

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
Minutes of the Board of Trustees  
Tuesday, August 25, 2015

TRUSTEES PRESENT

Ms. Celeste Nip, Chairperson  
Ms. Julia Zeghmi, Vice Chairperson  
Ms. Audrey Hidano, Secretary-Treasurer  
Mr. Roderick Becker  
Ms. Linda Currivan Musto (left 11:07 am)

Mr. James Nishimoto (arrived 9:15 am)  
Ms. Colleen Pasco  
Dr. Virginia Pressler  
Mr. Clifford Uwaine

TRUSTEES ABSENT

Mr. Wesley Machida

ATTORNEY

Mr. Kyle Chang, Deputy Attorney General

EUTF STAFF

Ms. Sandra Yahiro, Administrator  
Mr. Derek Mizuno, Assistant Administrator  
Ms. Maria Quartero  
Mr. Adam Dreher  
Ms. Lauren Endo

Mr. Thomas Morrison, Benefits Consultant  
Ms. Linda Green  
Ms. Bonny Kahalewai  
Mr. Raymond Kan  
Ms. Donna Tonaki

OTHERS PRESENT

Ms. Marissa Adachi, HMSA  
Ms. Nikki Bassett, US Able Life  
Ms. Sandra Benevides, CVS Caremark  
Ms. Elaine Fujiwara, HDS  
Mr. John Jacobs, US Able Life  
Ms. Danielle Jones, UnitedHealthcare  
Ms. Monica Kim, VSP

Ms. Mae Kishimoto, HSTA-R  
Mr. Christopher Letoto, HMSA  
Mr. Ed McGettigan, Vanguard  
Mr. Douglas Murata, Royal State  
Ms. Brenda Shiroma, Benefit Plan Solutions, Inc.  
Mr. Troy Tomita, Kaiser

I. CALL TO ORDER

The meeting of the Board of Trustees was called to order at 9:01 a.m. by Trustee Celeste Nip, in the EUTF Conference Room, 201 Merchant Street, Honolulu, Hawaii, on Tuesday, August 25, 2015.

MOTION was made for the Board to amend the agenda to add a third appeal in Executive Session. (Pressler/Currivan Musto) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-5)

II. MINUTES

A. May 26, 2015

The Board reviewed the draft minutes of May 26, 2015. The draft minutes of May 26, 2015 is amended as follows: (1) page 2, line 44, delete "\$10 million" and add "\$34 million".

MOTION was made for the Board to approve the minutes of May 26, 2015 as amended. (Currivan Musto/Zeghmi) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-5)

B. August 7, 2015

The Board reviewed the draft minutes of August 7, 2015.

MOTION was made for the Board to approve the minutes of August 7, 2015 as circulated. (Currivan Musto/Zeghmi) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-5)

III. EXECUTIVE SESSION

MOTION was made for the Board to move into Executive Session at 9:08 a.m. as stated on the agenda. (Hidano/Pressler) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-5)

Executive Session adjourned at 11:07 a.m.

[Trustee Currivan Musto left at 11:07 a.m.]

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

1. Approved the Executive Session minutes for May 12, 2015, May 26, 2015, and August 7, 2015.
2. Approved three (3) Appeals for reinstatement of coverage.

Recessed at 11:08 a.m. and reconvened at 11:15 a.m.

IV. INVESTMENT COMMITTEE REPORT

The Investment Committee's report was in the Board's packet.

A. June 30, 2015 Performance Report Including Excess Reserves

Mr. Colin Bebee from PCA summarized the June 30, 2015 Quarterly Performance Report.

B. Investment Officer Position Update (no discussion held)

C. Update on Transition to Northern Trust for Custodial and Securities Lending Services (no discussion held)

D. Revised Investment Policy Guidelines for Northern Trust U.S. International Equity Funds

Mr. Derek Mizuno summarized the revised Investment Policy Guidelines for Northern Trust U.S. and International Equity Funds, previously approved by the Board.

