I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 9:00 a.m. by
Trustee George Kahoohanohano, Chairperson, in EUTF Conference Room, 201
Merchant Street, Honolulu, Hawaii, on Wednesday, June 16, 2010.
Chair Kahoohanohano introduced and welcomed new employer Trustee Michael Formby and Deputy Attorney General Brian Aburano who is attending for Deputy Attorney General Diane Erickson.

II. APPROVAL OF MINUTES
The Board reviewed the draft minutes of March 18, 2010.

There being no objections by the Trustees, the minutes of March 18, 2010 were approved as circulated.

The minutes of March 31, 2010 is being reviewed by the EUTF staff and Deputy Attorney General.

III. REPORTS
A. EUTF Staff Reports
   1. June Update
      a. EUTF Options – Active Rates/Benefits
         Overview by Ms. Sandi Yahiro regarding EUTF options for active rates/benefits (see handout). Discussion held by Trustees and staff regarding if a retiree open enrollment can be held, if staff reviewed options, and if any of the options require an amendment to Aon’s contract. Ms. Yahiro stated the retiree open enrollment will still be held because the effective date is January 1, 2011, staff did review and agreed with these options, and no contract amendment is needed with Aon. Discussion held by Trustees and staff regarding the possibility to have a regular open enrollment under Options One and Three.

      b. Implementation of VEBA Members to the EUTF
         Overview by Ms. Yahiro regarding the implementation of VEBA members to the EUTF (see revised handout dated 6/9/10). Ms. Yahiro is recommending that the EUTF “map” VEBA members. Discussion held by Trustees and staff regarding an HSTA survey, the “carrier to carrier” option, and that HSTA is having an open enrollment in July and members will be in plans that they want so carrier to carrier would be the best. Mr. Vaughn Tokashiki, HSTA retiree, asked where he and other VEBA retirees would fall. Ms. Yahiro stated it would be the same mapping as the actives. Mr. Tokashiki asked where Medicare retirees would fall. Ms. Yahiro stated that if they are in the HMSA VEBA retiree plan then they would be mapped to the EUTF HMSA retiree plan. Mr. Tokashiki asked where the retirees would fall for HDS, prescription drugs, and VSP. Ms. Yahiro stated that they will be mapped to the EUTF plans for HDS and VSP. Ms. Nikki Bassett from informedRx stated that non-Medicare retirees would be mapped to EUTF’s non-Medicare retiree drug plan through informedRx and Medicare retirees would be mapped to EUTF’s Medicare retiree drug plan through informedRx.
MOTION was made for the Board to approve the option to “map” VEBA members as recommended by the Acting Assistant Administrator. (Annis/Boyer) After discussion held by the Trustees, the motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

MOTION was made for the Board to approve the option to map VEBA members “carrier to carrier”. (Shiraki/Annis)

Discussion held by Trustees and staff regarding if the EUTF staff is able to do a survey of VEBA members, when the survey should be done, amending the motion to provide for HSTA doing the survey at no cost to the EUTF, and concerns about approving the “carrier to carrier” option today as that may change depending on the outcome of the survey and have a great impact on the EUTF staff. Mr. Mossman from Kaiser stated it is imperative that the Board make decisions on what is going to be in place January 1. Further discussion by the Trustees and staff regarding the impact this motion may have on the EUTF staff and the deadline for any HSTA survey. There being no objections by the Trustees, this item is deferred until the next Board meeting.

c. RFP No. 10-001 Benefits Consultant
   This item will be addressed in Executive Session.

d. New EC-1 Form – Implementation of New Administrative Rules
   Overview by Ms. Yahiro regarding the new EC-1 Form. Discussion held by Trustees and staff regarding “Coverage & premium contrib. start first day of the 1st pay period following event” which is in Section 2 of the EC-1 Form. Trustees may review the new EC-1 Form and contact Ms. Yahiro if they have any questions.

e. Vitech Systems Group, Inc. – V3 Benefits Administrative System
   Implementation

f. IT Support by Gartner, Inc. – SPO Approved Vendor

g. IT Staff Update
   Overview by Ms. Kathleen Shiroma regarding IT staff report (see IT Operations Report).

h. Update on Contract for Custodian Services
Overview by Ms. Donna Tonaki regarding the update on contract for custodian services (see Accounting Operations Report).

i. Update on GASB Actuarial Valuation Contract Extension
Overview by Ms. Tonaki regarding the update on GASB Actuarial Valuation contract extension (see Accounting Operations Report).

j. FY09 Financial Audit
Overview by Ms. Tonaki regarding the status of the FY09 Financial Audit (see Accounting Operations Report). Chair Kahoohanohano expressed his concern about the long delay in finalizing the Audit. Trustee Annis stated that this Audit is the last thing pending for the State to do its CAFR report. It is June and the State has not produced its 2009 CAFR report; this is a serious situation and should get handled as soon as possible.

k. Accounting Issues
Overview by Ms. Tonaki regarding accounting issues (see Accounting Operations Report).

l. Financial Services Branch
Overview by Ms. Tonaki regarding the Financial Services Branch (see Accounting Operations Report).

