

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Wednesday, June 15, 2006

TRUSTEES PRESENT

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|---|---------------------------|
| Mr. John Radcliffe, Chairperson | Mr. George Kahooohanohano |
| Mr. Gerald Machida, Vice-Chairperson | Ms. Marie Laderta |
| Ms. Katherine Thomason, Secretary-Treasurer | Mr. Mark Recktenwald |
| Mr. Nelson Befitel | Mr. Stanley Shiraki |
| Ms. Elizabeth Ho | Mr. Guy Tajiri |

TRUSTEES ABSENT: None

ATTORNEY

Mr. Brian Aburano, Deputy Attorney General

EUTF STAFF

| | |
|-----------------------------------|-----------------------------|
| Mr. James Williams, Administrator | Mr. John Garner, Consultant |
| Mr. Lawrence Nishihara | Mr. Andy Keowen, Consultant |
| Ms. Maria Quartero | Ms. Donna Tonaki |
| Ms. Kathleen Shiroma | |

OTHERS PRESENT

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| Mr. Gary Allen, HI Business Health Council | Mr. Eleu Kane, Summerlin |
| Ms. Lynette Arakawa, HDS | Ms. Doreen Kuroda, DHRD |
| Ms. Sandra Benevides, Kaiser Permanente | Mr. Paul Matsuo, HGEA-R |
| Ms. Monica Engle, VSP | Mr. Maurice Morita, HSTA |
| Mr. Kevin Fong, HDS | Mr. Michael Moss, HMSA |
| Ms. Venus Gabuyo, MBAH | Ms. Gertrude Nitta, HGEA-R |
| Mr. Rick Jackson, MDX Hawaii | Ms. Sue Oguro, ORTA |
| Ms. Ruth Kim, HSRTA | Mr. Rod Tam, HMSA |

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 9:05 a.m. by Trustee John Radcliffe, Chairperson, in Conference Room 1935, City Financial Tower, 201 Merchant Street, Honolulu, Hawaii, on Thursday, June 15, 2006.

II. APPROVAL OF MINUTES

The Board reviewed the draft minutes for March 10, 2003, March 18, 2003, and May 10, 2006.

There being no objections by the Trustees, the minutes for March 10, 2003 and March 18, 2003 were approved as circulated.

Amendment to the draft minutes for May 10, 2006: (1) page 3, lines 25-26, delete "that will be included in the upcoming biennium budget request"; (2) page 3, line 35 delete "process" and add "purpose".

Comment by Ms. Ruth Kim that she did not attend May 10, 2006 Board meeting.

Amendment to the draft minutes for May 10, 2006 (continued): (3) page 1, line 32 delete "Ms. Ruth Kim, HSRTA"; and (4) page 5, lines 37-38 delete "Ms. Ruth Kim commented that the EUTF should continue to offer the same maximum lifetime benefit."

There being no objections by the Trustees, the minutes for May 10, 2006 were approved as amended.

III. COMMITTEE REPORTS: None

IV. OTHER REPORTS

A. Administrator

1. June Update (see written report)

a. PeopleSoft Support and Regatta Migration

Overview by Ms. Shiroma regarding PeopleSoft support and Regatta migration (see Administrator's report).

b. IT Support by Gartner – SPO Approved Vendor

Overview by Ms. Shiroma regarding IT support by Gartner. A proposal to utilize Gartner's services will be presented for approval at the July Board meeting. [Trustee Befitel arrived at 9:14 a.m.] Mr. Williams summarized the memorandum regarding the approval to purchase an Advisor Seat from Gartner. He stated that it is a cost effective mechanism and the Advisor Seat will provide expert assistance whenever needed. The price is much lower because it is with the State contract. Gartner is on the State's approved vendor list and the ERS is very satisfied with their service (see Administrator's report and Memorandum to BOT).

MOTION was made for the Board to approve the Administrator's request to authorize purchase of an Advisor Seat from Gartner at a cost not to exceed \$10,000. (Thomason/Kahoohanohano) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

c. RFP for Claims Audit

This item will be addressed in Executive Session.

d. Insurance Broker

This item will be addressed in Executive Session.

e. Bills Approved by Legislation Relating to EUTF

Mr. Williams reported that SB 2021 (reimbursement of premiums for out-of-state retirees) was signed by the Governor as Act 167 effective July 1, 2007.