MOTION was made upon the recommendation of the Investment Committee for the Board to approve the revised Investment Policy Guidelines to replace the Vanguard Total Stock Market Index Fund and the Vanguard Total International Stock Index Fund with the NT Russell 3000 Index Equity Strategy and the NT ACWI-ex US Index Equity Strategy and to change the associated benchmarks. (Zeghmi/Pressler) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

E. Passive Fund Recommendation – REIT and Core Fixed Income

Mr. Mizuno summarized the passive fund recommendation of the Investment Committee.

MOTION was made upon the recommendation of the Investment Committee for the Board to approve to replace the Vanguard Total Bond Market Index Fund (mutual fund) with the BlackRock U.S. Debt Index Fund (commingled fund) for the EUTF's passively managed U.S. fixed income strategy that tracks the Barclays U.S. Aggregate Bond Index. (Zeghmi/Pressler) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

F. 2015 Strategic Allocation Update (no discussion held)

G. Educational Presentation of Risk Premiums and Strategic Allocation (no discussion held)

H. Education Presentation on Securities (no discussion held)

V. OLD BUSINESS

A. Administrative Fee for Retirees for 1/1/16 to 12/31/16 and Actives 7/1/16 to 6/30/17

Mr. Derek Mizuno reported that if there is no motion to waive or charge an Administrative Fee, the EUTF has been notified that the Administrator has the discretion to either charge a fee or to use reserves. Ms. Sandra Yahiro stated one of the driving forces to get a decision today is the open enrollment for retirees in October and the final print for retiree reference guides are due today. If there is no decision today, the rates will be posted in the retiree reference guides without the Administrative Fee and a footnote will be added to say that the administrative fees are not in the premiums. It should not be significant because only a small amount of retirees pay a portion of their premium. Discussion held by Trustees and staff regarding alternative uses for the excess reserves, if the Board does not approve the waiver of the Administrative Fees those affected would be about 5% of retirees pay a portion of the premiums and looking at the dollar amount 99% are paid by the employers.

Recessed at 11:33 a.m. and reconvened at 11:43 a.m.

MOTION was made for the Board to not charge the EUTF administrative fee for the active employee plan year for the period 7/1/16 to 6/30/17. (Uwaine/Zeghmi)

Discussion was held by the Trustees, staff, and benefits consultant that the dollar amount to fund the administrative fee for active employees for one year would be approximately \$4 million and if the Board waives the fee, it would come from the excess reserves. A Trustee expressed concern related to using excess reserves for this purpose when the unfunded liability is approximately \$11 billion. Discussion was held by Trustees, staff, and benefits consultant regarding pros/cons for the EUTF and employer if waiver approved to use excess reserves, by statute (HRS Chapter 87A-31.5) reserves cannot to be returned to employer. Further discussion was held by the Trustees, staff, and benefits consultant regarding concerns how it would be possible for the Administrator to make decisions when the Board took no position and if the motion needs to be amended. Mr. Kyle Chang explained the options for a motion to waive or charge an administrative fee. Discussion held by Trustees, staff, and benefits consultant how the administrative fee is used through the EUTF budget.

Motion Restated

MOTION was made for the Board to not charge the EUTF administrative fee for the active employee plan year for the period 7/1/16 to 6/30/17. (Uwaine/Zeghmi) The motion failed. (Employer Trustees-4 NO-Becker, Hidano, Nishimoto, Pressler/Employee-Beneficiary Trustees-4 YES-Nip, Pasco, Uwaine, Zeghmi)

- B. Additional Other Post Employment Benefits (OPEB) Liability As a Result of Increasing the Retiree Dental Maximum  
[Trustee Nishimoto left at 12:03 p.m.]

