I. CALL TO ORDER
The meeting of the Board of Trustees was called to order at 8:35 a.m. by Chairperson Roderick Becker, in the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) Board Room, 201 Merchant Street, Suite 1700, Honolulu, Hawaii, on Tuesday, January 17, 2017.

II. MINUTES
A. December 20, 2016
The Board reviewed the draft minutes of December 20, 2016.

MOTION was made to approve the minutes of December 20, 2016 as circulated. (Currivan Musto/Murakami) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)
III. NEW BUSINESS
   A. Separate Medical and Prescription Drug Rates by Bargaining Unit
      MOTION was made for the Board to amend the agenda to move this item after V. Old
      Business C. Out-of-State Training Budget. (Nip/Nishimoto) The motion passed
      unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

IV. EXECUTIVE SESSION
   MOTION was made for the Board to move into Executive Session at 8:40 a.m.
   (Hidano/Currivan Musto) The motion passed unanimously. (Employer
   Trustees-3/Employee-Beneficiary Trustees-3)

The regular meeting reconvened at 11:08 a.m.

Chairperson Becker reported that the Board took the following actions in Executive Session:
1. Approved the Executive Session minutes of December 20, 2016.
2. Approved the selection of a fund for the private real estate strategy subject to contract
   review.
3. Approved the selection of an investment manager for the Systematic Trend Following
   strategy subject to contract negotiation.
4. Approved premium rates for the Kaiser medical and prescription drug active employee
   plans effective July 1, 2017.
5. Approved the selection of auditors for the medical, dental, vision and life insurance
   claims audits.
6. Approved RFP 17-002 Medical and Pharmacy Benefit Management Services

Chairperson Becker announced that Trustee Machida has resigned from the Board effective
February 1, 2017 and thanked Trustee Machida for his service.

V. OLD BUSINESS
   A. Fiscal year ending 2016 financial statement audit
      Mr. Kanetoku and Ms. Kawamura of KKDLY LLC presented the results of their audit of
      the EUTF’s financial statements for the fiscal year ending June 30, 2016 including the
      Exit Conference presentation, Report to the Auditor, State of Hawaii, Management
      Letter and the audited financial statements. Trustee Hidano requested that the materials
      be provided earlier for review.

      B. Self-Funded Prescription Drug Rates for Active Employees Effective July 1, 2017
      Mr. Mizuno discussed the bundled HMSA medical and CVS prescription drug plan
      premiums approved at the December 20, 2016 Board meeting.

      MOTION was made to rescind the Board’s approval of EUTF self-funded prescription
      drug rates at the December 20, 2016 Board meeting and to approve rates for the self-
      funded prescription drug plan for EUTF active employees under Option 12.5% effective
      July 1, 2017 as presented in executive session. (Hidano/Currivan Musto) The motion
      failed. (Employer Trustees-5 YES-Becker, Hidano, Machida, Nishimoto,
      Pressler/Employee-Beneficiary Trustees-1 YES-Currivan Musto, 3 NO-Murakami, Nip,
      Uwaine)
C. Out-of-State Training Budget
   Mr. Mizuno stated that the Board previously approved the budget for fiscal years 2018 and 2019 that included out-of-state travel for 10 trustees and 5 staff annually. Mr. Mizuno clarified that the 5 staff may include out-of-state travel by the Deputy Attorney General.

III. NEW BUSINESS (continued)
   A. Separate Medical and Prescription Drug Rates by Bargaining Unit
      This item was deferred.

   B. Impact of ERS Assumption Changes on the EUTF
      Mr. Mizuno presented analysis provided by the EUTF’s actuary, Gabriel Roeder Smith & Company, on the impact to the State’s OPEB actuarial accrued liability, annual required contribution and contribution in accordance with Act 268, Sessions Laws of Hawaii 2013 due to the changes in the mortality and inflation assumptions adopted by the Employees’ Retirement System of the State of Hawaii (ERS) board at their December 2016 meeting. The assumption changes were based on a 5-year experience study performed by the ERS’ actuary, also Gabriel Roeder Smith & Company. These assumption changes will be incorporated into the July 1, 2017 actuarial valuation along with updates to other assumptions.

C. Investments
   1. Historical Return
      Mr. Mizuno presented for information the OPEB Trust’s returns since inception (July 1, 2011) through June 30, 2016 of 7.1% which slightly exceeded the assumed long-term investment rate of return of 7.0% and for the fiscal year ending June 30, 2016 of 2.6%.

