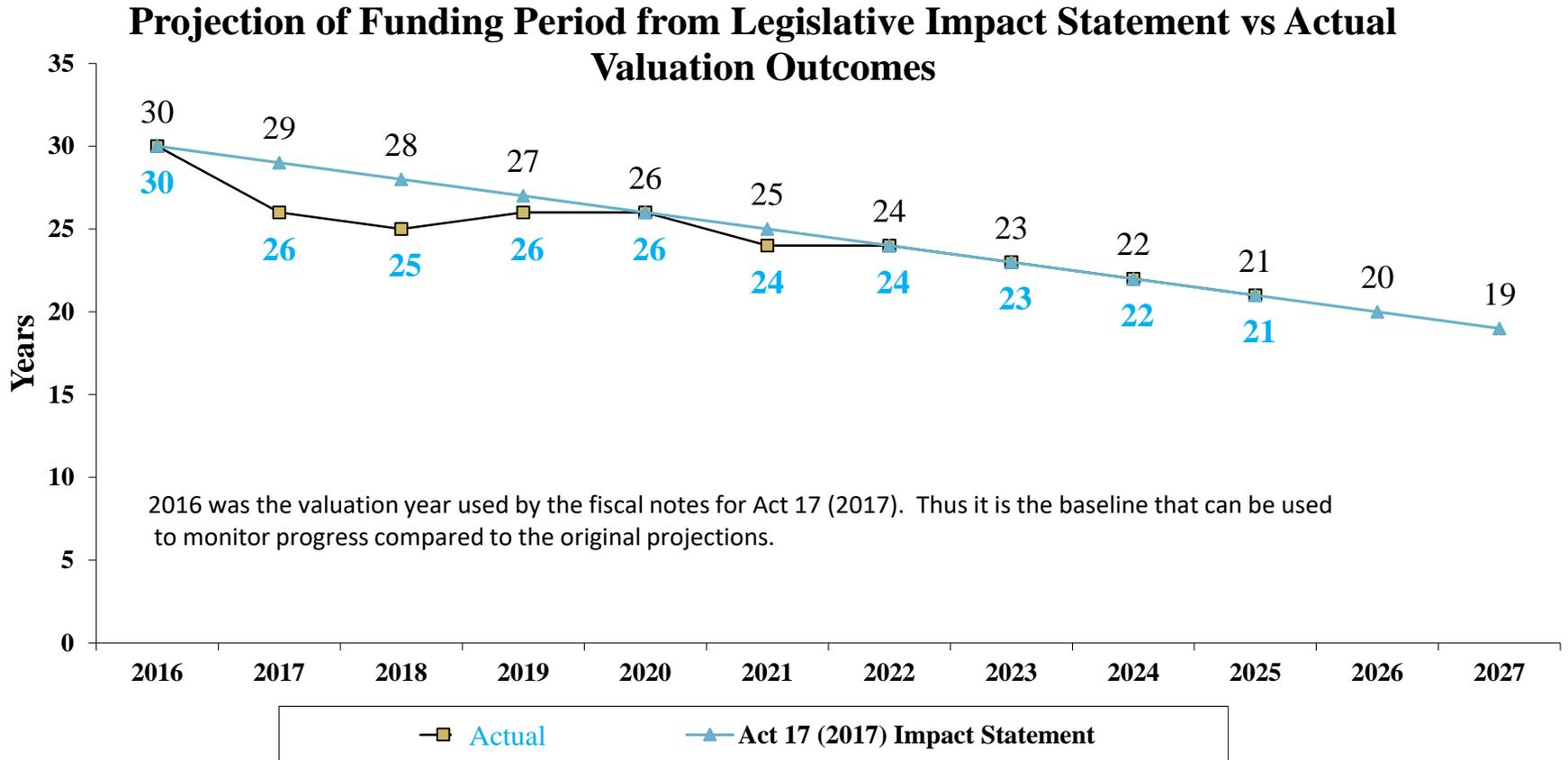
Actuarial Valuation Highlights

- Results remain on track, if not ahead of, original projections from Act 17 (2017)
- The funding period decreased as expected from 22 years to 21 years
 - This is less than the current Statutory Maximum of 24 years for FY 2025
- The funded ratio improved from 63.0% to 63.6%
 - Funded Ratio: is the ratio of the actuarial assets to the actuarial liabilities
- The UAAL increased by approximately \$370 million, from \$14.0b to \$14.4b
 - While the UAAL was expected to increase slightly, this increase was larger than expected
 - Mainly caused by larger than expected increases in salary
 - 6.1% on average vs 4.7% expected for All Other Employees
 - 9.2% on average vs 5.6% expected for Police and Fire

Assets are Projected to Meet Liabilities in 2046. This is 21 years from 2025 = Funding Period

