

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Tuesday, May 26, 2015

TRUSTEES PRESENT

Ms. Maria Zielinski, Vice Chairperson (arrived 9:20 am)	Ms. Karolyn Mossman
Ms. Linda Currivan Musto, Secretary-Treasurer	Mr. Nolan Kawano (left 10:14 am)
Mr. Randy Baldemor	Ms. Celeste Nip
Mr. Roderick Becker	Ms. Julia Zeghmi
Ms. Audrey Hidano	

TRUSTEES ABSENT

Mr. Clifford Uwaine

ATTORNEY

Mr. Kyle Chang, Deputy Attorney General

EUTF STAFF

Ms. Sandra Yahiro, Administrator	Mr. Robert Mitchell, Benefits Consultant
Mr. Derek Mizuno, Assistant Administrator	Ms. Linda Green
Ms. Maria Quartero	Ms. Bonny Kahalewai
Mr. Adam Dreher	Mr. Raymond Kan
Ms. Lauren Endo	Ms. Donna Tonaki

OTHERS PRESENT

Ms. Marissa Adachi, HMSA	Mr. Mark Fukuhara, ABC LLC
Ms. Cheryl Archer, Royal State	Mr. Galen Haneda, HMSA
Ms. Nikki Bassett, US Able Life	Mr. John Jacobs, US Able
Ms. Sandra Benevides, CVS Caremark	Mr. Chad Karasaki, Aon Risk Services, Inc.
Ms. Christine Caloza, UnitedHealthcare	Ms. Monica Kim, VSP
Mr. Andrew Elliott, CVS Caremark	Mr. Kimo Palakiko, HGEA Retiree
Mr. Christian Fern, Kaiser	Mr. Troy Tomita, Kaiser
Ms. Elaine Fujiwara, HDS	

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 9:02 a.m. by Trustee Linda Currivan Musto, Secretary-Treasurer, in the EUTF Conference Room, 201 Merchant Street, Honolulu, Hawaii, on Tuesday, May 26, 2015.

II. MINUTES

A. April 28, 2015

The Board reviewed the draft minutes of April 28, 2015. The draft minutes of April 28, 2015 is amended as follows: (1) page 1, lines 44-45, delete "Accounting and General Services" and add "Human Resources and Development, (2) page 4, line 28, delete "4" and add "3", and (3) page 7, line 12, delete "curb" and add "curve".

MOTION was made for the Board to approve the minutes of April 28, 2015 as amended. (Zeghmi/Kawano) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

B. May 12, 2015

The Board reviewed the draft minutes of May 12, 2015.

MOTION was made for the Board to approve the minutes of May 12, 2015 as circulated. (Nip/Hidano) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

III. EXECUTIVE SESSION

MOTION was made for the Board to move into Executive Session at 9:05 a.m. as stated on the agenda. (Hidano/Nip) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

Executive Session adjourned at 9:55 a.m.

IV. OLD BUSINESS

A. EUTF Insurance - Fiduciary Liability, Public Officials Errors & Omissions, Crime, and Cyber Liability

Ms. Sandra Yahiro summarized the recommendations to cancel the Public Official Errors & Omissions and Crime policies and to retain the Cyber and Fiduciary Liability policies. Discussion held by Trustees, staff, Mr. William Sandkuhler from Atlas Insurance, Mr. Tracy Kitaoka from the State's Risk Management Office, and Mr. Chad Karasaki from Aon Risk Services, Inc., State of Hawaii's Insurance Broker, regarding the insurance policies and the gaps if the Board decides to cancel the Public Official Errors & Omissions and Crime policies.

MOTION was made for the Board to terminate EUTF's cyber liability and crime insurance policies effective May 31, 2015 in favor of being covered under the State's policies as recommended by the Administrator. (Mossman/Zeghmi) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-4)

V. NEW BUSINESS

A. Personnel (no discussion held)

[Trustee Kawano left at 10:14 a.m.]

