

HAWAIIAN ELECTRIC INDUSTRIES INC
Form 11-K
June 28, 2018
[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

x ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2017

or

o TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Commission file number 1-8503

AMERICAN SAVINGS BANK 401(K) PLAN

Hawaiian Electric Industries, Inc.

1001 Bishop Street, Suite 2900, Honolulu, Hawaii 96813

Table of Contents

REQUIRED INFORMATION

Financial Statements. The statements of net assets available for benefits at December 31, 2017 and 2016, and the statement of changes in net assets available for benefits for the year ended December 31, 2017, Schedule H, Line 4i Schedule of Assets (Held at End of Year) at December 31, 2017, together with notes to financial statements, and Accuity LLP's Report of Independent Registered Public Accounting Firms thereon, are filed as a part of this annual report, as listed in the accompanying index.

Exhibit. The written consent of Accuity LLP with respect to the incorporation by reference of the Plan's financial statements and supplemental schedule in registration statement No. 333-159000 on Form S-8 of Hawaiian Electric Industries, Inc. is filed as a part of this annual report and attached hereto as Exhibit 23.1.

Table of Contents

SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN SAVINGS BANK 401(K) PLAN

Date: June 28, 2018

By: HAWAIIAN ELECTRIC INDUSTRIES, INC.
PENSION INVESTMENT COMMITTEE
Its Named Fiduciary

By: /s/ Gregory C. Hazelton
Gregory C. Hazelton
Its Chairman

By: /s/ Kurt K. Murao
Kurt K. Murao
Its Secretary

Table of Contents

American Savings Bank

401(k) Plan

Financial Statements and Supplemental Schedule

December 31, 2017 and 2016

Table of Contents

American Savings Bank

401(k) Plan

Index

	Page(s)
<u>Report of Independent Registered Public Accounting Firm</u>	1
Financial Statements	
<u>Statements of Net Assets Available for Benefits December 31, 2017 and 2016</u>	2
<u>Statement of Changes in Net Assets Available for Benefits Year Ended December 31, 2017</u>	3
<u>Notes to Financial Statements December 31, 2017 and 2016</u>	4 13
Supplemental Schedule	
<u>Schedule H, Line 4i Schedule of Assets (Held at End of Year) at December 31, 2017</u>	14
Exhibit	
<u>Exhibit 23.1 Consent of Independent Registered Public Accounting Firm</u>	

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Administrator

American Savings Bank 401(k) Plan and

Audit Committee and Pension Investment Committee of

Hawaiian Electric Industries, Inc.

Opinion on the Financial Statements

We have audited the accompanying statements of net assets available for benefits of the American Savings Bank 401(k) Plan (the Plan) as of December 31, 2017 and 2016, and the related statement of changes in net assets available for benefits for the year ended December 31, 2017, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2017 and 2016, and the changes in net assets available for benefits for the year ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on the Plan's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Plan in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Supplemental Information

The supplemental information contained in the Schedule of Assets (Held at End of Year) has been subjected to audit procedures performed in conjunction with the audit of the Plan's financial statements. The supplemental information is the responsibility of the Plan's management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

/s/ Accuity LLP

We have served as the Plan's auditors since 2017.

Honolulu, Hawaii

June 28, 2018

Table of Contents

American Savings Bank

401(k) Plan

Statements of Net Assets Available for Benefits

December 31	2017	2016
Assets		
Plan interest in Master Trust		
Investments, at fair value	\$ 130,255,095	\$ 108,710,691
Notes receivable from participants	3,428,291	3,194,024
Employer contributions receivable	2,499,175	1,828,288
Participant contributions receivable	138,126	61,811
Due from Fidelity	600	2,171
Total assets	136,321,287	113,796,985
Liabilities		
Accounts payable	3,343	3,259
Net assets available for benefits	\$ 136,317,944	\$ 113,793,726

The accompanying notes are an integral part of these financial statements.