B. Deputy Attorney General
1. Base Monthly Contribution
Deputy Attorney General Aburano reported that he was asked to research certain issues regarding the “base monthly contribution” and to report on this matter to the Board. Mr. Aburano noted that the public employers’ contributions to the EUTF for retiree health benefits plans are based on the base monthly contribution. Under HRS § 87A-33, the base monthly contribution is a fixed amount that is subject to annual adjustment. The annual adjustment is the percentage increase or decrease in the Medicare Part B premium rate. As used in HRS § 87A-33, the Medicare Part B premium rate is what is published in the Federal Register in or around November of each year. Certain issues have arisen regarding the Medicare Part B premium rates that were published in October 2009.

First, there is no longer a single Medicare Part B premium rate. Instead, there are now multiple rates - a standard premium rate and four higher rates that apply to participants with high incomes. The standard Medicare Part B premium rate for 2009 was $96.40. The standard Medicare Part B premium rate for 2010 as shown in the October 2009 Federal Register is $110.50; the other rates for 2010 range from $154.70 to $353.60. For purposes of adjusting the base monthly contribution, Mr. Aburano believes that the $110.50 rate should be used since it is
the standard rate applicable to most Medicare participants and appears to reflect medical plan cost inflation; whereas, the higher rates are more in the nature of progressive taxation on high income participants.

Second, there is a provision in the federal statutes that provides that persons who receive social security benefits and have their Medicare Part B premiums deducted from those benefits do not have to pay a Medicare Part B premium increase if the premium increase will cause a net decrease in their social security benefits. Since there is no increase in social security benefits for 2010, this means that most EUTF retirees who participate in Medicare Part B will only have to pay $96.40 for Medicare Part B premiums in 2010 and not $110.50. Despite this, Mr. Aburano believes that the base monthly contribution should be adjusted for the increase in Medicare Part B premiums to $110.50. This is because HRS § 87A-33 says the adjustment is the percentage increase in the Medicare Part B premium rate as shown in the Federal Register. The October 2009 Federal Register shows the Medicare Part B premium increasing to $110.50; the fact that most EUTF retirees won’t have to pay this amount does not change the reported rate increase.

Mr. Aburano said that the Board was not required to take action on this item. The base monthly contribution is set by statute. Mr. Aburano said that he is simply advising ERS staff on this matter for administrative purposes. He noted that it is the public employers who are obligated to pay contributions to the EUTF up to the base monthly contribution and cautioned that they may not agree with his research and analysis as presented today.

D. Benefits Consultant

1. June Report
a. Fully-Insured Benefit Design Options for Active Plan Benefits and Rates
   Effective 7/1/2010 through 6/30/2011
   This item will be addressed in Executive Session.

b. Self-Funded Benefit Design Options for Active Plan Benefits and Rates
   Effective 7/1/2010 through 6/30/2011
   Mr. Rod Tam reported that due to the Board action to extend rates through September 30, 2010, Aon is looking at more updated information including all the HSTA information received. Preliminarily, the HSTA data does look like it will help the overall pool. Aon did notice in the most recent months that the self-insured PPO plans had a couple of spikes in the opposite direction. The HMSA payments came down significantly and the HMA payments went up. The HMA payments were as expected because as Aon reported last month there were not a lot of claims received. Since HMSA’s payments went down, Aon would like to speak to HMSA to see what is going on. Aon will provide their recommendations at the next Board meeting for rates effective
October 1, 2010, to include HSTA in January. Trustee Annis stated that she is
concerned about the timing because she was under the impression that the
Board would have all the information at this meeting and that decisions could
be made. Even if the effective date is October 1, the EUTF needs three to four
months for an open enrollment and that is a lot of work. Ms. Yahiro stated
that after a discussion yesterday with Aon, she was also concerned. A
meeting was held with Aon and the EUTF managers to see if a hardship open
enrollment could be held if the Board was given recommended rates at the
next Board meeting and made a decision effective October 1. It would be
tight but the EUTF could do it. Trustee Annis stated this is the first she heard
of it and she has done a lot of homework in this area as many others probably
have and is taken aback. Discussion held by Trustees and staff regarding
having a hardship open enrollment and concerns that without decisions by the
Board today the EUTF would be unable to hold an open enrollment.
Ms. Yahiro explained the process for a hardship open enrollment and stated
that it could be done if all the pieces fall in place. Trustee Annis expressed
concern that the EUTF will not be able to do an open enrollment. Discussion
held by Trustees and staff regarding what would happen if there were benefit
and rate changes. Ms. Yahiro stated that if there were significant benefit and
rate changes, the EUTF could not do a hardship open enrollment. Discussion
held by Trustees and staff regarding having a meeting in July. Ms. Maria
Quartero will poll the Trustees on their availability for July 12-14, 2010.