Mr. Mizuno summarized the background information regarding the estimated increase in the OPEB actuarial accrued liability related to the increase in the retiree dental plan maximum benefit from \$1,000 to \$2,000. For the Board's information, via conference call, Mr. Joe Newton of Gabriel, Roeder, Smith & Company (GRS) reported that the formal estimate is \$34 million, approximately half of one percent. The Administrator stated that going forward, when increasing benefits, the EUTF staff will first request the Board to approve to pay GRS for a formal estimate that would be more accurate before decision making.

VI. NEW BUSINESS

- A. Administrative Rule Changes – Rules 3.01(b)(3), 4.10, 4.11(b) and 4.13(b)

Mr. Derek Mizuno summarized the recommended Administrative Rule changes.

[Trustee Nishimoto returned at 12:13 p.m.] Discussion held by Trustees and staff regarding the procedures for filing EUTF Administrative Rule changes and the proposed Administrative Rule changes.

MOTION was made for the Board to approve the recommended Administrative Rules changes to Rules 3.01(b)(3), 4.10, 4.11(b) and 4.13(b) as amended to increase the time that members have to submit payment from 14 to 30 calendar days for coverage reinstatement and to change the eligibility requirement for reinstatement that the member not have had a termination for non-payment from 18 to 12 months. (Uwaine/Uwaine) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

B. Administrative Rule Changes – Rules 4.05(b), 5.01(d) and 5.02(a)

Mr. Mizuno summarized the recommended Administrative Rule changes. Discussion held by Trustees and staff regarding the proposed Administrative Rule changes.

MOTION was made for the Board to approve the recommended Administrative Rules changes to Rules 4.05(b), 5.01(d) and 5.02(a). (Pressler/Uwaine) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

C. Legislative Proposals for 2016 Legislative Session

Mr. Mizuno summarized the EUTF staff's legislative proposals. Discussion held by Trustees and staff regarding the legislative proposals. [Trustee Uwaine left at 12:43 p.m.]

MOTION was made for the Board to support amending HRS 87A-24 to expand the permissible EUTF investment classes to match those of the ERS, along with the correction of typographical errors. (Hidano/Zeghmi) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

[Trustee Uwaine returned at 12:44 p.m.]

MOTION was made for the Board to support amending HRS 87A-1, amend the definition of a child to exclude children born to a surviving spouse ten or more months after the death of the employee or retiree as recommended. (Hidano/Pressler) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

MOTION was made for the Board to support extending the sunset date of Act 027, SLH 2014 to July 1, 2018 as recommended. (Hidano/Uwaine) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

MOTION was made for the Board to support changing the time period when determining the base monthly contribution increase as recommended. (Pressler/Nishimoto) The motion failed. (Employer Trustees-4 YES-Becker, Hidano, Nishimoto, Pressler/Employee-Beneficiary Trustees-4 NO-Nip, Pasco, Uwaine, Zeghmi)

- D. GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans and GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions  
Mr. Mizuno summarized the article on “GASB in Focus” on GASB Statement Nos. 74 and 75.

## VII. REPORTS

### A. Administrator

1. Vitech Modified Phase II (no discussion held)
2. Expanding EUTF’s Office Space  
Mr. Sandra Yahiro reported that the office lease for the 16<sup>th</sup> and 17<sup>th</sup> floors has been executed.
3. EUTF Website Review (no discussion held)
4. Vitech Rebill Issue (no discussion held)
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 (no discussion held)
8. EUTF Strategic Plan, Including Vision and Mission Statements (no discussion held)
9. Wellness (no discussion held)
10. Death Validation Project (no discussion held)
11. Active Employees Open Enrollment 2015  
Ms. Yahiro reported that statistics have been provided in the Board’s packet.
12. Direct Deposit Project  
Ms. Yahiro reported that there are retirees that are not required to do a direct deposit authorization (DDA) but because it is expensive to issue paper checks, the EUTF will be sending letters encouraging those retirees to submit a DDA.
13. Adult Disabled Child Project  
Ms. Yahiro reported that there are approximately 518 adult disabled children that range from ages 19 to 72. In many cases, the EUTF does not have any disability certifications in their file, and the EUTF will be doing a project to update their disability information.

