

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Tuesday, August 26, 2014

TRUSTEES PRESENT

| | |
|---|-------------------------------------|
| Mr. Luis Salaveria, Chairperson | Ms. Barbara Krieg (arrived 9:04 am) |
| Ms. Maria Zielinski, Vice Chairperson | Ms. Karolyn Mossman |
| Ms. Linda Currivan Musto, Secretary-Treasurer | Ms. Celeste Nip |
| Ms. Audrey Hidano | Mr. Clifford Uwaine |
| Mr. Dean Hirata | Ms. Julia Zeghmi |

TRUSTEES ABSENT: None

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 | Mr. Lloyd Kishi, Healthways |
| Mr. Gary Asato, HDS | Ms. Mae Kishimoto, HSTA-R |
| Ms. Irene Bayudan, VSP | Ms. Melissa Kunitake, Kaiser |
| Ms. Sandra Benevides, CVS Caremark | Mr. Teruo Nagasako, HMSA |
| Mr. Andrew Elliott, CVS Caremark | Mr. Kimo Palakiko, HGEA-R |
| Mr. Christian Fern, HMSA | Mr. Dan Purcell, Public |
| Ms. Elaine Fujiwara, HDS | Mr. Neil Rue, PCA |
| Mr. John Jacobs, USable Life | Mr. Troy Tomita, Kaiser |
| Ms. Kristi Katayama, USable Life | |

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 9:02 a.m. by Trustee Luis Salaveria, Chairperson, in the EUTF Conference Room, 201 Merchant Street, Honolulu, Hawaii, on Tuesday August 26, 2014.

Chairperson Salaveria recognized and congratulated Ms. Bonny Kahalewai as Budget & Finance (B&F) Employee of the Year. Ms. Kahalewai will represent B&F in the State's Employee of the Year ceremony on October 3, 2014.

II. MINUTES

MOTION was made for the Board to approve to amend the agenda to change agenda item II.A. Minutes from July 15, 2014 to June 24, 2014. (Nip/Hidano) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

[Trustee Krieg arrived at 9:04 a.m.]

A. ~~July 15, 2014~~ June 24, 2014

The minutes of June 24, 2014 were emailed earlier and distributed to the Board for review.

MOTION was made for the Board to approve the minutes of June 24, 2014 as circulated. (Hirata/Krieg) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

III. COMMITTEE REPORTS

1. Investment Committee

a. Evolving Policy Portfolio Plan

Trustee Hirata summarized the updated evolving policy portfolio plan. The Investment Committee recommends the Board approve the updated evolving policy portfolio plan at the next Board meeting.

b. Microcap Equity Manager Search – Finalist Recommendation

Trustee Hirata summarized the microcap equity manager search. Interviews of the four finalists were held at the August 19, 2014 Investment Committee meeting.

c. Investment Policy Statement

Trustee Hirata summarized the revisions to the investment policy statement. The Investment Committee recommends the Board approve the updated investment policy statement at the next Board meeting.

d. June 30, 2014 Performance Report

e. June 30, 2014 Excess Reserves Performance Report

Mr. Neil Rue from PCA summarized the June 30, 2014 Quarterly Performance report and the Excess Reserves Performance report. Discussion held by Trustees, staff, and investment consultant regarding performance.

f. Discussion on Socially Responsible Investing and Proxy Voting

Trustee Hirata summarized the discussion on socially responsible investing and proxy voting. Discussion held by Trustees, staff, investment consultant, and members of the public on socially responsible investing.

g. Bank of Hawaii Custodial Contract

This item will be discussed in Executive Session.

h. Selection of Microcap Strategy Investment Managers

This item will be discussed in Executive Session.

2. Administrative Committee

a. Accounts Receivable Cycle – Monitoring and Control Activities

Ms. Sandra Yahiro reported the EUTF Internal Controls will be completed if the EUTF collection procedures are approved by the Board.

Mr. Derek Mizuno summarized the EUTF collection procedures. The Administrative Committee recommends the Board approve the EUTF collection procedures. Discussion held by Trustees and staff regarding the EUTF procedures.

