

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Tuesday, November 18, 2014

TRUSTEES PRESENT

Mr. Luis Salaveria, Chairperson	Ms. Karolyn Mossman
Ms. Maria Zielinski, Vice Chairperson (arrived 9:38 am)	Ms. Celeste Nip
Ms. Linda Currivan Musto, Secretary-Treasurer	Mr. Clifford Uwaine
Ms. Audrey Hidano	Ms. Julia Zeghmi
Mr. Dean Hirata	

TRUSTEES ABSENT

Ms. Barbara Krieg

ATTORNEY: None

EUTF STAFF

Ms. Sandra Yahiro, Administrator	Mr. Tom Morrison, Benefits Consultant
Mr. Derek Mizuno, Assistant Administrator	Mr. Colin Bebee, Investment Consultant (via conference call)
Ms. Maria Quartero	Mr. Raymond Kan
Mr. Adam Dreher	Ms. Donna Tonaki
Ms. Lauren Endo	Ms. Nicole Wong
Ms. Bonny Kahalewai	

OTHERS PRESENT

Ms. Cheryl Archer, Royal State	Ms. Jean Farone Jones, UHC
Ms. Sandra Benevides, CVS Caremark	Ms. Monica Kim, VSP
Mr. Andrew Elliott, CVS Caremark	Ms. Mae Kishimoto, HSTA-R
Mr. Christian Fern, HMSA	Mr. Norman Okamura, UH
Mr. C. Bryan FitzGerald, Governor's Office	Mr. William Sandkuhler, Atlas Insurance
Ms. Elaine Fujiwara, HDS	Ms. Katie Selenski, PEW
Ms. Beth Giesting, Governor's Office	Ms. Debbie Shimabukuro, USAble Life
Mr. Alfred Herrera, Governor's Office	Ms. Brenda Shiroma, Benefit Plan Solutions, Inc.
Ms. Christina Higa, UH	Mr. Keith Sliwa, PEW
Ms. Lisa Hunter, CVS Caremark	Mr. Troy Tomita, Kaiser

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 9:01 a.m. by Trustee Luis Salaveria, Chairperson, in the EUTF Conference Room, 201 Merchant Street, Honolulu, Hawaii, on Tuesday November 18, 2014.

II. MINUTES

A. September 23, 2014

The Board reviewed the draft minutes of September 23, 2014.

MOTION was made for the Board to approve the minutes of September 23, 2014 as circulated. (Mossman/Currivan Musto) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-5)

III. COMMITTEE REPORTS

1. Investment Committee

- a. September 30, 2014 Performance Report
- b. September 30, 2014 Excess Reserves Performance Report
Mr. Colin Bebee summarized the September 30, 2014 Performance Report and the Excess Reserves Performance Report.

Mr. Derek Mizuno notified the Board that EUTF made two purchases in September and October 2014 totaling \$11,000,000 of the Vanguard FTSE All-World ex U.S. Index Fund. The Vanguard total International Stock Index Fund should have been purchased instead. The trades were corrected in early October 2014. The incorrect trades resulted in a gain of \$5,191. The incorrect trades were identified by Pension Consulting Alliance. Discussion held by Trustees and staff why Bank of Hawaii did not review and report to EUTF staff before PCA.

- c. Global Custody and Securities Lending Services Search – Finalist Recommendation
Trustee Hirata summarized the Global Custody and Securities Lending Services Search and the Committee's recommendation to authorize the Administrator to extend the current custodial contract with Bank of Hawaii, set to expire on February 22, 2015, an additional three months to complete the search for a global custody and securities lending service provider.

MOTION was made for the Board to authorize the Administrator to extend the current custodial contract with Bank of Hawaii, set to expire on February 22, 2015, an additional three months to complete the search for a global custody and securities lending service provider. (Hirata/Nip) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-5)

- d. Revised Investment Policy Guidelines for Microcap Strategy and Socially Responsible Investing and Proxy Voting
Trustee Hirata reported that the Committee reviewed the revisions to the Investment Policy Guidelines to add the microcap strategy in accordance with Phase I of the previously approved evolving policy portfolio plan and sections on proxy voting and socially responsible investing and recommends for the Board to approve the revised Investment Policy guidelines.