c. Health Care Reform – Early Retiree Reinsurance
Mr. Tam reported that Aon is working with the EUTF regarding the contract.
Ms. Yahiro stated they are working on what the EUTF’s responsibility would
be work wise. The EUTF wants to make sure whatever they agree to is very
minimal. The draft contract has been prepared and should be executed in the
next couple of weeks. The application will be submitted shortly after the
contract is executed. Further discussion on this item will be addressed in
Executive Session.


d. RFP – Proposals to Furnish Health and Life Insurance Benefit Plans and/or
Administrative Services for Active Employees and Retirees – Criteria and
Timeline
This item will be addressed in Executive Session.

e. Performance Guarantees as of March 31, 2010
Mr. Tam stated that all of the carriers that submitted reports have met their
performance guarantees. Aon received informedRx’s report this morning.

f. Response to Trustee Questions
Mr. Tam stated that Aon has prepared a response to Trustees questions. The
Board will review the responses and can submit any follow-up to Aon.
E. Financial Report as of April 30, 2010

Overview by Ms. Tonaki regarding the financial reports for April 30, 2010. Discussion held by Trustees, staff and benefits consultant regarding when the IBNR can be lowered. Mr. Tam stated that last month the IBNR projection was lowered and did caution that the unrestricted gain would be changing to reflect changing the IBNR. The next IBNR projection will be increased. In looking at the trends, Aon will be able to adjust it downwards from the last projection of 22.1%. Overview by Ms. Tonaki regarding the Experience Accounting of Self-Funded Plans. The EUTF continues to have gains in some of our plans; the overall gain from July 2009 to May 2010 is approximately $19.5 million. Discussion held by Trustees and staff regarding where the amount for May is shown on the financials. Ms. Tonaki stated it is not reflected on the financials because the financials is only through April 30, 2010. A grand total page is not included, so you must add the total of each carrier. In the future, Ms. Tonaki will include a grand total page. Discussion held by Trustees, staff and benefits consultant regarding significant differences between the actives and retirees that may have to be analyzed differently. Mr. Tam stated Aon looks at the IBNR and unrestricted reserves as a whole. If the opinion comes back from the Attorney General that we need to separate everything there is a possibility, for reserving purposes that we would have to increase on the actives side.

F. Carriers

1. HDS
   Written report submitted. Ms. Lynette Arakawa stated that for the “mapping,” HDS offers a supplemental for HSTA VEBA members and the EUTF does not have a supplemental plan for dental. The basic plan is the same.

2. HMSA
   Written report submitted. Mr. Saguibo gave an update on the Hawaii County’s Hawaii Informational Exchange (HIE) and the negotiations with the Queen’s Health System.

3. HMA
   Written report submitted.

4. informedRx (NMHC)
   Written report submitted. Mr. Greg Buscetto gave an update on Times Supermarket. Mr. Jerry Shipken gave an update on the program savings. Discussion held by Trustees and informedRx regarding pharmacies in Maui and Molokai. informedRx is reaching out to pharmacies on Maui and Molokai but does not have contracts yet. At this time. Molokai Drugs has decided not to participate but are still hopeful they can be on board. They got Maui Foodland and will be reaching out to other independent pharmacies. informedRx will report on the status of Maui and Molokai at the next Board meeting.
5. Kaiser  
   Written report submitted. Ms. Valerie Trechter informed the Board that she is  
   leaving Kaiser to relocate to the mainland. Ms. Sandra Benevides will continue to  
   represent the EUTF.