B. Additional Other Post Employment Benefits (OPEB) Liability As a Result of Increasing the Retiree Dental Plan Maximum

Mr. Derek Mizuno summarized the estimate from Gabriel, Roeder, and Smith (GRS) for the OPEB liability as a result of increasing the retiree dental plan maximum. The previous estimate of \$80 million is now \$34 million. Mr. Mizuno explained that the \$80

million from GRS was a “should not be more than” estimate. Discussion held by Trustees and staff regarding concerns expressed by some Trustees that the new estimate is a huge change, the Board made a decision based on information provided, and that information to the Board needs to be accurate in order for the Board to make sound decisions. The cost for the report by GRS was \$2,550.

C. Using EUTF Excess Reserves to Fund OPEB Liability Due to Dental Plan Enhancement for Retirees

Discussion held by Trustees and staff regarding additional information that the EUTF staff will provide from GRS to be available at the next Board meeting to explain their report on the OPEB liability.

There being no objections by the Trustees, this item is deferred until additional information is provided.

VI. COMMITTEE REPORTS

A. Investment Committee

1. March 31, 2015 Performance Report

2. March 31, 2015 Excess Reserves Performance Report

Mr. Derek Mizuno summarized the performance of the OPEB Trust and excess reserves portfolios.

3. Evolving Portfolio Plan Update

Mr. Mizuno reported that PCA will be updating the risk and return assumptions underlying the evolving portfolio and will present the results at the next Investment Committee meeting.

4. Passive Equity Fund Recommendation

Mr. Mizuno summarized the Passive Equity fund recommendation by the Investment Committee with one modification to change from “prior to July 1, 2015” to “as soon as reasonably possible”.

MOTION was made upon the recommendation of the Investment Committee for the Board to approve, with one modification, to replace the Vanguard Total Stock Market Index Fund and the Vanguard Total International Stock Index Fund with Northern Trust’s passive comingled funds for (1) U.S. equities and (2) non-U.S. equities as soon as reasonably possible and to change the respective benchmarks from the MSCI Board Market Index to the Russell 3000 Index and from the FTSE Global All Cap ex U.S. Index to the MSCI ACWI ex U.S. Index, respectively, effective at the time of transition . (Nip/Zeghmi) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

5. BlackRock Inflation Protected Bond Fund Recommendation
Mr. Mizuno summarized the BlackRock Inflation Protected Bond fund recommendation by the Investment Committee.

MOTION was made upon the recommendation of the Investment Committee for the Board to approve to replace the BlackRock Inflation Protected Bond mutual fund with the BlackRock Inflation Protected Bond commingled fund. (Nip/Currivan Musto) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

VII. REPORTS

A. Administrator

1. Vitech Modified Phase II (no discussion held)
2. Expanding EUTF's Office Space (no discussion held)
3. EUTF Website Review (no discussion held)
4. Vitech Rebill Issue
Discussion held by Trustees and staff regarding Vitech rebill issue and the timeline.
5. Customer Service Improvement Project (no discussion held)
6. Health Benefit Plans Claims Audits (no discussion held)
7. Converting EUTF's Email System to Office 365
Discussion held by Trustees and staff that the EUTF has migrated 6 EUTF staff members and that the deadline by OIMT is January 1, 2016. The EUTF staff should all be on Office 365 before the January 1, 2016 deadline.
8. EUTF Strategic Plan, Including Vision and Mission Statements
Ms. Sandi Yahiro reported that the first EUTF newsletter by staff has been printed. A copy was distributed to Board members.
9. Delegation of Authority to Administrator
Ms. Yahiro provided two versions of the amended Delegation of Authority. Discussion held by Trustees and staff regarding the two versions. There being no objections by the Board, version 1 of the amendment is preferred.
10. 2015 Active Employee Open Enrollment
Ms. Yahiro reported that the EUTF received approximately 5,279 enrollment forms and will provide the Board with an update after processing the forms.
11. Wellness (no discussion held)

B. EUTF Managers' and Program Specialist Operational Reports

1. Member Services Branch (MSB)

- a. MSB Data (no discussion held)
- b. MSB Staffing Update (no discussion held)
- c. Carrier Reports (no discussion held)
- d. 2015 Active Employee Open Enrollment (no discussion held)

2. Information Systems (IS)

- a. Active Employee's Open Enrollment 2015 (no discussion held)
- b. Implementation of BU 14 (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. Hawaii Health Connector
Discussion held by Trustees and staff regarding Hawaii Health Connector's request to evaluate their portal and Enrollment system for EUTF's use.