MOTION was made for the Board to approve the revised Investment Policy guidelines. (Hirata/Currivan Musto) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-5)

- e. Study of Potential EUTF/Employee Retirement System (ERS) Investment Consolidation
Trustee Hirata reported that the Committee discussed the final version of the Study of Potential EUTF/ERS investment consolidation prepared by PCA. There were no significant changes from the draft that the Investment Committee and Board reviewed at an earlier Committee/Board meeting.
- f. Update on Discussion with Microcap Strategy Finalists (Executive Session)
This item will be discussed in Executive Session.

2. Administrative Committee

a. EUTF 2015 Legislation

Ms. Sandra Yahiro summarized the history of the proposed amendment [BUF-20 (15)] to Chapter 87A, Hawaii Revised Statutes (HRS) related to excluding children born to surviving spouses who were born ten (10) months or more after the death of the employee or retiree. [Trustee Zielinski arrived at 9:38 a.m.] Discussion held by Trustees, staff, and benefits consultant regarding the proposed amendment to Chapter 87A, HRS and changes/corrections. The EUTF staff will use specific language in place of the word “gain” dependents and add “ten (10) “months.

MOTION was made for the Board to approve the proposed amendment [BUF-20 (15)] to Chapter 87A, HRS as presented with additional amendments. (Hidano/Currivan Musto) The motion passed. (Employer Trustees-4 YES- Hidano, Hirata, Salaveria, Zielinski/Employee-Beneficiary Trustees-3 YES- Currivan Musto, Nip, Uwaine, 2 NO-Mossman, Zeghmi)

MOTION was made for the Board to approve to amend Chapters 87A-34(a) and 87A-36(c)(4) to delete [(1) (E)] and add [(1) (D)] to correct paragraph citation [BUF-11(15)]. (Hidano/Hirata) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

Trustee Mossman prepared a list of EUTF Related Bills by subject matter. The Board may review at the December 16, 2014 Board meeting.

b. Personnel

This item will be discussed in Executive Session.

IV. OLD BUSINESS

A. Healthcare Transformation Sub-Committee

There being no objections by the Trustees, this item is deferred until the next Board meeting.

V. NEW BUSINESS

A. EUTF Insurance Renewals – Atlas

Mr. William Sandkulher from Atlas summarized the EUTF insurance renewals. Discussion held by Trustees and Mr. Sandkuhler regarding concerns expressed by Trustees that no other quotes were provided.

MOTION was made for the Board to approve the recommendations from our insurance broker to procure the following agencies for the period December 15, 2014 to December 14, 2015: (1) Cyber Liability & Privacy Insurance: Beazley; (2) Fiduciary Liability: RLI; (3) Crime Coverage: Great American; and (4) Public Officials Errors and Omissions: Ace. (Uwaine) No second was made. Motion died.

Discussion held by Trustees, staff, and Atlas on providing additional information. Ms. Sandra Yahiro informed the Board that the current policies expire December 15, 2014 and a decision should be made before that date to ensure that the Board and EUTF remain insured. The Board will be queried to set a meeting prior to December 16, 2014. The Board has requested for Mr. Sandkuhler to provide the following: (1) Request for an extension for the four [4] insurance coverages; (2) ask for additional quotes; and (3) if vendors do not submit quote, the vendor is to provide written reason(s) why they are not submitting a quote.

B. Active Employee Open Enrollment Period April 1, 2015 to April 30, 2015

MOTION was made for the Board to approve the active employee open enrollment period of April 1, 2015 to April 30, 2015 as recommended by the Administrator. (Mossman/Currivan Musto) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

C. EUTF's Annual Report to the Legislature for Period Ending June 30, 2014

The EUTF's Annual Report was in the Board's packet. Discussion held by Trustees and staff regarding corrections and additional information to the report. The Board may submit additional changes or corrections to the Administrator.