Table of Contents**American Savings Bank****401(k) Plan****Statement of Changes in Net Assets Available for Benefits**

Year Ended December 31	2017
Additions	
Investment income	
Plan interest in Master Trust	
Net appreciation in fair value of investments	\$ 14,106,497
Dividends and interest	5,714,854
Total investment income	19,821,351
Master Trust interest from notes receivable from participants	167,050
Revenue credit	2,400
Contributions	
Participants	5,404,225
Employer	4,648,441
Rollover	696,136
Total contributions	10,748,802
Total additions	30,739,603
Deductions	
Distributions to participants	(8,196,764)
Administrative expenses and other	(18,621)
Total deductions	(8,215,385)
Net increase	22,524,218
Net assets available for benefits	
Beginning of year	113,793,726
End of year	\$ 136,317,944

The accompanying notes are an integral part of these financial statements.

Table of Contents

American Savings Bank

401(k) Plan

Notes to Financial Statements

December 31, 2017 and 2016

1. Plan Description

The American Savings Bank 401(k) Plan (the Plan or ASB 401(k) Plan) was established by American Savings Bank, F.S.B. (ASB or the Bank) effective January 1, 2008. The Plan is a defined contribution 401(k) plan that provides certain tax-favored retirement benefits to participating employees. ASB is the only participating employer in the Plan at this time.

The following description of the Plan provides only general information. Participants should refer to the Plan document for its detailed provisions, which are also summarized in the most recent prospectus for the Plan and in the summary plan description.

a. Plan Administration

ASB is the Administrator of the Plan. The board of directors of Hawaiian Electric Industries, Inc. (HEI), which is the parent corporation of the controlled group of which ASB is a part, has established the Hawaiian Electric Industries, Inc. Pension Investment Committee (PIC) to oversee the administration of the Plan and the investment options offered under the Plan. The PIC has appointed an Administrative Committee to oversee the day-to-day administration of the Plan, which includes the discretionary authority to interpret the Plan s provisions. The PIC has also appointed an Investment Committee to oversee the day-to-day financial affairs of the Plan. The members of the Administrative and Investment Committees are employees of HEI and its subsidiaries and are chaired by a member of the PIC.

ASB and the Plan pay the Plan s administrative fees. The Plan s trustee and certain of the mutual funds offered under the Plan also provide revenue credits to the Plan, which are used to pay for Plan administration, including recordkeeping. Fees charged directly to the Plan that are not paid by revenue credits may be allocated to participant accounts. Participants may also be credited with interest and assessed fees related to participants notes receivable, withdrawals, and domestic relations orders.

b. Eligibility

For purposes of salary deferral (401(k)) contributions, all common law employees of ASB (other than leased employees) are eligible to participate in the Plan upon one hour of service. Participation in the 401(k) portion of the Plan is voluntary for eligible employees.

c. Salary Deferral Contributions

Employees may make salary deferral contributions of up to 100% of available eligible compensation (i.e., compensation that is available after payroll taxes and other applicable withholdings) subject to a federal tax limit of \$18,000 in 2017. Participants who are age 50 or older, or who will reach age 50 during the year, may elect to make catch-up contributions, as defined in the Plan, subject to a federal tax limit of \$6,000 in 2017.

When a participant makes a salary deferral election, the participant may choose between regular, pre-tax 401(k) contributions and after-tax, Roth contributions.

For purposes of employee salary deferral contributions to the Plan, eligible compensation is defined as Box 1, W-2 earnings during the Plan year modified to (a) exclude fringe benefits, employer nonelective contributions to a cafeteria plan, reimbursements, moving and other expense allowances, special executive compensation, signing bonuses, retention bonuses, service awards, and similar nonperformance based awards, and (b) include nontaxable

Table of Contents

American Savings Bank

401(k) Plan

Notes to Financial Statements

December 31, 2017 and 2016

elective contributions made by ASB to the Plan, a cafeteria plan, or a pre-tax transportation spending plan. Special executive compensation is noncash compensation and nonqualified deferred compensation available only to a select group of management employees. Federal tax law limits the amount of annual compensation that may be taken into account in determining contributions to the Plan. The maximum limit was \$270,000 in 2017.

d. Rollover Contributions

A participant or an eligible employee (whether or not a participant) may make a direct rollover to the Plan of an eligible rollover distribution from other qualified defined benefit or defined contribution plans. The Plan may accept direct rollovers of after-tax amounts from qualified retirement plans. The Administrative Committee may consider traditional rollovers by eligible employees. To protect the tax-qualified status of the Plan, the Administrative Committee may ask the eligible employee to provide an opinion of counsel or other evidence to establish that the requirement for a traditional rollover have been satisfied.

e. Matching Contributions

After one year of service, ASB matches employee salary deferral contributions at the rate of 100% of the first 4% of eligible compensation deferred. These matching contributions are known as AmeriMatch contributions. For AmeriMatch contributions, compensation is defined in the same way it is defined for salary deferral contributions as described in Note 1c. above; however, compensation earned prior to an employee becoming eligible for AmeriMatch is not included.

