

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Minutes of the Board of Trustees

Tuesday, September 26, 2017

TRUSTEES PRESENT

Mr. Gordon Murakami, Chairperson
Ms. Celeste Nip, Vice Chairperson
Ms. Laurel Johnston, Secretary-Treasurer
Mr. Roderick Becker

Ms. Audrey Hidano
Mr. James Nishimoto (arrived 9:08 a.m.)
Mr. Clifford Uwaine

TRUSTEES ABSENT:

Ms. Linda Currivan Musto

Dr. Virginia Pressler

ATTORNEY

Ms. Jodi Yi, Deputy Attorney General

EUTF STAFF

Mr. Derek Mizuno, Administrator
Ms. Donna Tonaki, Assistant Administrator
Ms. Maria Quartero
Ms. Linda Green
Ms. Shannon "Heather" Hall
Ms. Bonny Kahalewai
Mr. Raymond Kan

Mr. Thomas Morrison, Benefits Consultant
Ms. Emily Kaneakua
Ms. Chandra Maroney
Ms. Jessica McDonald
Ms. Lara Nitta
Mr. Rodney Shinno
Mr. Kuan Yuan

OTHERS PRESENT

Mr. Garret Azama, HMSA
Ms. Nikki Bassett, USABLE
Ms. Sandra Benevides, CVS Health
Mr. Susan Goya, HGEA-R
Mr. Galen Haneda, HMSA
Ms. Monica Kim, VSP
Ms. Mae Kishimoto, HSTA-R
Ms. Keiko Miraoka, Lilly
Mr. Brandon Kumabe, HMSA

Mr. Christopher Letoto, HMSA
Ms. Tracie Mukai, HDS
Mr. Douglas Murata, Royal State
Mr. Robert Nishimoto, Senate WAM
Mr. Duncan Osorio, Legislative Staff
Mr. Janos Paiko, State Senate
Mr. Troy Tomita, Kaiser
Ms. Twylla-Dawn Steer, HSTA-R

I. CALL TO ORDER

The meeting of the Board of Trustees was called to order at 8:45 a.m. by Chairperson Gordon Murakami, in the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) Board Room, 201 Merchant Street, Suite 1700, Honolulu, Hawaii, on Tuesday, September 26, 2017.

II. MINUTES

A. August 22, 2017

The Board reviewed the draft minutes of August 22, 2017.

MOTION was made and seconded to approve the minutes of August 22, 2017 as circulated. (Becker/Nip) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

III. EXECUTIVE SESSION

MOTION was made and seconded for the Board to move into Executive Session at 8:48 a.m. (Nip/Becker) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-3)

The regular meeting reconvened from Executive Session at 10:29 a.m., immediately went into recess, and reconvened at 10:34 a.m.

Chairperson Murakami reported that the Board took the following actions in Executive Session:

1. Approved the Executive Session minutes of August 22, 2017 as amended.
2. Denied an appeal for late open enrollment changes.
3. Approved an appeal for enrollment of a dependent.
4. Denied an appeal to change new hire plan selections.
5. Approved the award of contract for RFP 17-004 Supplemental Medical and Prescription Drug Copay Benefit Plan.
6. Approved the extension of the current benefit plan audit services contract for a period of one year through December 31, 2018.
7. Approved the selection of a fund for the private equity strategy, subject to contract negotiation.
8. Approved the extension of the current custodial contract for a period of six months through December 31, 2018.

IV. INVESTMENT COMMITTEE REPORT

A. Pension Consulting Alliance (PCA)

1. Private Equity Investment Plan Update

Mr. Kuan Yuan summarized the updates to the Private Equity Investment Plan.

2. June 30, 2017 Performance Report Including Excess Reserves

Mr. Colin Bebee summarized the June 30, 2017 Quarterly Performance Report including the Excess Reserves.