MOTION was made for the Board to accept the EUTF's Annual Report to the Legislature for the period ending June 30, 2014 as amended. (Mossman/Hidano) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

Recessed at 10:30 a.m. and Reconvened at 10:41 a.m.

D. Presentation by PEW Center on the State Regarding Other Post Employment Benefits (OPEB) and Unfunded Liabilities

Ms. Katie Selenski, Mr. Keith Sliwa, (Mr. Greg Mennis, Ms. Maria Schiff, and Professor David Cutler – via conference call) from PEW presented their findings on

state health care spending. Discussion held by Trustees, staff, and benefits consultant regarding the PEW presentation.

E. Presentation on the Hawaii Health Data Center by C. Bryan FitzGerald Esq., Project Director

Mr. C. Bryan FitzGerald gave a presentation on the Hawaii Health Data Center. Discussion held by Trustees and Mr. FitzGerald regarding information needed by EUTF and some Trustees expressing concerns that it is more a benefit to insurance carriers and not the EUTF, and a concern was expressed on confidentiality of the protected health information.

VI. Reports

A. Segal

1. 2015 Trends

Mr. Tom Morrison summarized the 2015 trends. Discussion held by Trustees, staff, and benefits consultant regarding the 2015 trends.

2. 2015 Pharmacy Benefit Trends and Cost Projections

Mr. Tom Morrison summarized the 2015 pharmacy benefits trends and cost projections. Discussion held by Trustees, staff, and benefits consultant regarding the 2015 pharmacy benefit trends and costs projections and when the PBM contract ends.

3. VSP Utilization Summary (no discussion held)

B. Administrator

1. Vitech Modified Phase II (no discussion held)

2. Administrative Rules Revision Project (no discussion held)

3. Medicare Death Validation Project Update (no discussion held)

4. Direct Deposit Project Update (no discussion held)

5. Affordable Care Act Implementation (no discussion held)

6. Expanding EUTF's Office Space

Ms. Sandra Yahiro summarized the recent changes regarding the EUTF office space.

7. Premium/Rate Splits Different Between Bargaining Units and Between Employers (no discussion held)

8. Business Associate Agreement (BAA) with Department of Accounting & General Services (DAGS) and Employees Retirement System (ERS) [no discussion held]

9. EUTF Website Review (no discussion held)

10. Vitech Rebill Issue

Discussion held by Trustees and staff that Vitech is paying for the expense incurred.

11. HB65, Act 226 SLH2013 – Mandatory Mail (no discussion held)
12. Customer Service Improvement Project (no discussion held)
13. Other Post Employment Benefits (OPEB) Actuarial Valuation (no discussion held)
14. Health Benefit Plans Claims Audits (no discussion held)
15. Converting EUTF's Email System to Office 365 (no discussion held)
16. New Phone System (no discussion held)

17. Halau Lokahi Charter School
Ms. Yahiro reported that the EUTF did receive payment from Halau Lokahi. Ms. Sandra Yahiro referenced the newspaper article in the Board's packet describing new financial difficulties Halau Lokahi is having. Ms. Yahiro informed the Board she will continue to monitor the situation.

18. Medicare Savings Program
Ms. Yahiro provided an update on the Medicare Savings Program.

19. Duplicate Checks Issued by Bank of Hawaii
Discussion held by Trustees and staff regarding the history of duplicate checks that was issued by a vendor that Bank of Hawaii uses.