For 2017, ASB made AmeriMatch contributions to the Plan of \$2,215,586.

f. Employer Discretionary Contributions

The Plan also includes an annual discretionary profit sharing feature (known as AmeriShare). All employees employed on the last day of any Plan year are eligible to share in any AmeriShare allocation for that year. Exceptions to the last-day requirement are made for those who die, become disabled, or retire during the year. Retirement is defined as termination of employment either after (i) attaining age 65 or (ii) attaining age 55 and completing 10 years of service with ASB, HEI or any HEI subsidiary. On February 5, 2018, ASB approved an AmeriShare

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contribution equal to 4% of 2017 eligible compensation for the 2017 Plan year. This AmeriShare contribution was deposited into eligible participant accounts on February 12, 2018.

For purposes of calculating any AmeriShare contribution, eligible compensation includes an eligible employee's annual base salary or pay plus commissions paid during the Plan year, but excludes any amounts deferred to the American Savings Bank Select Deferred Compensation Plan or any other nonqualified deferred compensation plan that are not includible in the gross income of the employee for the taxable year.

g. Participant Accounts

Each participant has an individual account in the Plan, which may include one or more subaccounts. Each participant is always 100% vested in his or her total account, including all subaccounts. A participant's benefits equal the balance in the participant's account at the time of distribution. Each participant's account is credited with the participant's elective contributions, AmeriMatch and AmeriShare contributions, and allocations of Plan earnings and gains or losses (whether realized or unrealized), and charged with an allocation of any administrative expenses paid directly by the Plan or charged directly to the participant's

Table of Contents

American Savings Bank

401(k) Plan

Notes to Financial Statements

December 31, 2017 and 2016

account. Administrative expenses, such as recordkeeping expenses, are paid through investment level expenses that are borne by participants in proportion to their investments in the designated investment alternatives that generate revenue credits for the Plan. Individual expenses, such as fees associated with loans and distributions, are charged directly to a participant's individual account. Participant accounts are valued at the end of each day that the New York Stock Exchange is open.

The Plan is intended to be an Employee Retirement Income Security Act (ERISA) Section 404(c) plan, under which the fiduciaries of the Plan are relieved of liability for any losses that are the direct and necessary result of a participant's or beneficiary's exercise of control over the investments in his or her individual account. Participants are responsible for directing the investment of all amounts in their accounts using investment options offered under the Plan and for the performance of such investments. The Plan currently offers various mutual funds and target-date funds, and a unitized common stock fund that consists of shares of HEI common stock and short-term liquid investments. Participants may change their investment elections at any time. If a participant does not choose an investment option for any portion of the participant's account, such amounts are automatically invested in the age-appropriate Fidelity Freedom Index Fund or such other investment as the PIC may direct, pending other direction by the participant.

The portion of the Plan comprising the HEI Common Stock Fund #2 is designated as an employee stock ownership plan (ESOP). Amounts contributed to the Plan for investment in the HEI Common Stock Fund #2 or transferred to the HEI Common Stock Fund #2 from other investment alternatives become part of the ESOP component of the Plan.

Participants are not required to make any investment in the HEI Common Stock Fund #2, and there are two limitations on the amount a participant may invest in the HEI Common Stock Fund #2. First, a participant may not direct more than 20% of any contribution to the HEI Common Stock Fund #2. Second, participants and beneficiaries are prohibited from making transfers or exchanges from other investment alternatives into the HEI Common Stock Fund #2 if the transfer or exchange would cause the participant's or beneficiary's investment in the HEI Common Stock Fund #2 to exceed 20% of the participant's or beneficiary's total account balance.

h. Distributions

Distributions from participants' accounts are generally made upon retirement, death, permanent disability, or other termination of employment. Distributions may be made in a single lump sum, or a retired or terminated participant may elect to receive partial distributions (once per year) until the participant's account has been distributed in full or the participant elects to receive a single-sum distribution of the remaining balance. Retired participants may also elect to receive required minimum distributions from the Plan.