6. Royal State Insurance  
   Written report submitted.

7. Standard Insurance  
   Written report submitted.

8. VSP  
   Written report submitted.

IV. UNFINISHED BUSINESS

A. Administrator Recruitment Activities  
   This item will be addressed in Executive Session.

B. Fully-Insured Benefit Design Options for Active Plan Benefits and Rates Effective  
   7/1/2010 through 6/30/2011  
   This item will be addressed in Executive Session.

C. Self-Funded Benefit Design Options for Active Plan Benefits and Rates Effective  
   7/1/2010 through 6/30/2011  
   This item was addressed during the Consultant’s report.

D. EUTF HMO and HDHP Administered by HMSA – Step Therapy  
   Presentation by Ms. Kris Nishimura regarding the Preferred Drug Step Therapy program  
   (see report dated 6/16/10). Discussion held by Trustees and Ms. Nakamura regarding  
   affected members on page 3 and the projected savings on page 5 of the presentation.  
   Chair Kahoolanohano asked if this program is going to be implemented with or without the  
   Board’s approval because he has received correspondence that says everything is effective  
   July 1. Ms. Nakamura stated that it is for the standard plans that EUTF is not included.  
   Discussion held by Trustees and benefits consultant regarding what impact this would have  
   for the rates and all the members. Mr. Tam stated Aon has not analyzed this but the impact is  
   minimal because of the dollar amount. Trustee Annis asked if the impact is less than 1%.  
   Mr. Tam stated yes. Discussion held by Trustees and benefits consultant regarding if Aon  
   has any recommendation or considerations. Mr. Tam stated that informedRx has similar  
   types of programs that are in place and that there is going to be a savings. Discussion held by  
   Trustees and benefits consultant regarding if Aon has any other considerations. Mr. Tam  
   stated no. Discussion held by Trustees and benefits consultant regarding that the Board is  
   looking for Aon’s recommendation on this program like Aon did for the last step therapy  
   program. Mr. Tam stated that the Board is looking to save money with a program that is  
   similar to what was done for the self-funded fee for service plan and recommends that the  
   Board adopt this program. Discussion held by Trustees and Ms. Saguibo regarding the  
   effective date. Trustee Annis stated that it should be effective the date of our new plans.
MOTION was made for the Board to approve the step therapy program as presented by HMSA effective the date when the rate changes. (Shiraki/Annis) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

E. Implementation of VEBA Members to the EUTF
This item will be addressed in Executive Session.

V. NEW BUSINESS
A. Election of Officers
Trustee Michael Formby was nominated for Chairperson. (Boyer)

MOTION was made to close nomination. (Shiraki/Boyer). The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

Trustee Michael Formby was elected Chairperson by virtue of being the only trustee nominated for that position.

Trustee Marie Laderta was nominated for Vice-chairperson. (Shiraki)

MOTION was made to close nomination. (Shiraki/Boyer). The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

Trustee Marie Laderta was elected Vice-chairperson by virtue of being the only trustee nominated for that position.

Trustee George Kahoohanohano was nominated for Secretary-Treasurer. (Annis)

MOTION was made to close nomination. (Lee/Perreira). The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

Trustee George Kahoohanohano was elected Secretary-Treasurer by virtue of being the only trustee nominated for that position.

There being no objections by the Trustees, the Administrative Committee members are: Trustees Barbara Annis, Ron Boyer, Michael Formby, George Kahoohanohano, Dr. J.N. Musto, and Randy Perreira.

There being no objections by the Trustees, the Benefits Committee members are: Trustees Michael Formby, Bobby Lee, George Kahoohanohano, Marie Laderta, Randy Perreira, and Stanley Shiraki.
MOTION was made for the Board to approve that all Trustees serve on the Investment Committee. (Perreira/Boyer) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

B. Draft Board Schedule FY 2011
Mr. Aburano stated that Diane Erickson may have a conflict on Wednesdays due to the Land Use Commission Board meetings on that same day. Chair Kahoohanohano stated that the EUTF meetings have always been held on Wednesdays and the Land Use Commission changed from Thursdays to Wednesdays due to furlough Friday.