20. Retiree Open Enrollment (no discussion held)
21. EUTF Strategic Plan, Including Vision and Mission Statements (no discussion held)
22. Act 158, SLH2013, ACA Innovation Waiver Task Force (no discussion held)
23. EUTF Meetings with Key Legislators (no discussion held)
24. EUTF's 2016/2017 Budget (no discussion held)
25. EUTF 2015 Legislation (no discussion held)

26. Surviving Spouses and Dependents Covered After Employee Passes Away
Ms. Yahiro summarized the history of surviving spouses of employees who passed away while actively employed being erroneously covered. Eleven (11) cancellation letters were sent to those that were erroneously covered. The Administrator is planning to send approximately 25 more cancellation letters. Ms. Yahiro stated, in the Board's direction to her, that the Board keep in mind their fiduciary responsibility, which she believes is to terminate coverage earlier rather than later for those who were erroneously covered because the State has been paying wrongly all these years. Discussion held by Trustees and staff regarding concerns about the termination date, if the EUTF has a legal obligation to collect monies back, when this project will be completed, and what procedures the EUTF can implement to avoid this issue in the future.

MOTION was made for the Board to approve: (1) to rescind cancellation letters already sent; (2) have EUTF complete review of all people identified in query; and (3) report back to Board. (Nip/Uwaine)

Discussion held by Trustees and staff regarding concerns expressed by some Trustees on what the Board's fiduciary duty and obligation is to collect monies owed back to the State.

After discussion by the Trustees and staff, Trustees Nip and Uwaine withdrew the motion.

MOTION was made for the Board to approve: (1) to rescind cancellation letters already sent; (2) have EUTF complete review of all people identified in query; (3) report back to the Board; and (4) get opinion from legal counsel of the Board's options and what authority the Board has. (Nip/Uwaine)

MOTION was made for the Board to approve to divide four (4) questions into separate motions. (Currivan Musto/Hidano) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

MOTION was made for the Board to approve to rescind the cancellation letters already sent. (Nip/Uwaine) The motion failed. (Employer Trustees-4 NO-Hidano, Hirata, Salaveria, Zielinski/Employee-Beneficiary Trustees- 4 YES-Mossman, Nip, Uwaine, Zeghmi, 1 NO-Currivan Musto)

MOTION was made for the Board to approve to have EUTF complete review of all queries before the next notice is sent. (Nip/Uwaine) The motion failed. (Employer Trustees-2 YES- Salaveria, Zielinski 2 NO-Hidano, Hirata/Employee-Beneficiary Trustees-4 YES-Mossman, Nip, Uwaine, Zeghmi, 1 NO-Currivan Musto)

MOTION was made for the Board to approve for legal counsel to provide written opinion on Board's fiduciary responsibilities, obligations and authority to collect back premiums and report back at the next Board meeting. (Mossman/Hidano) The motion passed. (Employer Trustees-4 YES-Hidano, Hirata, Salaveria, Zielinski/Employee-Beneficiary Trustees-3 YES-Currivan Musto, Mossman, Zeghmi, 2 NO-Nip, Uwaine)

MOTION was made for the Board to approve for EUTF staff to complete review of how many more cancellation letters were sent out and report back at the next Board meeting. (Mossman/Hidano) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

Recessed at 1:03 p.m. and Reconvened at 1:14 p.m.

C. EUTF Managers' and Program Specialist Operational Reports

1. Member Services Branch (MSB)
 - a. MSB Data Update (no discussion held)
 - b. MSB Staffing Level Update (no discussion held)
 - c. Retiree Open Enrollment (no discussion held)
 - d. Active Employee Open Enrollment (no discussion held)
 - e. Carrier Reports for the Months of September and October. (no discussion held)
2. Information Technology (IT)
 - 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. Enrollment Counts (no discussion held)
3. EUTF Program Specialist
 - a. Wellness Initiatives (no discussion held)
 - b. Prescription Drug Claim Auditing Services Request for Proposal (RFP) [no discussion held]
 - c. Implementation of the UnitedHealthcare Medicare Advantage Plan (no discussion held)
 - d. Implementation of the Retiree USAble Life Insurance Plan (no discussion held)
4. Financial Services Branch
 - a. Financial Audit (FY2014) [no discussion held]
 - b. Retroactive Bargaining Unit Rate Changes Effective July 1, 2013 (BU 11 ~~40~~, ~~12~~, ~~13~~) and Effective January 1, 2014 (BU 6 and 9) [no discussion held]
 - c. Personnel for Financial Services Branch (no discussion held)
 - d. Other Post-Employment Benefits (OPEB) Trust (no discussion held)
 - e. Financial Statements as of August 31, 2014
Ms. Donna Tonaki summarized the Financial Statements as of August 31, 2014 and Experience reports for actives and retirees. Discussion held by Trustees and staff regarding losses for actives and retirees.

