

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Minutes of the Board of Trustees

Tuesday, January 17, 2017

TRUSTEES PRESENT

Mr. Roderick Becker, Chairperson
Ms. Audrey Hidano, Vice Chairperson
Mr. Gordon Murakami, Secretary-Treasurer
Ms. Linda Currivan Musto
Mr. Wesley Machida (arrived 8:40 a.m.)

Ms. Celeste Nip (left 12:17 pm)
Mr. James Nishimoto
Dr. Virginia Pressler (arrived 9:32 a.m., left 12:17 pm)
Mr. Clifford Uwaine (arrived 8:45 a.m.)

TRUSTEES ABSENT: None

ATTORNEY

Mr. Kyle Chang, Deputy Attorney General

EUTF STAFF

Mr. Derek Mizuno, Administrator
Ms. Donna Tonaki, Assistant Administrator
Ms. Maria Quartero
Mr. Adam Dreher
Ms. Linda Green
Ms. Shannon Hall

Mr. Thomas Morrison, Benefits Consultant
Ms. Bonny Kahalewai
Mr. Raymond Kan
Ms. Emily Kaneakua
Mr. Rodney Shinno
Mr. Kuan Yuan

OTHERS PRESENT

Ms. Marissa Adachi, HMSA
Ms. Nikki Bassett, USABLE Life
Ms. Sandra Benevides, CVS Health
Mr. Su Chai, Kaiser
Ms. Elaine Fujiwara, HDS
Ms. Susan Goya, HGAE-R
Mr. Galen Haneda, HMSA
Ms. Vanelle Hirayasu, HMA
Ms. Danielle Jones, UHC
Ms. Monica Kim, VSP

Ms. Mae Kishimoto, HSTA-R
Mr. Christopher Letoto, HMSA
Mr. Ken Lee, Kaiser
Ms. Melissa Maino, CVS Health
Dr. Chris Miura, Kaiser
Mr. Doug Murata, Royal State
Mr. Troy Tomita, Kaiser
Ms. Irene Geyrozaga, Kaiser
Mr. David Tumilowicz, Kaiser
Dr. Anthony Wang, Kaiser

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

1. Update Public Sector Benefits Compliance News – December 22, 2016

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.

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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. US Able 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

APPROVED on March 3, 2017.

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

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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)
8. Segal Consulting “Update”, Public Sector Benefits Compliance News dated 12/22/16. (5 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)
12. Memorandum to BOT from IS Chief Regarding December 2016-January 2017 IS Operations Report dated 1/6/17. (11 pages)
13. Memorandum to Administrator from Program Specialist Regarding December 2016-January 2017 EUTF Program Specialist Report dated 1/6/17. (2 pages)
14. Memorandum to BOT from Financial Management Officer Regarding December-January 2017 Financial Services Branch (FSB) 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)
16. CVS Caremark Monthly Carrier Report for December 2016 dated 1/10/17. (5 pages)
17. SilverScript Monthly Carrier Report for December 2016 dated 1/9/16. (3 pages)
18. HDS Monthly Carrier Report for December 2016 dated 1/6/17. (2 pages)
19. HMSA Monthly Carrier Report for December 2016 dated 1/13/17. (3 pages)
20. Kaiser Monthly Carrier Report for December 2016 dated 1/9/17. (2 pages)
21. Royal State Insurance Monthly Carrier Reports for December 2016 (Chiropractic and Supplemental Medical Plans) dated 1/9/17. (4 pages)
22. UnitedHealthcare Monthly Carrier Report for December 2016 dated 1/8/16. (1 page)
23. US Able 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)