

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
Minutes of the Board of Trustees  
Tuesday, September 23, 2014

TRUSTEES PRESENT

Ms. Maria Zielinski, Vice Chairperson	Ms. Barbara Krieg
Ms. Linda Currivan Musto, Secretary-Treasurer	Ms. Karolyn Mossman
Ms. Audrey Hidano	Ms. Julia Zeghmi
Mr. Dean Hirata	

TRUSTEES ABSENT

Mr. Luis Salaveria, Chairperson	Mr. Clifford Uwaine
Ms. Celeste Nip	

ATTORNEY

Mr. Kyle Chang, Deputy Attorney General

EUTF STAFF

Ms. Sandra Yahiro, Administrator	Mr. Tom Morrison, Benefits Consultant
Mr. Derek Mizuno, Assistant Administrator	Ms. Bonny Kahalewai
Ms. Maria Quartero	Mr. Raymond Kan
Mr. Adam Dreher	Ms. Donna Tonaki
Ms. Lauren Endo	Ms. Nicole Wong

OTHERS PRESENT

Ms. Cheryl Archer, Royal State	Ms. Kristi Katayama, USABLE Life
Mr. Gary Asato, HDS	Ms. Monica Kim, VSP
Ms. Charina Bumanglag, Kaiser	Ms. Mae Kishimoto, HSTA-R
Ms. Sandra Benevides, CVS Caremark	Mr. Craig Petty, Healthways
Mr. Andrew Elliott, CVS Caremark	Ms. Brenda Shiroma, Benefit Plan Solutions, Inc.
Ms. Elaine Fujiwara, HDS	Mr. Troy Tomita, Kaiser
Mr. Galen Haneda, HMSA	Ms. Jennifer Woo, C&C, DHR
Mr. John Jacobs, USABLE Life	

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 9:00 a.m. by Trustee Maria Zielinski, Vice Chairperson, in the EUTF Conference Room, 201 Merchant Street, Honolulu, Hawaii, on Tuesday September 23, 2014.

II. MINUTES

A. July 15, 2014

The Board reviewed the draft minutes of July 15, 2014.

MOTION was made for the Board to approve the minutes of July 15, 2014 as circulated. (Krieg/Zeghmi) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

B. August 26, 2014

The Board reviewed the draft minutes of August 26, 2014.

MOTION was made for the Board to approve the minutes of August 26, 2014 as circulated. (Krieg/Hirata) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

III. COMMITTEE REPORTS

1. Investment Committee

a. Revised Evolving Policy Portfolio Plan

Trustee Hirata reported that, at the July 28, 2014 Committee meeting, the Committee recommended that the Board approve the revised evolving policy portfolio plan.

MOTION was made upon the recommendation of the Investment Committee for the Board to approve the revised evolving policy portfolio plan.

(Mossman/Hidano) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

b. Revised Investment Policy Statement

Trustee Hirata reported that, at the July 28, 2014 Committee meeting, the Committee recommended that the Board approve the revised investment policy statement.

MOTION was made upon the recommendation of the Investment Committee for the Board to approve the revised investment policy statement. (Currivan

Musto/Krieg) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

c. Bank of Hawaii Custodial Contract

This item will be discussed in Executive Session.

d. Selection of Microcap Strategy Investment Managers

This item will be discussed in Executive Session.

e. Update on Discussion with Microcap Strategy Finalists

This item will be discussed in Executive Session.

f. Global Custody Services and Securities Lending

This item will be discussed in Executive Session.

g. Study of Potential EUTF/Employee Retirement System (ERS) Investment Consolidation (Act 268, SLH 2013)

This item will be discussed in Executive Session.

2. Administrative Committee

a. 2015 Proposed Legislation

This item has been deferred until the next Administrative Committee meeting.

b. FY16/17 Budget

Trustee Hidano reported that, at the September 17, 2014 Committee meeting, the Committee recommended the Board approve the FY16/17 budget with non-substantive changes. Discussion held by Trustees and staff regarding the proposed FY16/17 budget. The EUTF staff will add the proposed lease of the printer for the 16<sup>th</sup> floor on the bottom page of the proposed budget line items.