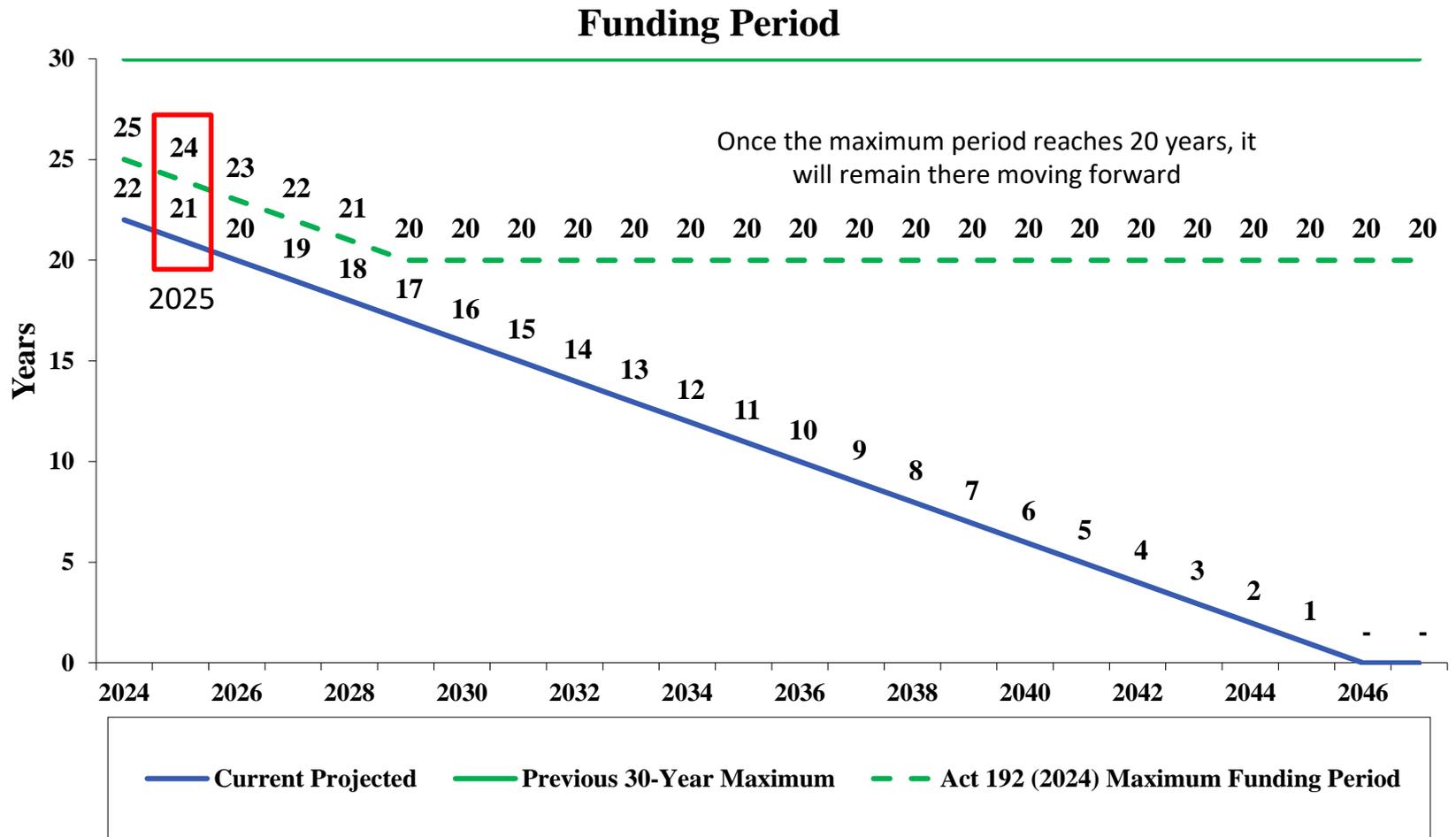


The Funding Period as of 2025 continues to track with the original projections from Act 17 (2017)