MOTION was made upon the recommendation of the Administrative Committee for the Board to approve the EUTF collection procedures. (Hidano/Hirata) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

b. Calendar of Important Events

Ms. Yahiro summarized the calendar of important events. The strategic planning project is on-going. The Administrator will add the financial audit schedule, border lines, and dates to the calendar of important dates. The Trustees will inform the Administrator if they have any additions or changes.

c. Options for Use of Unrestricted Assets

Mr. Mizuno summarized the options for use of unrestricted assets, such as a granting a premium holiday, granting a rate reduction, granting a refund, funding the OPEB Trust, and holding the unrestricted assets for later use and, in the interim, investing the assets in the EUTF Reserve Pool. Mr. Mizuno also summarized the financial impact of each of these options. The Trustees also considered the impact of strategic planning initiatives.

MOTION was made upon the recommendation of the Administrative Committee for the Board to approve that the unrestricted and unreserved net assets be held for later use and, in the interim, be invested in the EUTF Reserve Pool (Vanguard Short Term Corporate Bond Fund). (Mossman/Hidano) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

d. EUTF Office Space

Ms. Yahiro summarized the proposed leases for EUTF office space. The Administrative Committee recommends the Board approve approximately \$51,744 to lease additional office space on the 16th floor for the period December 2014 to June 2015, and approximately \$60,000 for modular furniture for 12 cubicles. Discussion held by Trustees, staff, and a member of the public regarding DAGS leases.

MOTION was made upon the recommendation of the Administrative Committee for the Board to approve approximately \$51,744 to lease additional office space on the 16th floor for the period December 2014 to June 2015, and approximately \$60,000 for modular furniture for 12 cubicles, contingent upon the execution of the 15th floor lease. (Uwaine/Mossman) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

e. 2015 Proposed Legislation

Ms. Yahiro reported that the Committee recommends the Board to approve the draft legislative proposal to the 2015 Legislature to amend Chapter 87A to allow investments into classes that mirror those of the ERS as presented to the Committee.

MOTION was made upon the recommendation of the Administrative Committee for the Board to approve the draft legislative proposal to the 2015 Legislature to amend Chapter 87A to allow investments into classes that mirror those of the ERS as presented to the Committee. (Hidano/Currivan Musto) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

f. Pharmacy Benefit Manager Claims Audit Request for Proposal

This item will be discussed in Executive Session.

IV. NEW BUSINESS

A. Retirees Receiving Medicare Part B Reimbursements and Also Enrolled in the Medicare Saving Program (MSP)

Ms. Yahiro reported that Quest cannot share files with the EUTF due to federal restrictions. The EUTF sent a memorandum to approximately 550 retirees that would most likely be in the Medicare Savings Program. The deadline for retirees to respond to this memorandum is September 5, 2014. Ms. Yahiro summarized the responses received to date and the procedures for suspending Medicare Part B reimbursement if no response is received after a second memorandum is sent. Discussion held by Trustees and staff regarding the retirees who responded that they are enrolled in MSP. Concern was expressed regarding State agencies not sharing information with each other. Ms. Yahiro informed the Board that she was advised that Quest cannot share EUTF's requested information due to a federal law or rule, not a State law or rule. No action needed.

B. Healthcare Transformation Sub-Committee

Chairperson Salaveria asked how does the EUTF become a significant part of healthcare transformation and stated that the EUTF should form a subcommittee. Discussion held by Trustees and staff on the pros and cons of creating a subcommittee, and how the subcommittee would differ from the Benefits Committee. There being no objections by the Trustees, this item is deferred until the next Board meeting.

Ms. Yahiro reported that the EUTF will use Ms. Donna Ching again to get EUTF staff input on the mission and vision statements before finalizing. The target date for the meeting with Donna Ching is September 26, 2014. Discussion held by Trustees and staff regarding notes from the Strategic Planning meeting. Trustees Hidano and Zielinski expressed concerns why the EUTF secretary is typing notes instead of Ms. Donna Ching who is more equipped and knowledgeable in the area.

