HA\nWAI\nI EM\nPLO\nY-UN\nION HE\nALTH BEN\nEFITS TRU\nST FUND

Minutes of the Board of Trustees
Tuesday, March 5, 2002

TRUSTEES PRESENT:  Mr. Sam Callejo, Chairperson
                     Ms. Audrey Hidano, Vice-Chairperson
                     Mr. Jim Williams, Secretary-Treasurer
                     Ms. Joan Lewis
                     Ms. Kathryn S. Matayoshi
                     Mr. Neal Miyahira
                     Mr. Chip Uwaine (Arrived at 10:14 a.m.)
                     Mr. Jimmy Yasuda
                     Mr. Davis Yogi

TRUSTEES ABSENT:    Mr. Will Miyake

ATTORNEY:           Mr. Brian Aburano, Deputy Attorney General

HEUHBTF STAFF       Mr. Tracy Ban
                     Ms. Lynette Fukunaga
                     Ms. Shirley Kawamoto
                     Ms. Wanda Kimura
                     Mr. Gary Sanehira
                     Ms. Karen Tom

OTHERS PRESENT:     Ms. Jean Aoki, HSRTA
                     Ms. Lynette Arakawa, HDS
                     Mr. George Butterfield, HSTA-Retired
                     Ms. Nani Crowell, HSTA
                     Ms. Alana Deppe-Mariota, Kaiser
                     Ms. Monica Engle, VSP
                     Mr. Melvin Higa, MBAH
                     Mr. Charles Khim
                     Mr. Miles Kubo, HDS
                     Mr. Norbert Mendes, HDS
                     Mr. Maurice Morita, HSTA
                     Mr. Tom Morrison, The Segal Company
                     Mr. Gordon Murakami, Royal State
                     Ms. Karen Muranaka, HSTA-Retired
                     Mr. Rod Tam, HMSA
                     Mr. George Yamamoto, HGEA-Retirees
A. CALL TO ORDER
The regular meeting of the Board of Trustees was called to order at 9:33 a.m. by Mr. Sam Callejo, Chairperson, in Conference Room 303/304, No. 1 Capitol District Building, 250 South Hotel Street, Honolulu, Hawaii, on Tuesday, March 5, 2002.

The Chair stated that Mr. Miyake had called to advise that he would be unable to attend the meeting and Mr. Uwaine had called to advise that he will be late.

B. APPROVAL OF MINUTES
Minutes for February 5, 2002 were reviewed and the following correction was made by Mr. Miyahira to page 4, line 8 as follows: “Presentation by Mr. Miyahira with the assistance of Mr. Morrison....”

MOTION to approve the minutes as corrected was made by Mr. Yogi and seconded by Ms. Matayoshi. The motion was passed unanimously. (Employer trustees 5/Employee-beneficiary trustees 3)

C. ADMINISTRATIVE COMMITTEE REPORT
Committee Chair Matayoshi reported on the Procurement Process, Interim Budget, and Appropriation Request to the Legislature.

1. Procurement Process. Ms. Matayoshi reviewed the recommended procurement process. There was discussion as to whether work could be delegated to staff or a consultant. Committee members commented that the procurement process is a basic process and each committee can determine the use of staff or consultants in providing assistance in the committee’s work. The process indicates that the ultimate responsibility lies with the Board.

Ms. Matayoshi requested that Agenda Item VI.A. be taken out of order for action. There were no objections by the trustees.

PUBLIC COMMENTS
C. Khim commented that the second bullet under the Purpose section should follow the statutory language which is broader than as written. He further commented that item II implies that the lowest qualified bidder is being considered and that the proposed language does not clearly state that.

Committee members agreed to amend the second bullet under the Purpose section as follows: “Professional services and advisors such as auditors, actuaries, investment firms and managers, benefit plan consultants or other professional advisors.”

Committee members commented that procedural item II was not intended to nor was it meant to imply that the Board would only consider the lowest bidder in all cases.
Rather, the process refers to qualified bidders as found in paragraph E. Further, paragraph A provides for the development of evaluation factors of which cost might be one of several factors. Procedural item II is meant to cover situations where there fails to be agreement on a contract between the Board and a contractor.

