

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Benefits Committee Meeting
April 10, 2013

TRUSTEES PRESENT

Ms. Barbara Krieg, Chairperson
Ms. Linda Currivan Musto

Ms. Karolyn Mossman
Mr. Luis Salaveria

TRUSTEES ABSENT

Ms. Loretta Fuddy
Mr. Clifford Uwaine

ATTORNEY

Mr. Kyle Chang, Deputy Attorney General

EUTF STAFF

Ms. Sandra Yahiro, Acting Administrator
Ms. Donna Tonaki
Ms. Maria Quartero

Ms. Lauren Endo
Ms. Bonny Kahalewai

OTHERS PRESENT

Ms. Sandra Benevides, CVS Caremark
Ms. Alison Carvalho, HDS
Ms. Connie Kaneshiro, C&C, BFS
Ms. Lynne Miura, Royal State

Ms. Lori Nishimura, C&C, HR
Mr. Vaughn Tokashiki, HSTA-R
Mr. Troy Tomita, Kaiser Permanente
Ms. Pamela Young, C&C, BFS

I. CALL TO ORDER

The meeting of the Benefits Committee was called to order at 9:30 a.m. by Trustee Barbara Krieg, Chairperson, in EUTF Conference Room, City Financial Tower, Honolulu, Hawaii, on Wednesday, April 10, 2013.

II. NEW BUSINESS

A. Other Post Employment Benefits (OPEB) and its Impact on the Operations of the EUTF

Chair Krieg announced that the Board authorized the Benefits Committee to take the lead in examining issues related to OPEB. Mr. Luis Salaveria gave the Committee an educational presentation on OPEB (speaking as the Deputy Director of Finance). Discussion held by Trustees and Mr. Salaveria regarding the OPEB presentation. Mr. Salaveria, as Deputy Director of Finance is asking what the fiduciary responsibility of the EUTF Board is when it comes to unfunded liability. The Board needs to be aware there are pressures on people who fund the health benefit plans that the EUTF provides to the EUTF beneficiaries. As a deputy, Mr. Salaveria is asking where the Board feels their responsibility lies. As a Funder of the premiums for the State, this is not a sustainable path of public expenditure. How does it impact the EUTF Board's role going forward. Discussion held by Mr. Salaveria and member of the public, Mr. Vaughn Tokashiki, regarding how the recent investments fit into the unfunded liability. Mr. Salaveria stated that it offsets the liability for those employers

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who pre-funded. Discussion held by Trustees and staff regarding EUTF monies invested in the State pool in the auction rates security. Mr. Salaveria stated that money was not lost, anyone that was part of the investment folder was illiquid but the auction rates security were earning a higher rate of return. Ms. Donna Tonaki stated there is a disclosure in the EUTF Financial Statement which she will point out at the next Committee meeting on how much was allocated for the Investment pool for the EUTF. Discussion held by Trustees and staff regarding the OPEB money that is being invested and surplus money still invested in the State's pool. Chair Krieg and Trustee Mossman stated that the Investment Committee should review those investments. Discussion held by Trustees and Mr. Salaveria regarding operational funds investments and that the Administration put it in the biennium budget to pre-fund \$200 million and the legislature has agreed to it. Discussion held by Trustees and staff that the EUTF would be in a position to manage an additional \$200 million of the State's pre-funding but the Board would need to take a more active role in investments for EUTF. However with the additional monies there are opportunities for fraud and need to establish better internal controls. The Committee discussed making sure plan designs are cost efficient without diminishing basic obligations to beneficiaries and better communication and education to members to keep costs down, and to begin discussions on Request for Proposals (RFP) for health benefits (self-funded or fully-funded plans).

Recessed at 11:05 a.m. and Reconvened at 11:10 a.m.

Discussion held by Trustees and staff regarding where the Benefits Committee should go from here. Mr. Kyle Chang stated the Investment Committee is not a standing committee and the Administrative Committee is recommending making that change. Discussion held by Trustees and staff to establish an Internal Audit Committee and concerns expressed that Trustees do not have expertise in that area and how it relates to OPEB, and the roles of the EUTF committees.

There being no objections by the Trustees, the OPEB presentation will be presented to the Board at the next Board meeting or earlier if the Board is available. Internal controls will be an agenda item for the Administrative Committee after the Acting Administrator submits a recommendation.

Discussion held by Trustees, staff, and deputy attorney general that committee members cannot be from the outside. The wellness program would be an effective way to control costs for active employees and retirees and for the Board to take an active role.

III. ADJOURNMENT

There being no objections by the Trustees, the meeting adjourned at 11:35 a.m.

Respectfully submitted,

/s/

Barbara Krieg, Chairperson

APPROVED on June 18, 2013 as amended.

DOCUMENTS DISTRIBUTED:

1. State of Hawaii, Department of Budget & Finance, OPEB Unfunded Liability Presentation dated April 10, 2013. (8 pages)