D. Carrier Reports

1. CVS Caremark (no discussion held)
2. SilverScript (no discussion held)
3. Hawaii Dental Service (HDS) [no discussion held]

4. Hawaii Medical Service Association (HMSA) [no discussion held]
5. Kaiser Health Foundation (no discussion held)
6. Royal State Insurance (no discussion held)
7. Vision Service Plan (VSP) [no discussion held]

[Trustee Hirata left at 1:30 p.m.]

VII. EXECUTIVE SESSION

MOTION was made for the Board to move into Executive Session at 1:30 p.m. for the reasons stated on the agenda. (Hidano/Currivan Musto) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-5)

Executive Session adjourned at 2:14 p.m.

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

1. Approved five (5) Appeals for late enrollment of newborns.
2. Motion failed for an Appeal for a change in plans.
3. Approved EUTF Vision and Mission Statements.
4. Approved to cancel pharmacy benefit manager claims audit.
5. Approved to use Segal contract to perform pharmacy benefit manager claims audit.

VIII. FUTURE AGENDA ITEMS DISCUSSION AND NEXT MEETING DATE

- A. December 16, 2014, 9:00 a.m. – Regular Board Meeting
Discussion held by Trustees and staff to change the regular Board meeting before December 16, 2014 to discuss the insurance policies. The EUTF staff will poll Trustees when they are available.

IX. ADJOURNMENT

MOTION was made for the Board to adjourn meeting at 2:16 p.m. (Zielinski/Zeghmi) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-5)

Respectfully submitted,

/s/

Linda Currivan Musto, Secretary-Treasurer

APPROVED on December 12, 2014 as amended.

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Board of Trustees Meeting

November 18, 2014 Minutes

Page 10

Documents Distributed:

1. Draft Board Minutes of 9/23/14. (8 pages)
2. Memorandum to BOT from Investment Committee Regarding 11/13/14 Investment Committee Meeting dated 11/23/14. (2 pages)
3. 3Q 2014 EUTF Quarterly Report by PCA dated 11/4/14. (55 pages)
4. Memorandum to EUTF from PCA Regarding Global Custody and Securities Lending Service Provider Search Update dated 11/5/14. (3 pages)
5. Memorandum to Investment Committee from Assistant Administrator Regarding Investment Policy Statement-Update dated 11/7/14. (21 pages)
6. Department of Budget & Finance, Study of Potential EUTF/ERS Investment Consolidation by PCA dated September 2014. (52 pages)
7. Bills Related to EUTF dated 11/12/14. (3 pages)
8. Public Sector Retirement System Project by PEW. (2 pages)
9. PEW Charitable Trusts, Retiree Health Benefits Research for EUTF Board Meeting dated 11/18/14. (32 pages)
10. PEW Charitable Trusts, State Employee Health Plan Spending dated August 2014. (46 pages)
11. Presentation by Hawaii Health Data Center by C. Bryan FitzGerald Esq. dated 11/12/14. (7 pages)
12. Segal Group, 2015 Segal Health Plan Cost Trend Survey. (6 pages)
13. Segal Consulting, TRENDS, 4th Quarter 2014. (1 page)
14. Segal Group, Thirteen-Year Summary of Selected Medical, Prescription Drug Carve-Out & Dental Trends: 2003-2013 Actual & 2014-2015 Projected. (1 page)
15. Segal Group, Thirteen-Year Summary of Selected Medical Trends for Actives & Retirees under Age 65: 2003-2013 Actual & 2014-2015 Projected. (1 page)
16. EUTF 2015 Prescription Drug Projection for Actives & Retirees by Segal dated 11/14/14 (2 pages).
17. Administrator's Monthly Report to the Board from 9/18/14 – 11/12/14 dated 11/12/14. (7 pages)
18. EUTF Customer Service Improvement Project Survey Results received between 9/17/14-11/12/14. (2 pages)
19. Customer Service Automated Call Distribution Report, July to December 2013 & January to November 7, 2014 and September 2014-November 2014 dated 11/7/14. (4 pages)
20. Hawaii News Now Article, "Local charter school faces more money troubles" dated 11/7/14. (1 page)
21. Medicare Savings Program Project dated 11/13/14. (1 page)
22. State Innovation Waiver Task Force Agenda for 10/30/14. (1 page)
23. State Innovation Waiver Task Force Agenda for 11/13/14. (33 pages)
24. Memorandum to BOT from MSB Manager Regarding MSB Operations Report dated 11/10/14. (1 page)
25. Memorandum to BOT from IS Analyst Regarding September/October IS Operations Report dated 11/7/14. (20 pages)
26. Memorandum to BOT from Program Specialist Regarding September & October 2014 Monthly Report dated 11/6/14. (1 page)