   2. Manager Implementation Update
      Mr. Yuan updated the Board on the status of implementation of new managers.

   3. Private Equity Manager Update
      Mr. Yuan presented a memorandum dated January 10, 2017 that confirms the EUTF staff and EUTF’s investment consultant’s (Pension Consulting Alliance) previously approved recommendation to commit up to $75 million to Landmark Partners as part of the EUTF’s private equity allocation.

VI. REPORTS
   A. Segal
         Mr. Morrison provided an update on possible changes to the Affordable Care Act under a new administration.

      2. Trends Health Plan News at a Glance for the Public Sector – First Quarter 2017

   B. Administrator
      The Administrator’s report was in Board’s packet.
1. Adult disabled child project
2. Student certification project
3. HMSA covering chiropractic services
4. HMSA limited prescription drug benefits
5. Steering Committee for Implementation of HB2482 All Payer Claims Database
6. Administration Staffing Update
7. Meetings with Key Legislators and Unions
8. State of Reform Health Policy Conference

C. EUTF Managers’ and Program Specialist Reports

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

1. Member Services Branch (MSB)
   a. MSB Data
   b. MSB Customer Service Improvement Project – Survey Results
   c. MSB Staffing Update
   d. Carrier Reports

2. Information Systems (IS)
   a. V3 BAS Modified Phase II (Employer File Feed)
   b. Vitech Rebill Issue
   c. EUTF Computer Encryption
   d. EUTF Health Benefits Hardware Service Replacement
   e. Electronic Deductions
   f. New Copier Installation
   g. IS Staffing Update
   h. Enrollment Counts

3. EUTF Program Specialist Report
   a. Preventative Health and Wellness Benefits
   b. Disease Management (DM) Benefits
   c. Committee Participation

4. Financial Services Branch
   a. Management Letter Corrective Action Plan Status
   b. Electronic Payment by Members
   c. ERS Pension Deduction
   d. 2016 Financial Audit
   e. Financial Services Branch Staffing Update
   f. Revised Financial Statements as of June 30, July 31, August 31 and September 30, 2016 and Financial Statements as of October 31, 2016

Mr. Shinno presented the September 30, 2016 financial statements.

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. USAble Life
   Written report submitted.

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

The regular meeting recessed at 12:00 p.m.

IV. EXECUTIVE SESSION (continued)

The regular meeting reconvened at 12:55 p.m.

The Board did not take any action in Executive Session.

VII. NEXT MEETING DATE

A. February 21, 2017, 8:30 a.m. (regular board meeting)
   The February 21, 2017 meeting will begin at 8:30 a.m.

VIII. ADJOURNMENT

MOTION was made for the Board to adjourn meeting at 12:55 p.m. (Uwaine/Machida) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

Respectfully submitted,

/s/

Gordon Murakami, Secretary-Treasurer


Documents Distributed:
1. Draft Board Minutes of 12/20/16. (6 pages)
2. Memorandum to BOT from Segal Regarding Estimated Adjustment to Rates by Bargaining Unit dated 11/21/16. (2 pages)
3. Memorandum to BOT from Segal Regarding 2017/2018 Active Prescription Drug Rates (Revisit) dated 12/29/16 (16 pages)
4. Audited Financial Statements as of June 30, 2016 and 2015 (86 pages); Exit Conference presentation (12 pages); Report to Auditor, State of Hawaii (17 pages); and Management Letter (5 pages) prepared by KKDLY LLC.
5. Memorandum to BOT from the Administrator Regarding Impact of ERS Assumption Changes
on the EUTF dated 1/11/17 (5 pages).
6. OPEB Assets – Investment Returns Received 1/12/17. (1 page)
7. Memorandum from Pension Consulting Alliance Regarding Commitment Sizing for Landmark Equity Partners XVI, L.P. (Landmark XVI) dated 1/10/17 (3 pages)
9. Segal Consulting “Trends”, Health Plan News at a Glance for the Public Sector, 1st Quarter. (1 page)
10. Administrator’s Monthly Report to the Board from 12/10/16-1/6/17 dated 1/6/17. (2 pages)
11. Memorandum to BOT from MSB Manager Regarding December 2016-January 2017 MSB Operations Report dated 1/6/17. (6 pages)
13. Memorandum to Administrator from Program Specialist Regarding December 2016-January 2017 EUTF Program Specialist Report dated 1/6/17. (2 pages)
15. Financial Statements as of June 30, July 31, August 31, and September 30, 2016 and Experience Accounting of Self Funded Plans (30 pages)
18. HDS Monthly Carrier Report for December 2016 dated 1/6/17. (2 pages)
23. USable Life Monthly Carrier Report for December 2016 dated 1/10/16. (2 pages)
24. VSP Monthly Carrier Report for December 2016 dated 1/10/17. (8 pages)