This bill will require rule changes.

- f. EUTF Facilities – Renovation of Additional Space
Overview by Mr. Lawrence Nishihara regarding the renovation of additional space (see Administrator’s report).
- g. Administrative Rules – Proposed Amendments
Mr. Lawrence Nishihara reported that the recently amended Administrative Rules are now pending the Governor’s approval (see Administrator’s report).
- h. Open Enrollment – Preliminary Report
Overview by Mr. Lawrence Nishihara regarding Open Enrollment. A final report will be submitted at the next Board meeting.
- i. Meetings
Mr. Williams reported that he and the Assistant Administrator met with EyeMed Vision Care at their request. The Administrator attended the monthly luncheon meeting of the Hawaii Association of Health Underwriters (see Administrator’s report).
- j. Employee Diabetes Management – Presentation by Gary Allen (Hawaii Business Health Council)

Overview by Mr. Williams regarding the Employee Diabetes Management program and request for authorization to seek a procurement exemption from the SPO for EUTF (see Administrator’s report). Mr. Williams introduced Mr. Gary Allen who presented an overview of the Employee Diabetes Management program. Mr. Allen introduced Clyde Hayashi, a pharmacist participating in the program from Times Supermarket. Discussion held by Trustees and Mr. Hayashi regarding the location of counseling sessions. Chair Radcliffe disclosed a potential conflict of interest because he is a lobbyist for GlaxoSmithKline and he recused himself from the deliberations on this matter. Vice-chair Machida took over as Chair for this motion. Mr. Williams explained that adopting this motion does not commit the Board to this program. Mr. Williams stated, in speaking to Mr. Aburano, it is a gray area whether this kind of program would require the EUTF to go through the procurement process. Mr. Aburano’s advice is to seek the exemption to make sure that everything is in order administratively. Discussion held by Trustees, staff, and Mr. Allen: (1) if Kaiser and HMSA provide this type of services; (2) the uniqueness of this program; (3) costs involved; (4) exemption from procurement; (5) training for this program; and (6) the confidentiality of employees' information.

MOTION was made for the Board to approve the Administrator's request for authorization to seek a procurement exemption for the Employees Diabetes Management program. (Kahoochanohano/Ho) After discussion, the motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-4, Trustee Radcliffe abstained from voting)

B. DEPUTY ATTORNEY GENERAL: None

Recessed at 9:56 a.m. and Reconvened at 10:06 a.m.

C. BENEFITS CONSULTANT

June Report

1. Financial Reports

Overview by Mr. Garner regarding the financial reports for carriers (see Consultant's report).

2. Enrollment Report

Overview by Mr. Garner regarding the enrollment report (see Consultant's report).

3. Performance Standards

Mr. Garner reported that only HMSA did not meet the performance standards, but that the one which they did not meet has no financial penalty.

4. Self Funding

Overview by Mr. Garner regarding self-funding (see Consultant's report).

Trustee Ho asked if the surplus could be considered for another premium holiday. Mr. Garner stated that it is for the Trustees to decide how they want to use the surpluses. Trustee Thomason stated that part of the surplus includes money that is related to retirees and that money can be part of the offsetting assets that reduce the total unfunded OPEB liability (i.e., the unfunded liability for the future costs of retiree health and other benefits plans) - which unfunded liability will be determined by the State's pending actuarial evaluation. The fund should be built up and invested so the actuarial evaluation will be calculated at a higher discount rate. Mr. Williams stated that the EUTF staff is tracing all the refunds and will divide them between retirees and actives for the Board and GASB information. Mr. Williams stated that it is his understanding that all the net assets will count toward reducing the OPEB liability. Trustee Thomason stated that employer contributions will count going forward.

5. Requests for Proposals

This item will be discussed in Executive Session.