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Board of Trustees Meeting

November 18, 2014 Minutes

Page 11

27. Memorandum to BOT from Financial Management Officer Regarding Financial Services Branch Report for November 18, 2014 BOT Meeting. (2 pages)
28. EUTF Statement of Net Assets – Fiscal Year Ending June 30, 2015 (Preliminary-Unaudited) for Current Month 8/31/14 dated 11/12/14. (2 pages)
29. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison 2 Months Ended 8/31/14 (Preliminary-Unaudited) dated 11/12/14. (2 pages)
30. Experience Accounting of CVS Caremark Actives Self-Funded Plans Summary of FYE 6/30/2014 & FYE 6/30/2014 up to July 2015-August dated 11/12/14. (1 page)
31. Experience Accounting of CVS Caremark Non-Medicare Retirees Self-Funded Plan Summary of FYE 6/30/2014 & FYE 6/30/2015 through July 2015-August dated 11/18/14. (1 page)
32. Experience Accounting of SilverScript Medicare Retirees Self-Funded Plan Summary of FYE 6/30/2014 & FYE 6/30/2015 through July 2015-August dated 11/12/14. (1 page)
33. CVS Monthly Carrier Report for September 2014 dated 10/10/14. (23 pages)
34. CVS Monthly Carrier Report for October 2014 dated 11/10/14. (13 pages)
35. SilverScript Monthly Carrier Report September 2014 dated 10/10/14. (3 pages)
36. SilverScript Monthly Carrier Report October 2014 dated 11/10/14. (5 pages)
37. HDS Monthly Carrier Report for September 2014 dated 10/8/14. (3 pages)
38. HDS Monthly Carrier Report for October 2014 dated 11/10/14. (3 pages)
39. HMSA Monthly Carrier Report for September 2014 dated 10/15/14. (2 pages)
40. Kaiser Monthly Carrier Report for September 2014 dated 10/10/14. (2 pages)
41. Kaiser Monthly Carrier Report for October 2014 dated 10/10/14. (2 pages)
42. Royal State Insurance Monthly Carrier Reports for September 2014 (Group Term Life Plan, Chiropractic Plan, Supplemental Medical Plan,) dated 10/6/14. (6 pages)
43. Royal State Insurance Monthly Carrier Reports for October 2014 (Group Term Life Plan, Chiropractic Plan, Supplemental Medical Plan,) dated 11/10/14. (6 pages)
44. VSP Monthly Carrier Report for September 2014 dated 10/13/14. (9 pages)
45. VSP Monthly Carrier Report for October 2014 dated 11/7/14. (9 pages)