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Account balances of \$5,000 or less are automatically distributed upon termination of employment. Any automatic distribution of more than \$1,000 (but not more than \$5,000) is made in the form of a direct rollover to an Individual Retirement Account (IRA) designated by the Administrative Committee, unless the participant requests a cash distribution or a direct rollover to an IRA or tax-qualified retirement plan of the participant s choosing.

Distributions from the HEI Common Stock Fund #2 are in the form of HEI common stock or, if the participant so elects, cash (with any fractional shares paid in cash).

Table of Contents

American Savings Bank

401(k) Plan

Notes to Financial Statements

December 31, 2017 and 2016

The participant's account will be reduced by any unpaid loan balance at the time of distribution. However, unless rolled over, the balance of the unpaid loan will be taxable to the participant.

i. Death Benefits

Upon the death of a participant, the full value in the participant's account is payable as a death benefit to the participant's designated beneficiary.

j. Withdrawals While Employed

Prior to termination of employment, a participant may request a withdrawal from his or her account in the event of hardship. A participant who receives a hardship withdrawal is prohibited from making additional salary deferral contributions (pre-tax or Roth) to the Plan for six months following the hardship withdrawal.

Participants who elect to invest portions of their account balances in the HEI Common Stock Fund #2 (the ESOP component of the Plan) may elect to receive cash distributions of periodic dividends attributable to such investments or may elect to have such dividends reinvested.

A participant who is age 59½ or older may elect to receive an in-service distribution from his or her vested account balance once per year.

k. Notes Receivable From Participants

Participants may borrow from their accounts. All loans must be on commercially reasonable terms and be evidenced by a note. The minimum note amount is \$1,000, and the maximum amount of all notes under the Plan is limited to the lesser of \$50,000, reduced by the highest outstanding note balance during the prior 12 months minus the outstanding note balance from the Plan on the date the note is made, or 50% of

the participant's account balance. The term of a note generally may not exceed 5 years, except that a note used to purchase a principal residence may have a term of up to 15 years. The interest rate for 2017 was 2 percentage points above the Federal Reserve prime rate of interest as of the last working day of the month preceding the month the note was made. All outstanding notes are collateralized by 50% of the participant's vested account balance, determined when a note is approved. No allowance for credit losses has been recorded as of December 31, 2017 or 2016. If a participant ceases to make note repayments and the Plan Administrator deems the participant loan to be in default, the default will be a deemed distribution. However, the participant's account will not be reduced until a distributable event occurs under the terms of the Plan. Notes outstanding at December 31, 2017 bear interest at various rates ranging from 3.50% to 9.25%. Principal and interest payments are made ratably through payroll deductions. Participants are allowed up to two notes outstanding at any one time from the Plan.

i. Vesting

Participants are 100% vested in their account balances at all times.

2. Summary of Significant Accounting Policies

a. Basis of Accounting

The Plan prepares its financial statements under the accrual method of accounting.

Table of Contents

American Savings Bank

401(k) Plan

Notes to Financial Statements

December 31, 2017 and 2016

b. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the Plan Administrator to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

c. Investment Valuation and Income Recognition

The Plan's investments are reported at fair value. Fair value is 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. The PIC is responsible for the Plan's valuation principles and utilizes information provided by the Plan's investment advisors and custodian. See Note 3 for a discussion of fair value measurements. Net appreciation or depreciation in the fair value of investments includes realized and unrealized changes in the values of investments bought, sold, and held during the year.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

d. Notes Receivable from Participants

Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. Interest income is recorded on the accrual basis. Related fees are recorded as administrative expenses and are expensed when they are incurred. If a participant ceases to make loan repayments and the Plan Administrator deems the participant loan to be in default, the participant loan balance is treated as a deemed distribution and is recorded in distributions to participants.