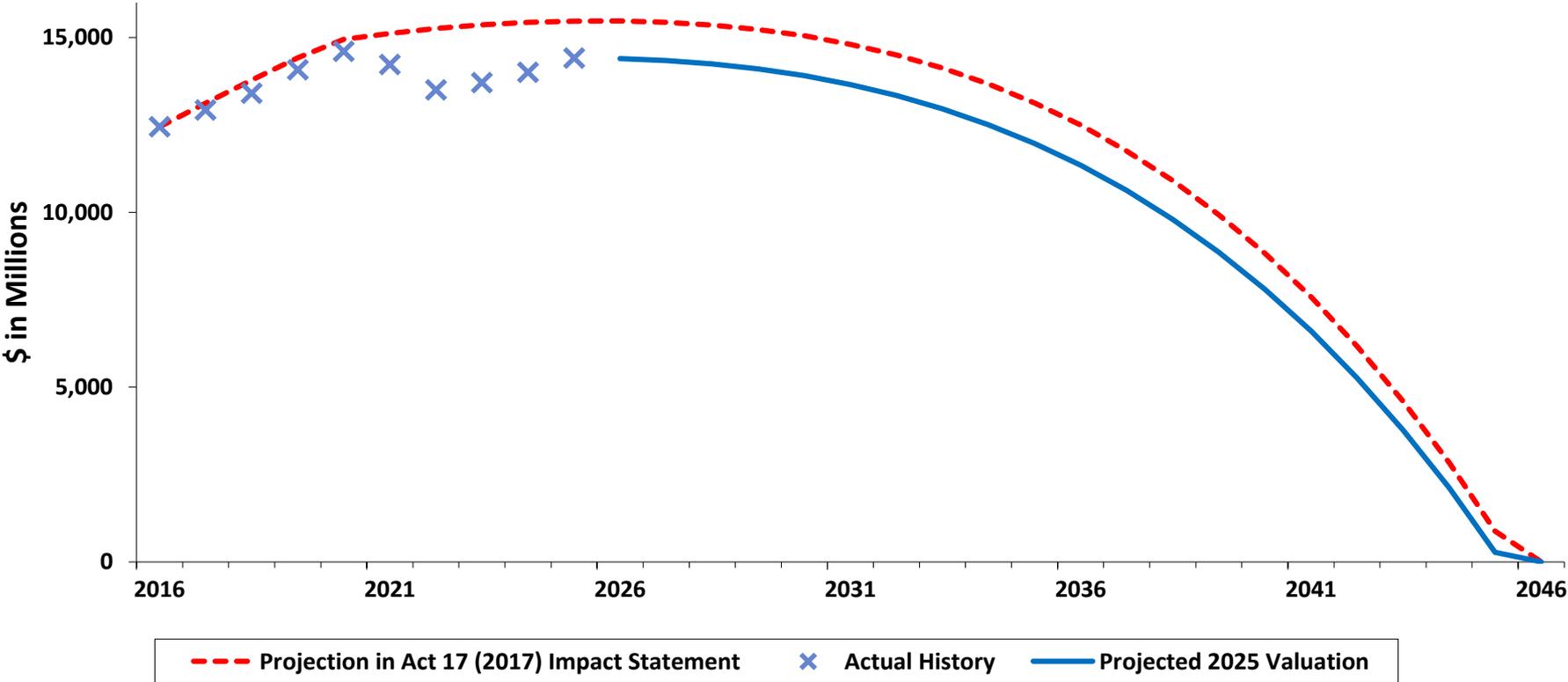
Assumes all assumptions met, including 7.00% return each year on the June 30, 2025 smoothed value of assets