MOTION was made upon the recommendation of the Administrative Committee for the Board to approve the proposed FY16/17 budget as presented, but subject to making non-substantive changes. (Hidano/Mossman) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

c. Personnel

This item will be discussed in Executive Session.

d. Request for Proposals for Benefits Consultant

This item will be discussed in Executive Session.

IV. NEW BUSINESS

A. Updated Actuarial Valuation for County of Maui

Mr. Derek Mizuno summarized the updated actuarial valuation that addressed the revised annual required contributions for the County of Maui.

V. Reports

A. Administrator

1. Vitech Modified Phase II (no discussion held)

2. Administrative Rules Revision Project

Ms. Sandra Yahiro summarized the sessions that were held regarding significant EUTF Administrative Rules changes on the neighbor islands and Oahu.

Ms. Yahiro reported, since the EUTF rarely receives appeals from retirees, the EUTF will not send letters of the Rules changes to retirees but instead put information about the Rules changes in the Employees' Retirement System (ERS) newsletter. The EUTF will save approximately \$40,000 in printing and postage.

3. Medicare Death Validation Project Update (no discussion held)

4. Direct Deposit Project Update (no discussion held)

5. Affordable Care Act Implementation (no discussion held)

6. Expanding EUTF's Office Space (no discussion held)

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Board of Trustees Meeting

September 23, 2014 Minutes

Page 4

7. Premium/Rate Splits Different Between Bargaining Units and Between Employers (no discussion held)
8. Business Associate Agreement (BAA) with Department of Accounting & General Services (DAGS) and Employees Retirement System (ERS) [no discussion held]
9. EUTF Website Review (no discussion held)
10. Vitech Rebill Issue (no discussion held)
11. HB65, Act 226 SLH2013 – Mandatory Mail (no discussion held)
12. Customer Service Improvement Project (no discussion held)
13. Other Post Employment Benefits (OPEB) Actuarial Valuation (no discussion held)
14. Health Benefit Plans Claims Audits (no discussion held)
15. Converting From Lotus Notes to Office 365 (no discussion held)
16. New Phone System  
Ms. Yahiro reported that the EUTF is conducting its own procurement for an Automated Call Distribution (ACD) system and summarized the history with Hawaiian TelCom who is now unable to meet EUTF's needs. Discussion held by Trustees and staff regarding Hawaiian TelCom and that Hawaiian TelCom may have an old system on the State's current price/bid list.
17. Halau Lokahi Charter School  
Discussion held by Trustees and staff that some of the Halau Lokahi Charter school employees were reinstated (the letter from the Halau Lokahi rescinded the layoffs) as if they were never off the plans and will need to pay back premiums. Ms. Yahiro stated she had many discussions with the new Charter school co-director who was the prior business manager and they wanted their coverages prior to their layoffs. Ms. Yahiro was informed the employees already got their back pay and each had their deductions for the EUTF. Ms. Yahiro did check with the Charter Schools Commission and they had the same understanding as her. The money has not been received by the EUTF yet and according to the letter the money should be received by October 3, 2014. Further discussion held by Trustees and staff that it was not the EUTF's responsibility, it was a decision made by the school.
18. Medicare Savings Program  
Ms. Yahiro gave an update on the Medicare Savings Program project. The EUTF staff will send follow-up letters for those that did not respond by the deadline of September 5, 2014 and if no response is received, the EUTF will suspend Medicare Part B reimbursements.
19. Duplicate Checks Issued by Bank of Hawaii (no discussion held)
20. Retiree Open Enrollment (no discussion held)
21. Pension Consulting Alliance's Draft Report "Study of Potential EUTF/ERS Investment Consolidation (Act 268 2013) [no discussion held]

22. EUTF Strategic Planning (no discussion held)
  23. Act 268, SLH 2013 ACA Waiver Innovation Task Force (no discussion held)
  