Due to lack of quorum, the following items are deferred.

### A. EUTF Managers’ and Program Specialist Operational Reports

The Managers’ and Program Specialist Operational reports were in the Board’s packet.

1. Member Services Branch (MSB)
  - a. MSB Data
  - b. MSB Staffing Update
  - c. Carrier Reports

- d. Retiree Open Enrollment for Calendar 2016
2. Information Systems (IS)
    - a. V3 BAS Modified Phase II (Employer File Feed)
    - b. Microsoft Office 365 Conversion
    - c. Oracle Database Upgrade and Encryption
    - d. EUTF Local Area Network Server and Workstation Encryption
    - e. EUTF IS Vacancies
    - f. Enrollment Counts
  3. Program Specialist's Report
    - a. Wellness Benefits
    - b. Disease Management (DM) Services
    - c. Population Health Data Report
    - d. Plan Audits
    - e. Transition From One Vendor to Another
  4. Financial Services Branch
    - a. Management Letter Corrective Action Plan Status
    - b. Transition to New Custodian Effective July 1, 2015
    - c. Financial Audit for Fiscal Year Ending 2015
    - d. Financial Service Branch Staffing Update
    - e. Financial Statements as of June 30, 2015
- C. Segal
1. June 30, 2015 Experience Report
  2. Performance Standards Compliance Report
  3. Legislative Updates
  4. IBNR
- D. Carrier Reports
1. CVS Caremark  
Written report submitted.
  2. SilverScript  
Written report submitted.
  3. Hawaii Dental Service (HDS)  
Written report submitted.
  4. Hawaii Medical Service Association (HMSA)  
Written report submitted.
  5. Kaiser Health Foundation

Written report submitted.

6. Royal State Insurance  
Written report submitted.
7. UnitedHealthcare  
Written report submitted.
8. US Able Life  
Written report submitted.
9. Vision Service Plan (VSP)  
Written report submitted.

VIII. FUTURE AGENDA ITEMS DISCUSSION AND NEXT MEETING DATE

- A. September 22, 2015, 9:00 a.m. – Regular Board Meeting  
The next regular Board meeting is scheduled for September 22, 2015.

IX. ADJOURNMENT

Due to lack of quorum, the meeting adjourned at 1:00 p.m.

Respectfully submitted,

/s/

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Audrey Hidano, Secretary-Treasurer

APPROVED on September 21, 2015 as amended.

Documents Distributed:

1. Draft Board Minutes of 5/26/15. (8 pages)
2. Draft Board Minutes of 8/7/15. (4 pages)
3. Memorandum to BOT from Investment Committee Regarding 8/11/15 Investment Committee Meeting dated 8/18/15. (2 pages)
4. Memorandum to BOT from Administrator Regarding EUTF Administrative Fee dated 7/31/15. (5 pages)
5. Memorandum to BOT from Administrator Regarding Unreserved, Unrestricted Net Assets dated 8/19/15. (2 pages)
6. Memorandum to BOT from Administrator Regarding Proposed Administrative Rules Changes – Cancellation for Non-Payment and Adult Disabled Children dated 7/28/15. (5 pages)
7. Memorandum to BOT from Administrator Regarding Proposed Administrative Rules Changes