6. Garner Consulting Bulletin – May 2006
Overview by Mr. Garner regarding their bulletin (see Garner bulletin).

- D. Financial Report as of April 30, 2006
Overview by Ms. Tonaki regarding the financial report as of April 30, 2006 (see written reports). Ms. Tonaki stated that there were no significant changes in net assets and the EUTF is doing well. During the month of April, actual revenues of \$4.7 million were collected. As stated last month, the administrative fees are less due to HSTA VEBA moving out. It is anticipated that at year end, the EUTF will collect approximately \$87,000 less in administrative fees. Discussion held by Trustees and Ms. Tonaki regarding cash increases (collecting and paying out).

- E. Carrier's Reports
 1. VSP
No written report submitted.
 2. Royal State Insurance
No written report submitted.
 3. MBAH
Written report submitted.
 4. Kaiser Permanente
Written report submitted. Ms. Benevides reported that Kaiser is launching a behavior incentive program and selected a few target groups and would like to know if the State would be interested. She will discuss in more detail at her meeting with Mr. Williams tomorrow.
 5. HMSA
No written report submitted. Mr. Tam distributed HMSA's Health Trend in Hawaii and said that it is also on the website.
 6. HDS
Written report submitted.

- V. UNFINISHED BUSINESS
 - A. EUTF Plan Design/RFP
This item will be addressed in Executive Session.

- VI. NEW BUSINESS
 - A. Gartner IT Technical Reference, Reporting & Advisory Services
This item was addressed during the Administrator's report.

 - B. Award of Contract from Claims Audit
This item will be addressed in Executive Session.

 - C. IFEBP 52nd Annual Employee Benefits Conference
Mr. Williams recommends that the Board authorize all Trustees, the Administrator, and the Assistant Administrator to participate in the 52nd Annual Employee Benefits

Conference of the International Foundation of Employee Benefit Plans (IFEBC).

MOTION was made for the Board to approve the Administrator's recommendation to authorize all Trustees, the Administrator, and the Assistant Administrator to participate in the 52nd Annual Employees Benefits conference of the IFEBC. (Recktenwald/Befitel) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

D. Insurance Broker Procurement

This item will be addressed in Executive Session.

E. Program Objectives and Measures of Effectiveness

Overview by Mr. Williams regarding the program objectives and measures of effectiveness that is required by Budget and Finance. Copies were distributed to the Trustees for their information. The Trustees may contact the Administrator if they have any questions or concerns.

F. FY07 Board Meeting Schedule

Overview by Mr. Williams regarding the FY 07 Board meeting schedule.

MOTION was made for the Board to approve the FY07 Board meeting schedule, subject to adjustments in the schedule as may be determined by the Board. (Thomason/Recktenwald) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

G. Election of Officers (July 1, 2006 – June 30, 2007)

MOTION was made to nominate Trustee Mark Recktenwald for chairperson. (Shiraki/Thomason)

MOTION was made to close nomination. (Befitel/Thomason). The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

Trustee Mark Recktenwald was elected chairperson by virtue of being the only trustee nominated for that position.

MOTION was made to nominate Trustee Nelson Befitel for vice-chairperson. (Shiraki/Thomason)

MOTION was made to close nomination. (Thomason/Laderta). The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

Trustee Nelson Befitel was elected vice-chairperson by virtue of being the only trustee nominated for that position.

MOTION was made to nominate Trustee Guy Tajiri for secretary-treasurer.
(Ho/Kahoochanohano)

MOTION was made to close nomination. (Kahoochanohano/Machida). The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

Trustee Guy Tajiri was elected secretary-treasurer by virtue of being the only trustee nominated for that position.

MOTION was made for the Board to approve to amend agenda to add appointment of committees. (Recktenwald/Thomason) The motion passed unanimously.
(Employer Trustees-5/Employee-Beneficiary Trustees-5)

MOTION was made for the Board to accept the same slate of Administrative/Benefits Committee members and the appointment of Trustee Guy Tajiri to the Benefits Committee but not the Administrative Committee as follows:
Administrative Committee Members – George Kahoochanohano, Marie Laderta, Gerald Machida, Mark Recktenwald, Stanley Shiraki; Benefits Committee Members – Nelson Befitel, Elizabeth Ho, John Radcliffe, Stanley Shiraki, Guy Tajiri, Katherine Thomason. (Recktenwald/Laderta) The motion passed unanimously.
(Employer Trustees-5/Employee-Beneficiary Trustees-5)

H. Employee Diabetes Management – Procurement Exemption
This item was addressed during the Administrator's report.

VII. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES

Ms. Ruth Kim made a correction that she actually was in attendance at the May 10, 2006 Board meeting. There being no objections by the Trustees, her comments will be deleted from the minutes and her name will remain on the attendance roster of the minutes for May 10, 2006.