  24. EUTF Administrator & Assistant Administrator Meetings with Key Legislators  
Ms. Yahiro reported she, the Assistant Administrator, Mr. Tom Morrison, and Trustee Mossman will be meeting with Senator Baker today at 1:30 p.m. and summarized the main topics that will be presented.
- B. EUTF Managers' and Program Specialist Operational Reports
1. Member Services Branch (MSB)
    - a. MSB Date Update (no discussion held)
    - b. MSB Staffing Level Update (no discussion held)
    - c. Carrier Reports for the Month of August (no discussion held)
  2. Information Systems (IS) Branch
    - a. Employer and Employee Retroactive Rate Change for BU's 06, 09, and 11 (no discussion held)
    - b. Retirees' Open Enrollment 2014 (no discussion held)
    - c. V3 BAS Modified Phase II (Employer File Feed) [no discussion held]
    - d. Microsoft Office 365 Conversion (no discussion held)
    - e. Oracle Database Upgrade and Encryption (no discussion held)
    - f. EUTF Local Area Network Server and Workstation Encryption (no discussion held)
    - g. Enrollment Counts (no discussion held)
  3. EUTF Program Specialist
    - a. Wellness Initiatives (no discussion held)
    - b. Prescription Drug Claim Auditing Services Request for Proposal (RFP) [no discussion held]
    - c. Implementation of the UnitedHealthCare Medicare Advantage Plan (no discussion held)
    - d. Implementation of the Retiree USAble Life Insurance Plan (no discussion held)
  4. Financial Services Branch
    - a. Financial Audit (FY2014) [no discussion held]
    - b. Retroactive Bargaining Unit Rate Changes Effective July 1, 2013 (BU11) and Effective January 1, 2014 (BU6 and 9) [no discussion held]
    - c. Personnel for Financial Services Branch (no discussion held)
  
    - d. Financial Statements as of July 31, 2014  
Ms. Donna Tonaki summarized the financial statements as of July 31, 2014. Discussion held by Trustees, staff, and benefits consultant regarding line item 38 Unrestricted Gain (Loss) for staff to add to footnote "from self funded plan". Further discussion held by Trustees, staff, and benefits consultant regarding rebates and rate increase to correct deficits.

C. Segal

1. Incurred But Not Reported (IBNR) Fiscal Year Ending June 30, 2014  
Mr. Tom Morrison summarized the IBNR fiscal year ending June 30, 2014. Discussion held by Trustees and, benefits consultant regarding the IBNR, with no action taken.
2. Quarterly Performance Report June 30, 2014  
Mr. Morrison summarized the key findings of the quarterly performance report as of June 30, 2014. Discussion held by Trustees and benefits consultant regarding the key findings and for the benefits consultant to add per capita next to the key findings on future reports.

D. Carrier Reports

1. CVS Caremark  
Written reports received. (no discussion held)
2. SilverScript  
Written reports received. (no discussion held)
3. Hawaii Dental Service (HDS)  
Written report received. (no discussion held)
4. Hawaii Medical Service Association (HMSA)  
Written reports received. (no discussion held)
5. Kaiser Health Foundation  
Written report received. (no discussion held)
6. Royal State Insurance  
Written report received. (no discussion held)
7. Vision Service Plan (VSP)  
Written report received. (no discussion held)

VI. EXECUTIVE SESSION

MOTION was made for the Board to move into Executive Session at 10:15 a.m. for the reasons stated on the agenda. (Currivan Musto/Zeghmi) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

Executive Session adjourned at 12:20 p.m.

Vice Chairperson Zielinski reported that the Board has taken the following actions in Executive Session:

1. Approved amendment to the Bank of Hawaii Custodial Contract.
2. Approved the selection of Granite (50% of the microcap allocation) and Acuitas (50% of the microcap allocation) as the investment managers for the microcap strategy, subject to due diligence and contract negotiation.
3. Approved two (2) Appeals for late enrollment of newborns.
4. Motion failed for an Appeal to change plans outside of open enrollment.