MOTION was made for the Board to approve the proposed FY 2011 Board meeting schedule as presented, subject to revision by the Board at a later date if needed. (Annis/Shiraki) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

C. HSA – Sterling
Overview by Ms. Yahiro regarding HMSA’s request to send a letter prepared by Sterling HSA to members currently enrolled in the High Deductible Health Plan (HDHP) regarding health savings accounts. Ms. Yahiro recommends denying this request. Ms. Yahiro stated that there are multiple companies that HMSA deals with that administer health savings accounts - Sterling HSA being one of them. There has been no procurement done by this Board. If the Board allows this letter with Sterling HSA’s letterhead to be sent out, the Board may appear to be endorsing Sterling HSA over other companies that HMSA does business with. Discussion held by Trustees and staff regarding whether the EUTF Reference Guide references Sterling HSA under the HMO plan, whether that gives the impression that it is the EUTF’s savings plan, and whether the Reference Guides should be edited. Further discussion held by Trustees, staff and Mr. Saguibo regarding why if HMSA does not endorse any particular company, it submitted this request to the Board. Mr. Saguibo stated that HMSA does not endorse any particular company over another and clarified that Sterling HSA asked HMSA if they could distribute their letter to HDHP members, but HMSA did not feel it was appropriate for HMSA to distribute Sterling HSA’s communication using EUTF’s member list without seeking the Board’s approval.

MOTION was made for the Board to deny, as recommended by the Acting Administrator, HMSA’s request to send a letter from Sterling HSA to HDHP members soliciting them to use Sterling HSA as their health savings account administrator. (Boyer/Annis) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

The EUTF staff will revise the Reference Guides to delete “Sterling HSA” under the HMSA HDHP plan.
D. Base Monthly Contribution
   This item was addressed during the Deputy Attorney General’s report.

E. RFP No 10-001 Benefits Consultant
   This item will be addressed in Executive Session.

F. RFP – Proposals to Furnish Health and Life Insurance Benefit Plans and/or
   Administrative Services for Active Employees and Retirees – Criteria and Timeline
   This item will be addressed in Executive Session.

VI. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES
   Mr. Vaughn Tokashiki asked if there are no differences between the non-Medicare and
   Medicare retirees. Mr. Tam stated that the plans are the same. However, if you have
   Medicare it would generally be primary and your plan would be secondary.
   Mr. Tokashiki asked if mail order is mandatory for retirees. It is mandatory for non-
   Medicare and not for Medicare retirees. Chair Kahoolanohano stated that these requests
   should be addressed directly with Mr. Jerry Shipken or Nikki Bassett from informedRx.
   A member of the public shared her concern regarding wheelchairs and is requesting the
   Board factor in her concern when making decisions. Chair Kahoolanohano stated that at
   this time the Board is unable to do anything regarding the wheelchair situation without
   having all the information and referred her to Ms. Yahiho to get all the details to better
   address the situation.

VII. FUTURE AGENDA ITEMS AND NEXT MEETING DATE
   A. July 21, 2010 – Regular Board meeting

VIII. EXECUTIVE SESSION
   MOTION was made to go into Executive Session at 11:40 a.m. for the reasons stated on
   the agenda. (Boyer/Annis) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)
   Executive Session adjourned at 12:20 p.m.

The Chair reported that the Board has taken the following actions in Executive Session:
1. Approval to extend fully-insured benefits and rates for three months.
2. Approval of Aon Supplemental Contract for Retiree Early Retiree Reinsurance.
3. Approval to refer the RFP – Proposal for Furnish Health Benefits and Life Insurance
   Benefit Plans and/or Administrative Services for Active Employees and Retiree to the
   Benefits Committee.
4. Approval to refer RFP No. 10-001 Benefits Consultant to the Administrative
   Committee.
IX. ADJOURNMENT

There being no objections by the Trustees, the meeting adjourned at 12:22 p.m.

Respectfully submitted,

/s/

__________________________
George Kahoohanohano, Secretary-Treasurer

APPROVED on November 24, 2010.

Documents Distributed:

1. Draft Board Minutes for 3/18/10. (12 pages)
2. EUTF Options – Active Rate/Benefits dated 6/8/10. (1 page)
3. Letter to Rod Shinno from ATPA Regarding VEBA Options dated 5/27/10. (2 pages)
4. Options to Transition VEBA Members Into EUTF Plans Effective 1/1/11 Revised 6/9/10. (3 pages)
5. Draft EC-1Form. (5 pages)
10. Letter to BOT from Aon Regarding Response to Trustee Questions dated 6/16/10. (4 pages)
11. EUTF Statement of Net Assets (Unaudited) dated 6/8/10. (1 page)
12. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison 10 Months Ended 4/30/10 (Unaudited) dated 6/8/10. (1 page)
15. Letter to Acting Assistant Administrator Regarding Letter Prepared by Sterling HSA from HMSA dated 4/1/10. (2 pages)
17. Letter from Governor Appointing Michael Formby as EUTF Trustee dated 5/26/10. (1 page)
18. HMSA News Release “HMSA to preserve health coverage for young adults earlier than required by new federal health care provision” dated 5/3/10. (2 pages)