I. CALL TO ORDER
The regular meeting of the Board of Trustees was called to order at 9:00 a.m. by Trustee Linda Currivan Musto, Chairperson, in the EUTF Conference Room, 201 Merchant Street, Honolulu, Hawaii, on Tuesday, August 27, 2013.

II. MINUTES
A. May 28, 2013
The Board reviewed the draft minutes of May 28, 2013.

MOTION was made for the Board to approve the minutes of May 28, 2013 as circulated. (Fuddy/Krieg) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)
B. June 25, 2013
The Board reviewed the draft minutes of June 25, 2013. The minutes will be amended as follows: (1) page 3, line 21, after “to” add “be”; and (2) page 3, line 32, change “contract” to “contact”.

MOTION was made for the Board to approve the minutes of June 25, 2013 as amended. (Hirata/Krieg) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)

C. July 23, 2013
The Board reviewed the draft minutes of July 23, 2013. The minutes will be amended as follows: (1) under Trustees Present add “Ms. Barbara Krieg” and “Ms. Karolyn Mossman”.

MOTION was made for the Board to approve the minutes of July 23, 2013 as amended. (Krieg/Salaveria) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)

III. NEW BUSINESS
A. Eliminating Separate Rates for Bargaining Unit 12, Police Officers
Acting Administrator Yahiro explained to the Board that during the last Benefits Committee meeting the subject of combining the BU12 rates with the rest of the bargaining units was discussed and the Committee felt it would be best to put the subject on the August Board meeting agenda for full public discussion. Segal provided the Board a memorandum that stated if the SHOPO rates were combined with the other bargaining units, SHOPO’s rates would increase by approximately 14.4%, while all other rates would decrease 1.1%. Mr. Morrison, Segal, indicated the overall cost of the plans would be revenue neutral. There was discussion on when this proposal would take effect and it was stated that the intent is to combine the rates in the upcoming Request for Proposals. Trustee Krieg, Benefits Committee Chair, stated that the Committee discussed how to keep the most competitive and lowest possible rates for the greatest number of participants.

The Chair asked if there was any public input. Mr. Tenari Maafala, SHOPO President, asked to speak. He introduced his fellow police officers who also gave oral testimony: Sgt. James “Kimo” Smith, Sgt. Michael Bates, and Detective Bryson Ponce. Mr. Maafala informed the Board of his concern that no one from EUTF reached out to SHOPO to inform them this subject was on the Board agenda. He informed the Board of SHOPO’s concern if the Board were to combine SHOPO’s rates with all of the other bargaining units’ rates. Mr. Maafala informed the Board of the sacrifices that police offers and their families make and the additional costs to the SHOPO members will pay if the rates are combined.
MOTION was made for the Board to approve to combine SHOPO rates with the EUTF rates. (Krieg/Hidano)

The Board again discussed the cost of combining rates – the end result being revenue neutral. Mr. Morrison stated that SHOPO is the only bargaining unit that has its own rates; except for the HSTA VB plans. Mr. Morrison stated they have separates plans and rates as a result of a judge’s decision/order back in 2010. After additional discussion Trustee Krieg withdrew her motion and Trustee Hidano withdrew her second.

MOTION was made for the Board to approve for the upcoming Request for Proposals to include both a separate rate for SHOPO and a combined rate (SHOPO and all other bargaining units). (Fuddy/Hirata)

Trustee Krieg stated she wanted to be sure that if the Board ends up having one combined rate it would not be a problem since a previous Board had voted to allow separate SHOPO rates. Mr. Morrison stated it will be the evaluation committee’s decision and then recommendation to the full Board, as was done in prior Request for Proposals, whether to have separate SHOPO rates or combine the rates.

Motion was restated.