Act 192 (2024) lowered the maximum allowable funding period from 30 to 25 years as of 2024, and begins a process of lowering the maximum period by 1 each year until reaching 20.



While the financing of the UAAL remains ahead of schedule, the UAAL was expected to grow year over year until FY26 or FY27. The UAAL is currently expected to begin to decline in FY26 if all assumptions are met.

Actual vs Projected UAAL

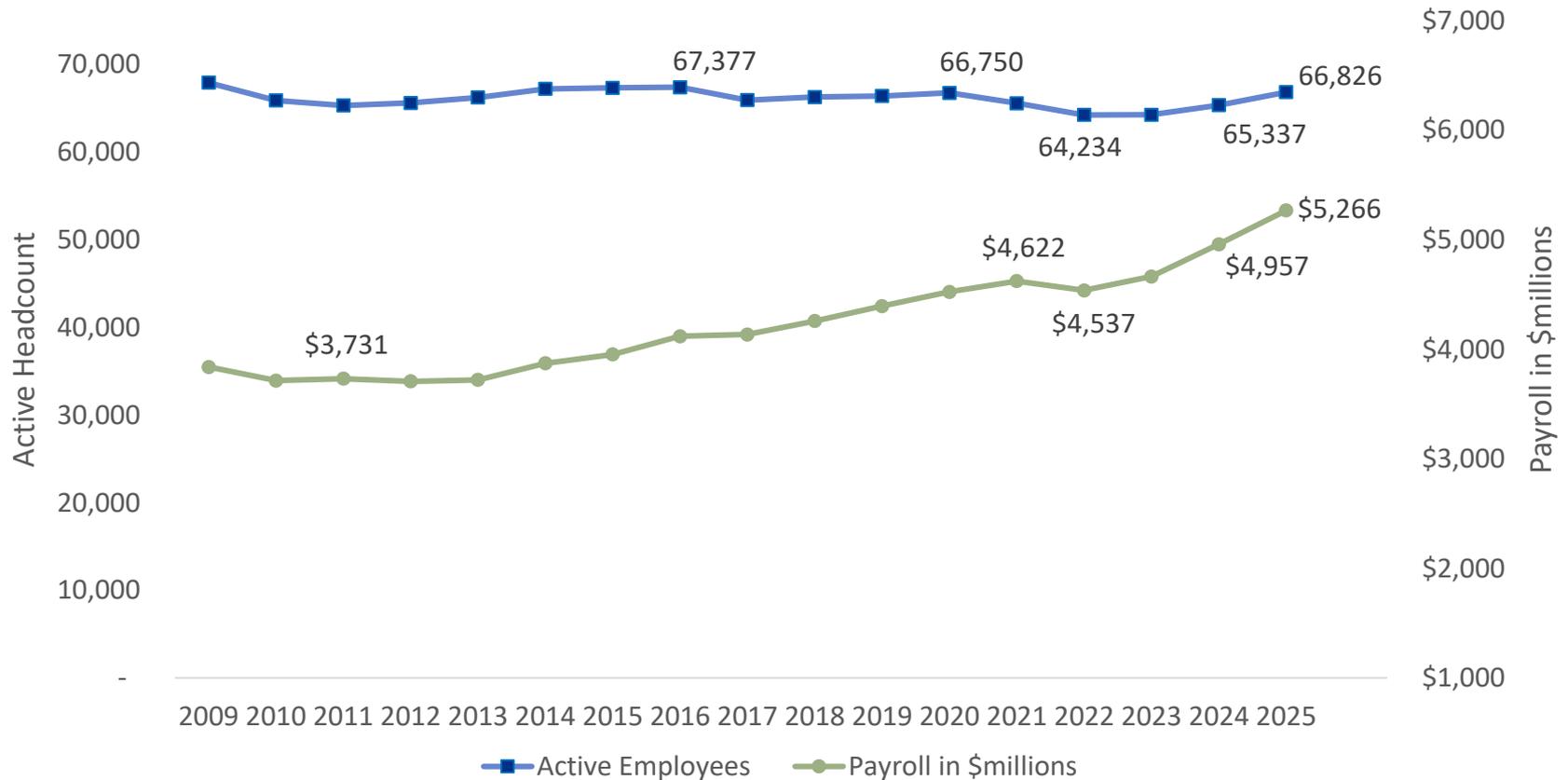


Assumes all assumptions met, including 7.00% return each year on the June 30, 2025 smoothed value of assets



The Headcount grew 2.3% from 2024 to 2025, back close to 2020 levels. This allowed covered payroll to grow and offset the impact from the salary increases. The headcount is only 0.8% below the 67,377 used in the Act 17 (2017) impact statement.

History of the ERS Active Headcount and Payroll



2025 Experience Study

- The valuation results are heavily based on a series of assumptions about future behavior and events
- These assumptions are not static; they should occasionally change to reflect new information or techniques
- While we monitor the appropriateness of the assumptions annually, ERS Statute requires a formal process occur every three years
- The 2025 Experience study was rather uneventful in total, but there was a material change to the salary increases for Police and Fire Employees (again)
 - Actual salary increases have continued to outpace the assumptions requiring additional adjustments

The new assumption for Police and Fire is impactful enough to increase the funding period 2 years for that group. There is now a significant difference in the funding periods between the two groups.

- The impact of the Experience Study on the All Other Employees group was immaterial.
- The Funding Period for All Other Employees decreased by 2 years from 2024 instead of the expected 1 year because of an increase in active headcount.

		June 30, 2025 Results	
Item	June 30, 2024 Results	Previous Assumptions	New Assumptions