M. Higa commented that procedural item III reads as if the Board is required to approve any negotiated contract.

Ms. Matayoshi responded that it was intended that there is no contract unless the Board approves the contract. She proposed the amendment, “Any negotiated contract shall be subject to approval by the Board.” The Committee agreed to this amendment.

MOTION to adopt the procurement process as revised was made by Ms. Matayoshi and seconded by Ms. Hidano. The motion was passed unanimously. (Employer trustees 5/Employee-beneficiary 3)

2. Proposed Budget for FY 02-03.
Ms. Matayoshi reviewed the Committee’s proposed budget as amended and indicated the changes made by the Committee (shown in bold on the handout). The changes included an increase in the Administrator’s salary, an additional financial position, an increase in the salary for the Information Systems position, increase in funding for open enrollment data entry, an increase in insurance costs, and increases for modification of the computer system. The revised shortfall amount would be requested from the legislature.

Mr. Aburano asked if there was a budget item for a general consultant to advise on the setting up and operation of the trust fund as well as on regulatory matters. Committee members indicated that there was a line item for consultants in FY 02 so that contracts could be executed in FY 02 and carry forward into FY 03. The benefits consultant was considered as a general consultant to the Board and the amount indicated in the proposed budget is double that of the Health Fund’s consultant costs.

There was discussion on potential transition costs, e.g., audit of the Health Fund. Transition costs were included in the Health Fund’s budget. The Health Fund’s assets will be transferred to the EUTF, and Mr. Aburano is researching if the Health Fund’s liabilities will also be transferred to the EUTF.

There was discussion on the issue of using a third party administrator (TPA). The Committee reported that there was some discussion but the Committee had not reached a conclusion to be presented to the Board. The Committee’s discussion covered two concepts: 1) an EUTF administrator with a TPA, and 2) EUTF senior management positions that are necessary whether there is a TPA or not. Funds for senior
management positions were budgeted so that the Board would have flexibility in hiring
for these management positions if needed.

The Chair commented that staff had asked the Health Fund Administrator to attend this
meeting, however, the Chair received a letter from the Administrator that he would not
be present and would have to discuss it with the Board. The Chair stated that he would
make contact with the Health Fund Board Chair to begin talking about transition
matters. Mr. Williams commented that the Health Fund Board should be assured that
the EUTF Board was attempting to obtain information and had not intended to have the
Administrator make decisions or representations on behalf of the Health Fund Board.

PUBLIC COMMENTS
M. Higa commented that the Board should also include funds for basic business
requirements such as a disaster recovery program (estimated at $35,000 - $75,000
initial fees), and a records management program which should be established before an
accounting program is considered. Ms. Matayoshi responded that the programs
indicated by Mr. Higa were not discussed in the Committee, however, the State has a
disaster recovery program for its computer systems. The Chair stated that if there is a
funding need in FY 03, it may be possible to request emergency funding based on
needs at that time.

C. Khim commented that the Board should include funding amounts in the budget for a
record retention program. He stated that Board must decide on whether the Board will
accept the Health Fund records for input into the Board’s computer system or if the
Board will accept the Health Fund records and the Health Fund’s computer system. He
commented that Section -24(9) of Act 88, SLH 2001, requires that an agency provide
information to the board. Mr. Sanehira responded that the Health Fund routinely backs
up its computer data and that backup data is stored elsewhere. He stated that ICSD has
a disaster recovery plan. Additionally, the HIPAA security regulations, which has not
yet been finalized, includes a requirement for a disaster recovery plan.

Mr. Miyahira stated that the Board should move forward on the budget because the
proposed budget is reasonable based on the current information available and that
adjustments may be made in the future.

Mr. Uwaine joined the meeting at 10:14 a.m.

There was further discussion on the salary of the administrator. The recommended
amount was to enable the Board to compete in the market for a highly qualified
administrator. The recommended amount for the benefit plan consultant is twice that of
the current Health Fund’s consultant expense. The Committee had not identified
whether the funding would cover one or two benefit consultants which is an issue that
must be decided by the Board.
Mr. Uwaine suggested that funding be included for audio equipment to be used at Board meetings so that any requested reproduction of tapes will be accurate and audible. Staff reported that a portable system would run approximately $800 - $1,000. There was further discussion that there has only been a single request for copies of meeting tape recordings and it may be best to hold off purchasing equipment until it is determined how frequent the requests will occur. If the approved minutes are to be the primary reference, then it is unnecessary to purchase audio equipment. Mr. Yogi suggested a contingency item be added to the budget--$10,000 for FY 02 and $25,000 for FY 03 to handle these types of unforeseen expenses.