MOTION was made for the Board to approve for the upcoming Request for Proposals to include both a separate rate for SHOPO and a combined rate (SHOPO and all other bargaining units). (Fuddy/Hirata) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)

B. Rates for Retirees for Self-Insured Prescription Drug Plan Effective January 1, 2014

Mr. Morrison, Segal, reviewed the recommended drug rates for both the EUTF and HSTA VB Medicare Plans and for both the EUTF and HSTA VB Non-Medicare plans, as written in the August 21, 2013 memorandum to the Board of Trustees from Mr. Morrison. The recommended rates represent a 3.9% increase for EUTF non-Medicare retirees, 14.4% increase for HSTA VB non-Medicare retirees, a reduction in Medicare enrolled retirees of 35.7% for EUTF plans and a reduction of 31.9% for HSTA VB plans.

MOTION was made for the Board to approve retirees rates for the self-insured prescription drug plans effective January 1, 2014 as recommended and presented in Segal’s letter dated August 21, 2013. (Krieg/Fuddy) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)

C. Time of Executive Sessions for Board Meetings

Acting Administrator Yahiro explained to the Board that in the past Executive Sessions have generally been held at the end of the agenda. However, she explained
that sometimes the Board loses a quorum before Executive Sessions begin. As such, she wanted the Board members to have another opportunity to discuss and decide if they wanted to change the timing of the Executive Sessions. Ms. Yahiro mentioned that if the Executive Sessions are held at the beginning of Board meetings, EUTF can more easily reserve a conference room on the 19th floor for members of the public to sit it. After discussion the Board decided to keep the Executive Sessions at the end of meetings, unless there were reasons to have it earlier, such as when a quorum may be lost.

There were no public comments on this subject.

D. Request from Director of Finance for Employee Trustees to Serve on Task Force Created by Act 268, SLH2013
Chair Currivan Musto referenced the Aug. 19, 2013 letter to herself from Kalbert Young, Director of Finance (letter in Board packet). Deputy AG Chang informed the Board that when two or more Board members serve on a task force or committee, it may be viewed as a violation of the sunshine law. Deputy AG Chang recommended that further discussion on this agenda item should be held in Executive Session due to attorney/client privilege.

IV. COMMITTEE REPORTS
A. Benefits Committee
Overview by Ms. Sandra Yahiro regarding the Benefits Committee report for the meeting held on August 12, 2013.

1. HB65, Act 226 SLH2013
   The Benefits Committee recommendation to the Board:

   a. Effective January 1, 2014 for maintenance medications for both non-Medicare and Medicare retirees the co-payment will be two co-pays for the 3-month/90-day supply at both mail order and the retail pharmacy.
   b. Effective January 1, 2014 for the non-Medicare retirees a 3-month/90-day supply of maintenance medications will be the minimum required fill at both mail order and the retail pharmacy.

   MOTION was made upon the recommendation of the Benefits Committee for the Board to approve: (a) Effective January 1, 2014 for maintenance medications for both non-Medicare and Medicare retirees the co-payment will be two co-pays for the 3-month/90-day supply at both mail order and the retail pharmacy; and (b) Effective January 1, 2014 for the non-Medicare retirees a 3-month/90-day supply of maintenance medications will be the minimum required fill at both mail order and the retail pharmacy. (Mossman/Hidano) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)
2. Diabetic Testing Supplies
Ms. Yahiro explained that currently diabetic testing supplies are paid 100% by EUTF’s self insured drug plan. However, it was recently discovered that Medicare Part D covers diabetic testing supplies at 80%. Ms. Yahiro explained that she and the benefits consultant discussed changing the process so that Medicare pays primary and EUTF’s plan pays secondary. However, the problem is that a pharmacy must accept Medicare assignment in order for the pharmacy to bill Medicare first. EUTF found out that several pharmacies do not accept Medicare assignment, and as such, retirees would be inconvenienced. Discussion held by Trustees, staff, and benefits consultant and a decision was made to continue with status quo until EUTF can come up with a smoother seamless transition for the retirees.

3. Presentations as a Result of Request for Information No. 2013-001
The Benefits Committee will take the information from the presentations into consideration for the medical and drug RFPs.