- h. EUTF IS Vacancies (no discussion held)
- i. Enrollment Counts (no discussion held)

3. Program Specialist's Report

- a. Wellness and Disease Management (no discussion held)
- b. Prescription Drug Claims Auditing Services (no discussion held)
- c. Transition from One Vendor to Another (no discussion held)

4. Financial Services Branch

- a. Management Letter Corrective Action Plan Status (no discussion held)
- b. Financial Statements as of March 31, 2015
Ms. Donna Tonaki summarized the financial statements as of March 31, 2015. Discussion held by Trustees and staff regarding the EUTF excess reserves, the unreserved and unrestricted gains, and the OPEB contributions and interest held.

C. Segal

Updated Affordable Care Act (ACA) Information on Contraceptives.

Mr. Robert Mitchell summarized the updated ACA's final regulation/clarification on contraceptives. Discussion held by Trustees, staff, and the benefits consultant regarding employer reporting requirements. The EUTF did receive some updates on the employer reporting requirements and forwarded an electronic copy to Ms. Doreen Kuroda at the Department of Human Resources and Development. Discussion held by Trustees,

benefits consultant, and Mr. Kimo Palakiko, member of the public, regarding who determines what contraceptive product is available.

D. Carrier Reports

1. CVS Caremark
Written report submitted. (no discussion held)
2. SilverScript
Written report submitted. (no discussion held)
3. Hawaii Dental Service (HDS)
Written report submitted. (no discussion held)
4. Hawaii Medical Service Association (HMSA)
Written report submitted. Mr. Galen Haneda from HMSA reported that on May 20, 2015, Blue Cross/Blue Shield that operates out of Virginia, Maryland and Washington, DC was a victim of a cyber attack. This does not affect HMSA members that may have had services on the mainland.
5. Kaiser Health Foundation
Written report submitted. (no discussion held)
6. Royal State Insurance
Written report submitted. (no discussion held)
7. UnitedHealthcare
Written report submitted. (no discussion held)
8. US Able Life
Written report submitted. (no discussion held)
9. Vision Service Plan (VSP)
Written report submitted. (no discussion held)

VIII. EXECUTIVE SESSION

MOTION was made for the Board to move into Executive Session at 11:16 a.m. as stated on the agenda. (Mossman/Zeghmi) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

Executive Session adjourned at 12:28 p.m.

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

1. Approved the Solicitation for Services for Insurance Broker Services.
2. Deferred the Appeal for reinstatement after cancellation for non-payment.
3. Approved the Appeal to enroll newborn.
4. Deferred the Appeal to change effective date of coverage.

IX. FUTURE AGENDA ITEMS DISCUSSION AND NEXT MEETING DATE

A. June 23, 2015, 9:00 a.m. – Regular Board Meeting

Trustee Mossman stated that she is unable to attend the Board meeting but will make herself available if a quorum is needed via conference call.

X. ADJOURNMENT

MOTION was made for the Board to adjourn meeting at 12:31 p.m. (Nip/Currivan Musto)
The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

Respectfully submitted,

/s/

Linda Currivan Musto, Secretary-Treasurer

APPROVED on August 25, 2015 as amended.