All Employees Combined			
Unfunded Accrued Liability (\$ in billions)	\$14.0	\$14.2	\$14.4
Funded ratio	63.0%	63.9%	63.6%
Funding Period	22 Years	21 Years	21 Years
Police and Fire Employees			
Unfunded Accrued Liability (\$ in billions)	\$2.2	\$2.3	\$2.4
Funding Period	22 years	22 years	24 years
All Other Employees			
Unfunded Accrued Liability (\$ in billions)	\$11.8	\$11.9	\$12.0
Funding Period	22 years	20 years	20 years

Proposed Legislation

- ERS in total is on track to become fully funded in 21 years (on schedule from 2017 legislation)
- However, as seen on slide 9 there is a 4 year gap between the All Other employees group and Police and Fire Employees
 - All Other employees funding period is 20 years
 - Police and Fire employees funding period is 24 years
- The ERS Board is recommending that the Police and Fire employer contribution rate be increased from 41% of pay to 44% of pay
 - This would put the Police and Fire funding period back on the original path of being fully funded in 2046

Valuation Summary

- The disciplined commitment to follow the contribution schedule from Act 17 (2017) continues the process of strengthening the financial outlook for ERS.
- The scheduled employer contribution rates are expected to be adequate to satisfy Hawaii Revised Statutes §88-122(e)(1). The Statutory Stress Test shows this is true even with substantial adverse experience.
- Act 192 (2024), implementing the new maximum amortization period, will better protect the System over the long term
- The reduction in the maximum funding period will be viewed favorably by bond raters and satisfies all of the new Actuarial Standards of Practice

Disclaimers

- This presentation is intended to be used in conjunction with the July 1, 2025 actuarial valuation. This presentation should not be relied on for any purpose other than the purpose described in the valuation report.
- This presentation shall not be construed to provide tax advice, legal advice or investment advice.