VIII. FUTURE AGENDA ITEMS AND NEXT MEETING DATE

Board meeting is scheduled for Thursday, July 27, 2006, 9:00 a.m., CFT-room 1935.

IX. EXECUTIVE SESSION

MOTION was made to go into Executive Session at 10:31 a.m. for the reasons stated on the agenda. (Thomason/Befitel) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

MOTION was made to move out of Executive Session at 12:48 p.m. (Thomason/Tajiri) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

The chair reported that the Board has taken the following actions in Executive Session:

1. Approval of May 10, 2006 Executive Session minutes as amended.
2. Approval of Insurance Broker Procurement.
3. Contract awarded to Segal for Claims Audit RFP.

X. ADJOURNMENT

There being no objections by the Trustees, the meeting adjourned at 12:50 p.m.

Respectfully submitted,

/s/

Guy T. Tajiri, Secretary-Treasurer

APPROVED on July 27, 2006.

Documents Distributed:

1. Draft Minutes for March 10, 2003. (12 pages)
2. Draft Minutes for March 18, 2003. (6 pages)
3. Draft Minutes for May 10, 2006. (7 pages)
4. Memorandum to BOT from Administrator regarding June Administrator Report dated 6/07/06. (4 pages)
5. Memorandum to BOT from Administrator regarding Gartner, Inc. Technical Reference Reporting and Advisory Services dated 6/01/06 (7 pages)
6. Brochure "An Innovative Approach to Employee Diabetes Management dated 10/05. (12 pages)
7. Letter to BOT from Garner Consulting regarding June Benefit Consultant Report dated 6/05/06. (2 pages)
8. Active Employees Surplus (Loss) at 3/31/06 dated 6/01/06. (1 page)
9. Retired Employees Surplus (Loss) at 3/31/06 dated 6/01/06 (1 page)
10. EUTF 2005 Plan Year Reserves Versus Actual Run-Out Claims Through 3/31/2006 dated 6/01/06. (1 page)
11. EUTF Claims Experience Summary for the 2005-2006 Plan Year Nine Months Ended 3/31/06 – Estimated dated 6/01/06. (1 page)
12. HDS Group Dental Benefit Plan, EUTF Plan Financial Performance Report –By Bargaining Unit for Period 6/01/05-3/31/06. (1 page)
13. HMSA EUTF Summary of Financial Operations by Bargaining Unit 7/01/05-3/31/06. (4 pages)
14. EUTF Financial Operations Report-VSP Plan Year by Bargaining Unit 6/01/05-3/31/06. (1 page)
15. Active Employees Enrollment Count dated 6/01/06. (1 page)

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16. Retirees Enrollment Count dated 6/01/06. (1 page)
17. Report on Performance Standards for HMSA dated 6/01/06. (1 page)
18. EUTF Estimate of Reserves Need for Self-Funding dated 6/2/06. (1 page)
19. EUTF Estimate of Reserves on 7/1/07 dated 6/02/06. (1 page)
20. Garner Bulletin for May 2006. (3 pages)
21. EUTF Statement of Net Assets (Unaudited) dated 5/25/06. (1 page)
22. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison 10 Months Ended 4/30/06 (Unaudited) dated 5/25/06. (1 page)
23. EUTF Statement of Cash Flows 10 Months Ended 4/30/06 (Unaudited) dated 5/23/06. (1 page)
24. FY07 BOT Meeting Schedule dated 6/08/06. (1 page)
25. The Diabetes Ten City Challenge. (13 pages)
26. Approved Minutes for March 22, 2006. (7 pages)