5. Motion failed for an Appeal to change an employee's effective date of coverage.
6. Motion failed for an Appeal to reinstate an employee into plans.

VII. FUTURE AGENDA ITEMS DISCUSSION AND NEXT MEETING DATE

A. November 18, 2014, 9:00 a.m. – Regular Board Meeting

The EUTF staff will poll Administrative Committee members for a meeting in October 2014.

VIII. ADJOURNMENT

MOTION was made for the Board to adjourn meeting at 12:22 p.m. (Currivan Musto/Mossman) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

Respectfully submitted,

/s/

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Linda Currivan Musto, Secretary-Treasurer

APPROVED on November 18, 2014.

Documents Distributed:

1. Draft Board Minutes of 7/15/14. (9 pages)
2. Draft Board Minutes of 8/26/14. (9 pages)
3. Memorandum to BOT from Investment Committee Regarding 9/19/14 Investment Committee Meeting dated 9/22/14. (1 page)
4. Memorandum to BOT from Administrative Committee Regarding 9/17/14 Administrative Committee Meeting dated 9/18/14. (83 pages)
5. Administrator's Monthly Report to the Board from 8/21/14 – 9/17/14 dated 9/17/14. (6 pages)
6. EUTF Customer Service Improvement Project Survey Results received between 8/20-9/16/14. (1 page)
7. Customer Service Automated Call Distribution Report, July to December 2013 & January to September 15, 2014 and August 2014-September 2014 dated 9/15/14. (3 pages)
8. Calendar of Important Dates, 7/1/14-12/31/15 dated 9/18/14. (2 pages)
9. Memorandum to BOT from MSB Manager Regarding MSB Operations Report dated 9/17/14. (1 page)
10. Memorandum to BOT from IS Analyst Regarding August IS Operations Report dated 9/17/14. (11 pages)
11. Memorandum to BOT from Program Specialist Regarding August 2014 Monthly Report dated 9/11/14. (1 page)

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Board of Trustees Meeting

September 23, 2014 Minutes

Page 8

12. Memorandum to BOT from Financial Management Officer Regarding Financial Services Branch Report for September 23, 2014 BOT Meeting. (1 page)
13. EUTF Statement of Net Assets – Fiscal Year Ending June 30, 2015 (Unaudited) for Current Month 7/31/14 dated 9/18/14. (2 pages)
14. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison 1 Month Ended 7/31/14 (Unaudited) dated 9/18/14. (2 pages)
15. Experience Accounting of CVS Caremark Actives Self-Funded Plans Summary of FYE 6/30/2013 & FYE 6/30/2015 up to July 2015 dated 9/18/14. (1 page)
16. Experience Accounting of CVS Caremark Non-Medicare Retirees Self-Funded Plan Summary of FYE 6/30/2013 & FYE 6/30/2014 through 6/30/15 dated 9/18/14. (1 page)
17. Experience Accounting of SilverScript Medicare Retirees Self-Funded Plan Summary of FYE 6/30/2013 & FYE 6/30/2014 through 6/30/15 dated 9/15/14. (1 page)
18. Memorandum to BOT from Segal Regarding June 30, 2014 IBNR Calculation dated 8/22/14. (2 pages)
19. EUTF Year to Date Contract Plan Experience Report Contract YTD through June 2014 dated 9/23/14. (133 pages)
20. CVS Monthly Carrier Report for August 2014 dated 9/10/14. (3 pages)
21. SilverScript Monthly Carrier Report August 2014 dated 9/10/14. (3 pages)
22. HDS Monthly Carrier Report for August 2014 dated 9/9/14. (3 pages)
23. HMSA Monthly Carrier Report for August 2014 dated 9/12/14. (3 pages)
24. Kaiser Monthly Carrier Report for August 2014 dated 9/10/14. (2 pages)
25. Royal State Insurance Monthly Carrier Reports for August 2014 (Group Term Life Plan, Chiropractic Plan, Supplemental Medical Plan,) dated 9/8/14. (6 pages)
26. VSP Monthly Carrier Report for August 2014 dated 9/8/14. (8 pages)