B. Investment Committee
Ms. Kay Cesarani from Pension Consulting Alliance joined the meeting via conference call.

Overview by Ms. Cesarani regarding the quarterly performance report for June 30, 3012. Discussion held by Trustees, staff, and investment consultant on who is reviewing the quarterly performance reports and that the EUTF does not have the expertise and relies on PCA. Ms. Cesarani stated that the Board should keep in mind that all investments are in mutual funds. There being no objections by the Trustees, the Acting Administrator will add to project list that sometime in future EUTF staff will need to review reports from the investment consultant and when to request funding a position.

2. Investing Excess Reserves and Change to EUTF’s Statement of Investment Policy and Guidelines

MOTION was made upon the recommendation of the Investment Committee for the Board to approve investing $35 million in the passively managed Vanguard Short-term Corp Bond Index Fund (ticker: VSTBX) as recommended by the investment consultant. (Krieg/Hirata) The motion passed unanimously.
(Employer Trustees-5/Employee-Beneficiary Trustees-3)

MOTION was made upon the recommendation of the Investment Committee for the Board to approve changes to the Statement of Investment Policy and Guidelines as recommended and presented by the investment consultant.
The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)

The Investment Committee informed the Board that PCA also did a presentation for the committee on:
3. Active Versus Passive Discussion
4. Review of Treasury Inflation Protection Securities (TIPS) Manager – Blackrock
5. Fixed Income Discussion

No comments were received from the public.

V. OLD BUSINESS
A. Administrative Rules Revisions – Chapters 1-5
Ms. Sandra Yahiro summarized changes approved at the last Board meeting and Administrative Rules Chapter 5 revisions. Discussion held by Trustees and staff regarding Administrative Rules Chapter 5 revisions. The Acting Administrator will check section 5.05(a) if “domestic partner” in the last sentence should be changed to “partner” and if applies it will be changed. The Acting Administrator will make all changes in wording from “legal” to “lawful”. Ms. Sandra Yahiro stated that the draft Administrative Rules will be given to Mr. Kyle Chang for legal review and if there are any significant changes it will be brought back to the Board for review. If there are no significant changes, the EUTF will begin the consultation process.

MOTION was made for the Board to approve the Administrative Rules Chapter 5 revisions as recommended and presented by the Acting Administrator. (Krieg/Salaveria) After discussion held by the Trustees, the motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)

Recessed at 11:18 a.m. and Reconvened at 11:23 a.m.

VI. REPORTS
A. Acting Administrator
Overview by Ms. Sandra Yahiro regarding the Acting Administrator’s report.
1. Vitech Phase II
   Discussion held by Trustees and staff regarding status of the Vitech Phase II project. Another meeting will be scheduled with OIMT because Mr. Randy Baldemor was unable to attend the last meeting and the OIMT attendees were not knowledgeable on what OIMT had done with and for EUTF during the past year.

2. Bank of Hawaii Banking Services Progress
   Mr. Bert Nishihara stated all monies will be transferred to Bank of Hawaii by mid-September.
3. Administrative Rules Revision Project (no Board discussion)
4. 2013 Open Enrollment for Active Employees (no Board discussion)
5. Medicare Death Validation Project Update (no Board discussion)
6. Direct Deposit Project Update (no Board discussion)
7. Affordable Care Act Implementation (no Board discussion)

8. CVS Implementation Guarantee
   Discussion held by Trustees, staff, and benefits consultant regarding the status and amounts in disagreement. Ms. Yahiro reported that the EUTF is waiting for CVS Caremark to respond. Ms. Sandra Benevides from CVS Caremark stated she is reviewing and she will add a summary in the next report.

9. Specialty Medications (no Board discussion)

10. HIPAA Security & Compliance Audit
    Mr. Tom Morrison reported that Segal will submit recommendations at the next Board meeting.