V. Reports

A. Administrator

1. Vitech Modified Phase II (no discussion held)
2. Administrative Rules Revision Project
Ms. Yahiro reported that the EUTF Administrative Rules have been approved, filed by the Lt. Governor's office, and posted on the EUTF website. The EUTF staff will conduct briefings for the Departmental Personnel Officers (DPOs) on the Rules changes. Discussion held by Trustees and staff to invite unions to the sessions.
3. Medicare Death Validation Project Update
Ms. Yahiro reported there were 81 matches (36 with Medicare Part B reimbursements) from the second file from Department of Health (DOH) and that this project is very successful. The Administrator will add "validations" after "All deaths".
4. Direct Deposit Project Update (no discussion held)
5. Affordable Care Act Implementation (no discussion held)
6. Expanding EUTF's Office Space (discussed earlier on agenda)
7. EUTF's Internal Controls (discussed earlier on agenda)
8. Premium/Rate Splits Different Between Bargaining Units and Between Employers (no discussion held)
9. Business Associate Agreement (BAA) with Department of Accounting & General Services (DAGS) and Employees Retirement System (ERS) [no discussion held]
10. EUTF Website Review (no discussion held)
11. Vitech Rebill Issue (no discussion held)
12. HB65, Act 226 SLH2013 – Mandatory Mail
Ms. Yahiro summarized the update received from CVS Caremark related to additional costs due to HB65 which is approximately \$6 million as of June 31, 2014.
13. Customer Service Improvement Project (no discussion held)
14. Other Post Employment Benefits (OPEB) Actuarial Valuation (no discussion held)
15. Health Benefit Plans Claims Audits (no discussion held)

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16. Retroactive Rate Changes – BU's 00, 10, 12 and 13

Ms. Yahiro stated there is a correction under the "Next Steps" column, add "August 20, 2014 refunds were made for 520 terminated employees" and delete "EUTF is working with DAGS to process refunds for approx. 520 terminated employees who paid their premiums pre-tax."

17. Converting From Lotus Notes to Office 365 (no discussion held)

18. New Phone System (no discussion held)

19. Halau Lokahi Charter School (no discussion held)

20. Medicare Savings Program (discussed earlier on agenda)

21. Duplicate Checks Issued by Bank of Hawaii (no discussion held)

22. Retiree Open Enrollment

The EUTF Retiree Benefit Plans Reference Guide (EUTF and HSTA VB) Effective 1/1/15-12/31/15 was distributed to the Trustees.

23. Pension Consulting Alliance's Draft Report "Study of Potential EUTF/ERS Investment Consolidation (Act 268 2013) [no discussion held]

B. EUTF Managers' and Program Specialist Operational Reports

1. Member Services Branch (MSB) [no discussion held]

a. MSB Data Update (no discussion held)

b. MSB Staffing Level Update

Discussion held by Trustees and staff regarding staffing. An Enrollment Technician position was filled but person decided not to take position. An 89-day hire will fill that position shortly.

c. Carrier Reports for the Month of June and July (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. Conversion to New VPN Remote Access Connection for Vitech (no discussion held)

h. V3 Batch Server Hard Disk Replacement (no discussion held)

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i. Active Open Enrollment 2014 Plan Movement Report
Ms. Yahiro summarized the active Open Enrollment 2014 plan movement report.

j. Enrollment Counts (no discussion held)

- 3.
3. EUTF Program Specialist
- a. Wellness Initiatives (no discussion held)
 - b. Prescription Drug Claim Auditing Services Request for Proposal (no discussion held)
 - c. Implementation of the UnitedHealthcare Medicare Advantage Plan (no discussion held)
 - b. Implementation of the Retiree USable Life Insurance Plan (no discussion held)
4. Financial Services Branch
- a. Financial Audit (FY2014) [no discussion held]
 - b. Analysis of Excess of Cash and Unrestricted Net Assets (discussed earlier on agenda)
 - c. Retroactive Bargaining Unit Rate Changes Effective July 1, 2013 (BU 10, 12, 13) [no discussion held]
 - d. Personnel for Financial Services Branch
Ms. Donna Tonaki reported that an updated organization chart for the Financial Services Branch was approved by B&F. The organization chart will be sent to the Department of Human Resources Development (DHRD) and then to the Hawaii Government Employees Association (HGEA) for consultation.
 - e. Financial Statements as of June 30, 2014
Ms. Tonaki summarized the financial statements as of June 30, 2014. Discussion held by Trustees, staff, and benefits consultant regard amounts received from employers for OPEB.
- C. Carrier Reports
- 1. CVS Caremark
Written reports received.
Discussion held by Trustee Currivan Musto and Ms. Sandra Benevides regarding the specialty preferred drug.
 - 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 10:59 a.m. for the reasons stated on the agenda. (Currivan Musto/Krieg) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

Executive Session adjourned at 12:10 p.m.