Mr. Bebee confirmed that the OPEB Trust will lag the peer group returns in periods of strong markets as the EUTF's asset allocation targets 7.0% while most plans in the peer group targets 7.5% and to a lesser extent EUTF is still phasing into the private equity and real estate asset classes.

3. Total Portfolio Benchmark Update

Mr. Yuan summarized the reasons for the Investment Committee's recommended changes to the Total Portfolio Benchmark.

MOTION was made and seconded to approve the Investment Committee's recommendation to revise the Total Portfolio Benchmark. (Nishimoto/Nip) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

4. Total Portfolio Expected Return Update – 2017

Mr. Yuan summarized PCA and staff's recommendation regarding the current asset allocation.

5. Private Real Estate Investment Plan Update

Mr. Yuan summarized the reasons for the Investment Committee's recommended additional commitments to the three existing private real estate managers.

MOTION was made and seconded to approve the Investment Committee's recommendation to commit an additional \$68 million to the three existing private real estate managers – \$35 million to ASB Allegiance, \$16.5 million to Morgan Stanley Prime and \$16.5 million to Heitman. (Nip/Uwaine) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

B. Investment Manager Due Diligence Plan

Mr. Yuan summarized the planned due diligence visits by PCA through June 30, 2018.

C. Manager Implementation Update

Mr. Yuan summarized the status of the previously Board approved investment managers.

V. OLD BUSINESS

A. HMSA Proposed Retiree Benefit Plan Design Changes

This item is deferred until the November Board meeting.

B. Unreported Divorces

Mr. Mizuno summarized the reason for the update to the previously Board approved staff recommendation related to the removal of ex-spouses.

MOTION was made and seconded for the Board to approve the staff's recommendation to remove ex-spouses:

1. From the divorce date, if reported or identified within 60 days of the divorce.
2. Prospectively, if the divorce is reported or identified more than 60 days after the divorce date and to refund the employer, subject to law, and collect from the employee the excess employer premium contribution as described in the memorandum dated September 20, 2017.

(Nip/Johnston) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

VI. REPORTS

A. Segal – Legislative Update

Mr. Tom Morrison reported that the Graham-Cassidy bill is unlikely to pass at this time.

B. Administrator

The Administrator's report was in the Board's packet.

1. HMSA covering chiropractic services
2. HMSA limited prescription drug benefits
3. Administration staffing update

4. Meetings with key legislators and unions

Mr. Mizuno reported that meetings are being scheduled with the unions and legislative leaders.

5. Public engagement

C. EUTF Managers', Program Specialist and Benefits Audit Specialist Reports

The Managers, Benefits Audit Specialist, 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. 2018 Open Enrollment for Retired Employees
- d. MSB Staffing Update
- e. Carrier Reports

2. Information Systems (IS)

- a. V3 Benefits Administration System (V3 BAS) Modified Phase II (Employer File Feed)
- b. Vitech Rebill Issue
Ms. Mae Kishimoto, HSTA-R, asked about the status of the Vitech Rebill issue. Mr. Raymond Kan responded that the rebill tool has been put in the system but there are other rebills that were not corrected by the rebill tool. Staff is working on how to address these other rebills.
- c. EUTF Health Benefits Hardware Server Replacement
- d. Electronic Deductions
- e. V3 BAS Feasibility Study
- f. Call Back System
- g. IS Staffing Update
- h. Enrollment Counts

3. EUTF Benefits Audit Specialist Report

- a. Benefit Plan Audit Services Contract Extension
- b. Unreported Divorces (Active Employees)
- c. Domestic Partner Recertification (Retirees)
- d. Additional Audits To Be Initiated By 12/31/17

4. EUTF Program Specialist Report

- a. Preventative Health and Wellness Benefits
- b. Disease Management (DM) Benefits
- c. EUTF Blue Zones Project

5. Financial Services Branch

- a. Management Letter Corrective Action Plan Status
- b. Electronic Payment by Members
Ms. Kishimoto asked about the costs for the electronic retiree premium deductions. Mr. Rod Shinno, Mr. Mizuno and Ms. Donna Tonaki responded that the fees for electronic retiree premium deductions are for one-time transactions. The monthly recurring electronic retiree premium deduction through the EUTF's financial

institution is free and the current preferred method. The deduction through the ERS pension is planned for January 2018 and will also be at no cost to the retiree.