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- 4.05(b), 5.01(d) and 5.02(a) – Enrollment Form Deadline for Newborns dated 8/18/15. (3 pages)
8. Memorandum to BOT from Administrator Regarding Proposed 2016 Legislation dated 8/18/15. (27 pages)
9. Article on “GASB In Focus” dated 6/29/15. (3 pages)
10. Administrator’s Monthly Report to the Board from 7/23/15-8/19/15 dated 8/19/15. (3 pages)
11. EUTF Customer Service Improvement Project Survey Results from 7/22/15-8/18/15. (1 page)
12. Customer Service Automated Call Distribution Report for July 2015, August 2015, July to December 2013 and January to December 2014, and January to August 16, 2015 dated 8/17/15. (4 pages)
13. Enrollment Changes Due to Open Enrollment dated 7/7/15. (3 pages)
14. Active EUTF Employee Medical Plans; Tiers; Dental & Vision Plans; Medical & Prescription Drug Plans, Retiree Medical Tiers; Dental & Vision Plans (subscribers only). [17 pages]
15. Chart on HMSA 90/10 or 80/20 Plans. (2 pages)
16. EUTF Disability Certification for Dependent Children Form Revised 8/6/15. (1 page)
17. Memorandum to BOT from MSB Manager Regarding July 2015 MSB Monthly Report dated 8/17/15. (2 pages)
18. Memorandum to BOT from IS Analyst Regarding July IS Operations Report dated 8/17/15. (11 pages)
19. Memorandum to Administrator from Program Specialist Regarding July 2015 Monthly Report dated 8/17/15. (6 pages)
20. Memorandum to BOT from Financial Management Officer Regarding Financial Services Branch Report for August 25, 2015 BOT Meeting. (2 pages)
21. EUTF Enterprise (Actives) Statement of Net Position 12 Months Ended June 30, 2015 (Preliminary-Unaudited) dated 8/19/15, EUTF Enterprise (Actives) Statement of Revenue, Expenses and Changes in Net Position 12 Months Ended June 30, 2015 (Preliminary-Unaudited) dated 8/19/15, EUTF Agency (Retirees) – Statement of Fiduciary Net Position 12 Months Ended June 30, 2015 dated 8/19/15, EUTF Agency (Retirees) – Statement of Revenue and Expenses and Changes in Net Position 12 Months Ended June 30, 2015 (Preliminary-Unaudited) dated 8/19/15. (1 page), EUTF OPEB – Statement of Net Position 12 Months Ended June 30, 2015 (Preliminary-Unaudited) dated 8/19/15, EUTF OPEB – Statement of Revenue and Expenses 12 Months Ended June 30, 2015 (Preliminary-Unaudited) dated 8/19/15. (6 pages)
22. Experience Accounting of CVS Caremark Actives Self-Funded Plans Summary of FYE 6/30/2014 & FYE 6/30/2015, June, dated 8/19/15. (1 page)
23. Experience Accounting of CVS Caremark Non-Medicare Retirees Self-Funded Plan Summary of FYE 6/30/2014 & FYE 6/30/2015, June, dated 8/19/15. (1 page)
24. Experience Accounting of SilverScript Medicare Retirees Self-Funded Plan Summary of FYE 6/30/2014 & FYE 6/30/2015, June, dated 8/19/15. (1 page)
25. Memorandum to BOT from Segal Regarding Performance Guarantee Reporting for the First Quarter of 2015 dated 8/19/15. (16 pages)
26. Memorandum to BOT from Segal Regarding June 30, 2015 IBNR Calculation dated 7/29/15. (2 pages)
27. EUTF Year to Date Contract Plan Experience Report Contract YTD through March 2015 dated 8/25/15. (130 pages)

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28. CVS Monthly Carrier Report for July 2015 dated 8/10/15. (11 pages)
29. SilverScript Monthly Carrier Report for July 2015 dated 8/7/15. (3 pages)
30. HDS Monthly Carrier Report for July 2015 dated 8/10/15. (2 pages)
31. HMSA Monthly Carrier Report for July 2015 dated 8/14/15. (3 pages)
32. Kaiser Monthly Carrier Report for July 2015 dated 8/10/15. (2 pages)
33. Royal State Insurance Monthly Carrier Reports for July 2015 (Chiropractic Plan, Supplemental Medical Plan,) dated 8/7/15. (4 pages)
34. UnitedHealthcare Monthly Carrier Report for July 2015 dated 8/10/15. (1 page)
35. US Able Life Monthly Carrier Report for July 2015 dated 8/10/15. (2 pages)
36. VSP Monthly Carrier Report for July 2015 dated 8/10/15. (8 pages)