MOTION to include contingency funds of $10,000 for FY 02 and $25,000 for FY 03 was made by Mr. Uwaine and seconded by Mr. Yasuda. The motion was unanimously passed. (Employer trustees 5/Employee-beneficiary trustees 4)

There was discussion about adding funds for a consultant in FY 03 for the retention of a consultant in FY 04. The funding for consultants in FY 02 is targeted for a 15-month contract. The funding was included in FY 02 in anticipation of the execution of contracts and encumbrance of funds in FY 02. It was discussed that the FY 04 administrative costs are part of employee-beneficiary premiums while the FY 02 and FY 03 budgets are for start-up expenses of the Fund.

MOTION to include $125,000 under benefit plans in FY 03 was made by Mr. Williams and seconded by Mr. Yasuda.

There was further discussion that the budgeted consultant amount in FY 02 could be separated into the actual expenses in each fiscal year to account for concerns of the availability of funding. There was discussion that the additional funding in FY 03 is necessary to ensure adequate monies for a consultant in FY 04. It was commented that the amounts currently ported to the employee organizations for their plans are adequate to cover both plan administration and consultants.

PUBLIC COMMENTS
G. Butterfield commented that there may be cash flow problems in FY 04 as the EUTF will not begin to have income until July 5, the first of collected premiums.

C. Khim commented that all of the Health Fund monies will revert to the General Fund in FY 03-04 so the EUTF will need a nest egg until premium collections accrue.

There was further discussion on whether the State would require that general funds used for consultant services in FY 04 be reimbursed. Even though some of the start-up costs will carryover into FY 04, the rationale for the additional funding is that there should be sufficient start-up monies for the necessary implementation activities.
RECESS at 11:05 a.m.; reconvened at 11:20 a.m.

The motion was passed. (Employer trustees 4-Y E S; 1-Opposed/Employee-beneficiary trustees 4. Trustees who voted Y E S were: S. Callejo, A. Hidano, K. Matayoshi, D. Yogi, J. Lewis, C. Uwaine, J. Williams, J. Yasuda; Opposed was N. Miyahira.)

Mr. Uwaine asked staff to comment on Mr. Higa’s comments regarding a disaster recovery program because Mr. Uwaine had missed part of the comments and wanted to determine if funds needed to be budgeted. Mr. Sanehira reviewed the State’s current disaster recovery program for its departments in response to Mr. Uwaine’s questions. The Chair commented that the Board would determine any necessary funding at the time decisions are made on transition issues.

Ms. Matayoshi summarized the revised budget: For FY 02 there was an addition for contingency funds of $10,000 and a shortfall of $279,653, and for FY 03 there were additions of $125,000 for consulting fees and contingency funds of $25,000 with a shortfall of $1,034,012.

Agenda Item V.A.8 was taken out of order for consideration. There were no objections.

The motion on the table as amended was passed unanimously. (Employer trustees 5/Employee-beneficiary trustees 4).

3. Appropriation Request to the Legislature

Agenda Item V.A.5 was taken out of order. There were no objections.

MOTION to make a request to the legislature for an additional funding of $279,653 for FY 02, and $1,034,012 for FY 03 was made by Ms. Matayoshi and seconded by Ms. Hidano. There was no discussion.

PUBLIC COMMENTS

G. Butterfield commented that a recommendation from a committee need not be seconded because it is a committee recommendation and it is assumed that the motion has already been seconded. C. Khim concurred.

Mr. Williams commented that the budget is the best that the Board could do at this time based upon the information available so that a request could be submitted to the legislature timely.

The motion was passed unanimously. (Employer trustees 5/Employee-beneficiary trustees 4)
The Chair asked staff to work on drafting the request to the legislature.

D. RULES COMMITTEE REPORT
There was no report as the first meeting of the Committee was rescheduled to March 12th at 1:30 p.m.