11. Expanding EUTF’s Office Space (no Board discussion)

12. EUTF’s Internal Controls
    Ms. Yahiro reported that after she and Ms. Tonaki met with the DAGS Division Chief of Audit to discuss EUTF’s completed assessment, 23 Critical Categories were changed from “No” to “Yes” or changed to “Do Not Apply” and for any remaining “No” answers EUTF managers will discuss how and when the unmet categories can be met.

13. Premium/Rate Splits Different Between Bargaining Units and Between Employers
    Ms. Yahiro reported that the EUTF has not started this project yet.

14. Business Associate Agreement with Dept of Accounting & General Services and Employees Retirement System (no Board discussion)
15. EUTF Website Review (no Board discussion)
16. Medicare Part B Project Started December 2011 (no Board discussion)
17. New Requirement for the Early Retiree Reinsurance Program (no Board discussion)
18. Vitech Rebill Issue (no Board discussion)

19. HB65, Act 226 SLH2013
    The Acting Administrator explained that it was recently brought to her attention that Medicare retirees can get 30, 60 and 90 day supplies of their maintenance medications; whereas EUTF was previously under the impression that it could impose a minimum 90-day maintenance medication requirement. However, since
Medicare requires Part D plans, such as EUTF plans, to offer 30, 60 or 90 day maintenance fills, EUTF discussed how this would be affected when HB65 is implemented for retirees on 1/1/14. The Acting Administrator and benefits consultant recommend the copays for the EUTF and HSTA VB Medicare retirees as indicated on the handout dated 8/26/13. After discussion the Board approved the recommendation with one change: for the EUTF Medicare retiree drug plan the $35 copay for retail and mail for 61-90 day supplies for Preferred Brand should be changed to $30 to make it consistent with the generic and Non-Preferred Brand (31-60 day and 61-90 day have the same co-pays).

MOTION was made for the Board to approve proposed co-pays for EUTF Medicare Retiree Drug Plan as presented by the Acting Administrator with the change to the 61-90 day supply from $35 to $30 for the preferred brand. (Krieg/Fuddy) After discussion held by the Trustees, the motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)

20. Customer Service Improvement Project
Training will be held for customer services by a representative from the University of Hawaii with no cost to the state. Discussion held by Trustees, staff, and benefits consultant to provide the Board with statistics 10 seconds, 30 seconds answered same as requested from vendors. Trustees expressed their concern if this project will help improve customer service. Ms. Kathleen Shiroma stated that the information requested can be provided. Discussion held by Trustees and staff on concerns expressed by Trustees if there are specific issues for calls, need more coverage, training for CSRs to be more responsive and patterns that may spike calls. The EUTF MSB manager will keep Board posted on issues. The Acting Administrator will notify the Board if there are improvements to this project.

21. Retiree Open Enrollment (no Board discussion)
22. RFP for Actuarial Consultant (no Board discussion)

Discussion held by Trustees and staff regarding status on the pharmacy benefit manager audit that must go through an RFP. Ms. Yahiro stated that she is working to establish the new position granted by the 2013 legislature because it will be this position’s responsibility to coordinate plan claims audits.

B. EUTF Managers’ Operational Reports
1. Member Services Branch (MSB)
   a. MSB Data Update
   b. MSB Staffing Level Update
   c. Retiree COBRA Open Enrollment

   d. Carrier Reports for the Month of July
Discussion held by Trustees and staff that HMSA did not submit a report for July. Mr. Christian Fern from HMSA stated that he did notify the Acting Administrator that HMSA’s Operations Report will be late because data cannot be received before the EUTF’s deadline date. Ms. Sandra Yahiro stated that she did inform HMSA that their report may be submitted late but did not notify Ms. Nicole Wong.