Chairperson Salaveria reported that the Board has taken the following action in Executive Session:

1. Approved five (5) Appeals for late enrollment of newborns.

VII. FUTURE AGENDA ITEMS DISCUSSION AND NEXT MEETING DATE

A. September 23, 2014, 9:00 a.m. – Regular Board Meeting

VIII. ADJOURNMENT

MOTION was made for the Board to adjourn meeting at 12:11 p.m. (Currivan Musto/Mossman) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

Respectfully submitted,

/s/

Linda Currivan Musto, Secretary-Treasurer

APPROVED on September 23, 2014.

Documents Distributed:

1. Draft Board Minutes of 6/24/14. (8 pages)
2. Memorandum to BOT from Investment Committee Regarding 7/28/14 Investment Committee Meeting dated 8/21/14. (2 pages)
3. Memorandum to BOT from Investment Committee Regarding 8/19/14 Investment Committee Meeting dated 8/21/14. (1 page)

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4. Memorandum to BOT from Administrative Committee Regarding 8/22/14 Administrative Committee Meeting dated 8/25/14. (18 pages)
5. Administrator's Monthly Report to the Board from 7/11/14 – 8/20/14 dated 8/20/14. (6 pages)
6. EUTF YTD Act 226 Cost Impact Summary-Estimated dated 8/18/14. (11 pages)
7. Customer Service Automated Call Distribution Report, July to December 2013 & January to 8/17/14 and July 2014-August 2014 dated 8/18/14. (3 pages)
8. EUTF Customer Service Improvement Project Survey Results received between 7/28/19-8/19/14. (1 page)
9. Bank of Hawaii, Duplicate Checks Status Report as of 8/19/14. (1 page)
10. EUTF Retiree Benefit Plans Reference Guide (EUTF and HSTA VB) Effective 1/1/15-12/31/15. (80 pages)
11. Memorandum to BOT from MSB Manager Regarding MSB Operations Report dated 8/14/14. (1 page)
12. Memorandum to BOT from IS Analyst Regarding July IS Operations Report dated 8/18/14. (19 pages)
13. Memorandum to BOT from Program Specialist Regarding July 2014 Monthly Report dated 8/18/14. (1 page)
14. Memorandum to BOT from Financial Management Officer Regarding Financial Services Branch Report for August 26, 2014 BOT Meeting. (1 page)
15. EUTF Statement of Net Assets – Fiscal Year Ending June 30, 2014 (Unaudited) for Current Month 6/30/14 dated 8/21/14. (2 pages)
16. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison 12 Months Ended 6/30/14 (Unaudited) dated 8/21/14. (2 pages)
17. Experience Accounting of CVS Caremark Actives Self-Funded Plans Summary of FYE 6/30/2013 & FYE 6/30/2014 up to June 2014 dated 8/25/14. (1 page)
18. Experience Accounting of CVS Caremark Non-Medicare Retirees Self-Funded Plan Summary of FYE 6/30/2013 & FYE 6/30/2014 through 6/30/14 dated 8/25/14. (1 page)
19. Experience Accounting of SilverScript Medicare Retirees Self-Funded Plan Summary of FYE 6/30/2013 & FYE 6/30/2014 through 6/30/14 dated 8/25/14. (1 page)
20. Letters to Employee-Beneficiaries from CVS Caremark Regarding Prescription Drugs. (6 pages)
21. CVS Monthly Carrier Report for July 2014 dated 8/10/14. (11 pages)
22. SilverScript Monthly Carrier Report July 2014 dated 8/10/14. (6 pages)
23. HDS Monthly Carrier Report for July 2014 dated 8/7/14. (3 pages)
24. HMSA Monthly Carrier Report for June 2014 dated 7/15/14. (2 pages)
25. HMSA Monthly Carrier Report for July 2014 dated 8/15/14. (3 pages)
26. Kaiser Monthly Carrier Report for June 2014 dated 7/10/14. (2 pages)
27. Kaiser Monthly Carrier Report for July 2014 dated 8/11/14. (2 pages)
28. Royal State Insurance Monthly Carrier Reports for July 2014 (Group Term Life Plan, Chiropractic Plan, Supplemental Medical Plan,) dated 8/5/14. (6 pages)
29. VSP Monthly Carrier Report for July 2014 dated 8/6/14. (9 pages)