E. UNFINISHED BUSINESS
Agenda Items V.A.1 and 2 are to be discussed on March 12, 2002.

Agenda Items V.A. 3, 6, 7, 9, 10, and 11 were referred to the Administrative Committee. The Committee will meet on March 7, 2002 and report back for decision-making by the Board.
The Chair commented that for Agenda Item V.A.7, the trustees were sent copies of existing legislation introduced this session and the trustees may check the status of the bills at the legislative website.
On Agenda Item V.A.6, the Administrative Committee asked that trustees submit any of their thoughts, ideas, or concerns on Chapter 87A, HRS, so that the Committee may provide a complete package for consideration to the Board.

Agenda Item V.A.4 was referred to the Rules Committee.

Agenda Items V.A.6 and 11 were referred to Rules Committee.

Agenda Item V.A.12 was discussed in Executive Session on February 26, 2002 and is completed. Mr. Miyahira requested that the Project Team consultant, Mr. Morrison, be allowed to present information to the committees as he was involved in the development of technical matters. There was discussion as to Mr. Morrison's role in relation to the EUTF board. It was made clear that he is not a consultant to the Board and Mr. Morrison would be presenting information that had already been given to the Board. It was left to each committee as to how it wishes to utilize the available resources, Mr. Morrison and staff.

Mr. Uwaine asked the Chair that the staff provide the working documents on the proposed draft rules to the Rules Committee.

Agenda Item V.A.13 has been completed. Mr. Uwaine commented that the Board should keep in mind that selection of a broker should be based upon the broker’s service, credibility, service, representation and not the cost of the premium and the coverage proposed. In preparing a proposal the broker who contacts a carrier first will lock out any other brokers because the carrier will only give a quote to the first contact. Once a broker is selected that broker may obtain quotes from an insurance carrier from which it was not able to obtain a quote previously. However, it is possible that there are relationships between carriers and brokers where a broker may not be able to obtain coverage from all carriers. Mr. Williams
commented that he has reservations about having an executive session on this subject as executive sessions should be used only when absolutely necessary.

PUBLIC COMMENTS
C. Khim confirmed Mr. Uwaine’s comments on the broker/underwriter relationship.

F. RECORDING AND HANDLING OF MINUTES, PUBLIC ACCESS TO MINUTES, AND REQUESTS FOR COPIES OF AUDIO TAPES OF MINUTES (Agenda Item VI.B)
Mr. Uwaine was concerned about the possibility of an ongoing request for copies of tape recordings of meetings. Mr. Aburano stated that a request cannot be made for a government record that does not yet exist; a request can only be made for existing government records. As such, an “ongoing request” for tapes of future meetings was not valid. Mr. Aburano did acknowledge that someone could effectively obtain tapes of future meetings if they carefully requested such tapes immediately after each meeting in the future. There was further discussion as to who bears the cost of the reproductions. The charge of the copies is borne by the requestor except that normally legislators are not charged. It was confirmed that the tape recordings of a meeting would be recycled once the minutes for that meeting was approved. The cost of reproduction is provided by statute.

PUBLIC COMMENT
C. Khim commented that the Hawaii Supreme Court addressed the issue of charges for reproduction of items in the decision on the Society of Professional Journalists (SPJ) vs. SHOPO. In that decision, the Supreme Court threw out the proposed costs that the police department was going to charge the SPJ. He suggested that the Board request that the Deputy Attorney General review that opinion before the Board determines costs for reproduction of tape recordings.

G. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES
K. Muronaka commented that it is difficult to hear the Board’s discussions.

Mr. Uwaine suggested that the Board meetings be held at various locations accessible to the public, e.g., libraries in Kaneohe and Pearl City. There was discussion that the members of the public who regularly attend Board meetings should be allowed to comment to determine their feelings on meeting at alternate locations. The Chair requested that Mr. Uwaine develop a tentative schedule of locations and this item will be placed on the next meeting’s agenda for discussion and public input.

H. ADJOURNMENT
A motion to adjourn the meeting was made by Mr. Yogi and seconded by Mr. Williams. There were no objections; the motion as unanimously passed.

The meeting was adjourned at 12:14 p.m.
APPkOURED on March 12, 2002.

Documents Distributed:
1. Minutes of February 5, 2002. (7 pages)
2. Procurement (Ramseyer copy). (2 pages)
3. Procurement Process (clean copy). (1 page)
4. Interim budget. (2 pages)
5. Letter from Bert Nishihara, Administrator, Public Employees Health Fund. (1 page)