2. Information Technology (IT)
   a. V3 Benefits Administration System (BAS)
   b. Customer Service Automated Call Distribution System (ACD)
   c. Information Systems (IT) Branch Reorganization and IT Staff Vacancy
   d. Enrollment Counts
   e. Enrollment Changes Due to Open Enrollment – Final Report
   f. Retiree’s Plan Enrollment Combinations that Exceed 100% of the Employer’s Base Monthly Contribution (BMC) Cap

3. Accounting
   a. Financial Statement as of June 30, 2013
      Overview by Mr. Bert Nishihara regarding the Financial Statement as of June 30, 2013. Mr. Nishihara reported that a new auditor will be at the EUTF in September. Mr. Nishihara explained the EUTF lease for the rent and common area maintenance (CAM) fees.

C. Benefits Consultant Report
   1. Incurred But Not Reported Reserves (IBNR) Effective June 30, 2013
      Overview by Mr. Tom Morrison regarding the IBNR effective June 30, 2013. Mr. Morrison projected the amount of the incurred but not reported reserves as of the end of the current fiscal year, June 30, 2013, for the self-insured prescription benefit. The projected IBNR as of June 30, 2013 is $10,324,100 which is a decrease of $3,374,300 from June 30, 2012. The decrease is due to the medical plans becoming full-insured as of Jan. 1, 2012.

   2. Administrative Fees
      Segal recommended waiving the administrative fees for the retirees plans starting January 1, 2014 and active plans starting July 1, 2014 based on surpluses generated from previous years. Ms. Tonaki stated that currently, unaudited, $5.8 million in administrative fees was collected in FY2013 and the expenses were $4.6 million. That is a $1.2 million excess.

      MOTION was made for the Board to approve waiving the administrative fees for retiree plans effective January 1, 2014 and for active plans effective July 1, 2014. (Fuddy/Krieg) After discussion held by the Trustees, the motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)
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.
   Trustee Hidano expressed her concern over what is reported in Royal State’s monthly report for “average speed of answer”. She stated that she personally called and it was longer than what Royal State reported. Ms. Lynn Miura explained Royal State’s way of determining the average speed of answer and abandonment rate. Trustee Hidano indicated she felt it was misleading and deceptive. Mr. Morrison stated EUTF could add any expectations in the next Request for Proposals.

7. Vision Service Plan (VSP)
   Written report submitted.

VII. EXECUTIVE SESSION

MOTION was made for the Board to move into Executive Session at 12:31 p.m. for the reasons stated on the agenda. (Fuddy/Salaveria) The motion passed unanimously.
(Employer Trustees-5/Employee-Beneficiary Trustees-3)

Executive Session adjourned at 1:16 p.m.

Chairperson Currivan Musto reported that the Board has taken the following actions in Executive Session.

1. Approval of contract renewals and rates for retirees effective January 1, 2014 for HDS, HMSA, Kaiser, Royal State Insurance, and VSP.
2. Approval of HB65 to be effective dates of October 1, 2013 for actives and January 1, 2014 for retirees.
3. Approval of amended CVS contract.
4. Approval of Appeal of late enrollment of newborn.

MOTION was made for the Board to amend the agenda to move agenda item III.D. Request from Director of Finance for Employee Trustees to Serve on Task Force Created by Act 268, SLH2013 into Executive Session. (Krieg/Fuddy) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

MOTION was made for the Board to approve to support pending legislation for the 2014 legislative session for the Department of Health to release death validation data to the EUTF. Krieg/Fuddy) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

MOTION was made for the Board to move into Executive Session at 1:21 p.m. to discuss agenda item III.D. Request from Director of Finance for Employee Trustees to Serve on Task Force Created by Act 268, SLH2013 [Authorized under HRS 92-5a(4)]. (Krieg/Salaveria) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

Executive Session adjourned at 1:26 p.m.

VIII. FUTURE AGENDA ITEMS DISCUSSION AND NEXT MEETING DATE
A. September 24, 2013, 9:00 a.m. – Regular Board Meeting

IX. ADJOURNMENT
There being no objections by the Trustees, the meeting adjourned at 1:26 p.m.

Respectfully submitted,

/s/

Luis Salaveria, Secretary-Treasurer

APPROVED on October 1, 2013.