- c. 2017 Financial Audit
 - d. Financial Services Branch Staffing Update
 - e. FSB Survey Results
 - f. Financial Statements as of June 30, 2017
- 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.

VII. NEXT MEETING DATE

- A. October 31, 2017, 8:30 a.m. - October 31, 2017, 8:30 a.m. – Insurance Commissioner presentation, benefit plan design changes, and HMSA 2017 Disease Management and Care Model presentation.

The Board decided to move all future Board meetings to 9:00 a.m. Mr. Mizuno informed the Board that Insurance Commissioner, Gordon Ito, had requested 10 minutes to give a presentation regarding healthcare costs in the state.

VIII.ADJOURNMENT

MOTION was made and seconded for the Board to adjourn meeting at 11:06 a.m. (Nip/Hidano) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

Respectfully submitted,

/s/

Laurel Johnston, Secretary-Treasurer

APPROVED on October 31, 2017.

Documents Distributed:

1. Draft Board Minutes of 8/22/17. (6 pages)
2. Memorandum to BOT from Investment Committee Regarding August 30, 2017 Investment Committee meeting dated 9/12/17. (2 pages)
3. Memorandum to BOT from Administrator Regarding Unreported Divorces dated 9/20/17. (3 pages)
4. The Washington Post "Democracy Dies in Darkness" Regarding Cassidy-Graham proposal. (3 pages)
5. Summary of Graham-Cassidy-Heller Amendment, August 2017. (9 pages)
6. Administrator's Monthly Report to the Board from 8/12/17-9/15/17 dated 9/15/17. (1 page)
7. Memorandum to BOT from Member Services Branch Manager Regarding August-September 2017 Member Services Operations Report dated 9/15/17. (7 pages)
8. Memorandum to BOT from Information Systems Chief Regarding August-September 2017 Information Systems (IS) Operations Report dated 9/15/17. (11 pages)
9. Memorandum to Administrator from EUTF Benefits Audit Specialist Regarding August-September 2017 EUTF Benefits Audit Specialist Report dated 9/15/17. (1 page)
10. Memorandum to Administrator from EUTF Program Specialist Regarding August-September 2017 EUTF Program Specialist Report dated 9/15/17. (14 pages)
11. Memorandum to BOT from Financial Management Officer Regarding August-September 2017 Financial Services Branch (FSB) Report dated 9/15/17. (2 pages)
12. Financial Statements as of June 30, 2017 and Experience Accounting of Self Funded Plans for June 2017 dated 9/21/17. (9 pages)
13. CVS Caremark Monthly Carrier Report for August 2017 dated 9/10/17. (2 pages)
14. SilverScript Monthly Carrier Report for August 2017 dated 9/7/17. (3 pages)
15. HDS Monthly Carrier Report for August 2017 dated 9/7/17. (2 pages)
16. HMSA Monthly Carrier Report for August 2017 dated 9/20/17. (2 pages)
17. Kaiser Monthly Carrier Report for August 2017 dated 9/8/17. (2 pages)
18. Royal State Insurance Monthly Carrier Reports for August 2017 (Chiropractic and Supplemental Medical Plans) dated 9/8/17. (4 pages)
19. UnitedHealthcare Monthly Carrier Report for August 2017 dated 9/5/17. (1 page)

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20. US Able Life Monthly Carrier Report for August 2017 dated 9/10/17. (2 pages)

21. VSP Monthly Carrier Report for August 2017 dated 9/8/17. (9 pages)