Documents Distributed:

1. Draft Board Minutes of 4/28/15. (10 pages)
2. Draft Board Minutes of 5/12/15. (1 page)
3. Letter to EUTF Administrator from Atlas Regarding Insurance dated 5/22/15. (4 pages)
4. EUTF 7/1/13 OPEB Valuation, Impact of 2015 Dental Enhancement. (1 page)
5. EUTF 7/1/13 OPEB Valuation, Impact of 2015 Dental Enhancement with Additional Information dated 5/26/15. (1 page)
6. Memorandum to BOT Regarding 5/13/15 Investment Committee Meeting dated 5/21/15. (2 pages)
7. Administrator's Monthly Report to the Board from 4/23/15-5/20/15 dated 5/20/15. (2 pages)
8. EUTF Newsletter "The Trusted Source", May 2015. (2 pages)
9. EUTF Customer Service Improvement Project Survey Results received between 4/22/15 and 5/18/15. (1 page)
10. Customer Service Automated Call Distribution Report, April 2015, May 2015, July to December 2013, January to December 2014, January to May 15, 2015 (4 pages)
11. Memorandum to BOT from MSB Manager Regarding April 2015 MSB Monthly Report dated 5/20/15. (1 page)
12. Memorandum to BOT from IS Analyst Regarding April IS Operations Report dated 5/19/15. (11 pages)

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Board of Trustees Meeting

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13. Memorandum to Administrator from Program Specialist Regarding April 2015 Monthly Report dated 5/19/15. (5 pages)
14. Memorandum to BOT from Financial Management Officer Regarding Financial Services Branch Report for May 26, 2015 BOT Meeting. (1 page)
15. EUTF Enterprise (Actives) Statement of Net Position 9 Months Ended March 31, 2015 (Preliminary-Unaudited) dated 5/20/15. (2 pages)
16. EUTF Enterprise (Actives) Statement of Revenue, Expenses and Changes in Net Position 9 Months Ended March 31, 2015 (Preliminary-Unaudited) dated 5/20/15. (2 pages)
17. EUTF Agency (Retirees) – Statement of Fiduciary Net Position 9 Months Ended March 31, 2015 dated 5/19/15. (1 page)
18. EUTF Agency (Retirees) – Statement of Revenue and Expenses and Changes in Net Position 9 Months Ended March 31, 2015 (Preliminary-Unaudited) dated 5/19/15. (1 page)
19. EUTF OPEB – Statement of Net Position 9 Months Ended March 31, 2015 (Preliminary-Unaudited) dated 5/19/15. (1 page)
20. EUTF OPEB – Statement of Revenue and Expenses 9 Months Ended March 31, 2015 (Preliminary-Unaudited) dated 5/19/15. (1 page)
21. Experience Accounting of CVS Caremark Actives Self-Funded Plans Summary of FYE 6/30/2014 & FYE 6/30/2015, March, dated 5/11/15. (1 page)
22. Experience Accounting of CVS Caremark Non-Medicare Retirees Self-Funded Plan Summary of FYE 6/30/2014 & FYE 6/30/2015, March, dated 5/11/15. (1 page)
23. Experience Accounting of SilverScript Medicare Retirees Self-Funded Plan Summary of FYE 6/30/2014 & FYE 6/30/2015, March, dated 5/11/15. (1 page)
24. EUTF Year to Date Contract Plan Experience Report Contract YTD through December 2014 dated 4/28/15). (127 pages)
25. CVS Monthly Carrier Report for April 2015 dated 5/10/15. (3 pages)
26. SilverScript Monthly Carrier Report for April 2015 dated 5/7/15. (3 pages)
27. HDS Monthly Carrier Report for April 2015 dated 5/8/15. (3 pages)
28. HMSA Monthly Carrier Report for April 2015 dated 5/14/15. (2 pages)
29. Kaiser Monthly Carrier Report for April 2015 dated 5/8/15. (2 pages)
30. Royal State Insurance Monthly Carrier Reports for April 2015 (Group Term Life Plan, Chiropractic Plan, Supplemental Medical Plan,) dated 5/7/15. (6 pages)
31. UnitedHealthcare Monthly Carrier Report for April 2015 dated 5/18/15. (1 page)
32. US Able Life Monthly Carrier Report for April 2015 dated 5/8/15. (4 pages)
33. VSP Monthly Carrier Report for April 2015 dated 5/7/15. (8 pages)
34. EUTF Monthly Active and Retirees Rates Projection. (6 pages)