Documents Distributed:
2. Draft Board Minutes of 6/25/13. (8 pages)
3. Draft Board Minutes of 7/23/13. (8 pages)
4. Memorandum to BOT from Segal Regarding Estimated Impact to EUTF Active Rates dated 8/21/13. (1 page)
5. Information Regarding Separate Rates for SHOPO: Letter from SHOPO to BOT dated
12/20/06 (1 page), EUTF Board Minutes for 1/24/07 (21 pages), 2008 Rates-SHOPO & HFPA (2 pages), EUTF Board Minutes for 2/5/07 (8 pages)
6. Memorandum to BOT from Segal Regarding 2014 Prescription Drug Monthly Rates dated 8/21/13. (2 pages)
7. Letter to EUTF Chair Curriavan Musto from DOF Regarding EUTF Task Force to Examine Unfunded Liability dated 8/19/13. (21 pages)
8. Memorandum to BOT from Benefits Committee Regarding 8/12/13 Benefits Committee meeting. (2 pages)
9. Memorandum to BOT from Investments Committee Regarding 8/13/13 Investment Committee meeting. (1 page)
10. EUTF Quarterly Report Executive Summary by PCA for 6/30/13 dated 8/5/13. (51 pages)
11. Memorandum to BOT from PCA Regarding Excess Reserves dated 8/5/13. (25 pages)
12. EUTF Statement of Investment Policy and Guidelines Revised 8/19/13. (16 pages)
14. Memorandum to BOT from PCA Regarding TIPS Review dated 8/5/13. (11 pages)
15. Report “EUTF Fixed Income Discussion” by PCA dated August 2013. (53 pages)
16. Acting Administrator’s Monthly Report to the Board for 7/16/13- 8/15/13 dated 8/20/13. (7 pages)
17. Letter to CVS Caremark from Acting Administrator Regarding EUTF Implementation Guarantee dated 8/15/13 without attachments. (3 pages)
18. Memorandum to BOT from Acting Administrator Regarding Information to Respond to Calls from Retirees Cancelled from Plans Who Did Not Supply Medicare Part B Card dated 8/19/13. (1 page)
19. Memorandum to BOT from Acting Administrator Regarding Customer Service Pilot Project dated 8/19/13. (2 pages)
20. Memorandum to BOT from MSB Manager Regarding MSB Operations Report dated 8/20/13. (1 page)
21. Memorandum to BOT from IS Analyst Regarding August IT Operations Report dated 8/20/13. (17 pages)
23. EUTF Statement of Net Assets – Fiscal Year Ending June 30, 2013 (Unaudited) for Current Month 6/30/13 dated 8/17/13. (2 pages)
24. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison 12 Months Ended 6/30/13 (Unaudited) dated 8/17/13. (2 pages)
28. Memorandum to BOT from Segal Regarding 6/30/13 IBNR Calculation dated 8/21/13. (2 pages)
29. Memorandum to BOT from Segal Regarding EUTF-Administrative Fees for 2014 dated 8/21/13. (2 pages)
30. EUTF Administrative Fee Collected and Operating Expenses from EUTF Accounting dated 8/21/13. (1 page)
31. CVS Monthly Carrier Report for July 2013 dated 8/2013. (3 pages)
32. Letter to Acting Administrator from CVS Caremark Regarding SEC Investigation dated 8/2/13. (1 page)
34. HDS Monthly Carrier Report for July 2013 dated 8/9/13. (3 pages)
35. HMSA Monthly Carrier Report for July 2013 dated 8/15/13. (3 pages)
37. Royal State Insurance Monthly Carrier Reports for July 2013 (Group Term, Supplemental Medical Plan, Chiropractic Plan) dated 8/6/13. (6 pages)
38. VSP Monthly Carrier Report for July 2013 dated 8/10/13. (9 pages)
41. Support Letter to TeamPraxis from Chair Currivan Musto dated 8/5/13. (1 page)
42. Support Letter to East Hawaii Independent Physicians Association dated 8/12/13. (1 page)