

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Wednesday, September 27, 2006

TRUSTEES PRESENT

Mr. Mark Recktenwald, Chairperson
Mr. Nelson Befitel
Ms. Elizabeth Ho
Mr. George Kahooahanohano

Mr. Gerald Machida
Mr. John Radcliffe
Mr. Stanley Shiraki
Ms. Katherine Thomason (arrived 9:43 am)

TRUSTEES ABSENT

Mr. Guy Tajiri, Secretary-Treasurer
Ms. Marie Laderta

ATTORNEY

Mr. Brian Aburano, Deputy Attorney General

EUTF STAFF

Mr. James Williams, Administrator
Mr. Lawrence Nishihara
Ms. Maria Quartero
Ms. Kathleen Shiroma

Mr. John Garner, Consultant
Ms. Gerti Reagan Garner, Consultant
Ms. Donna Tonaki

OTHERS PRESENT

Ms. Lynette Arakawa, HDS
Ms. Carmen Barton, Aetna
Ms. Irene Bayudan, VSP
Ms. Judy Dang, B&F
Ms. Alana Deppe-Mariota, Kaiser Permanente
Mr. Mark Endo, Star Alliance
Ms. Elaine Fujiwara, HDS
Mr. Melvin Higa, MBAH
Ms. Donna Higashi, HSTA-R
Mr. Rick Jackson, MDX Hawaii
Mr. Scott Kami, B&F
Mr. Eleu Kane, Summerlin
Ms. Ruth Kim, HSRTA

Ms. Wanda, Kimura, B&F
Ms. Alice Kotake, HSTA-R
Ms. Doreen Kuroda, DHRD
Mr. Michael Moss, HMSA
Ms. Lori Naylon, Summerlin
Ms. Gertrude Nitta, HGEA-R
Ms. Sue Oguro, ORTA
Mr. David Reno, UPW
Mr. Tony Saguibo, HMSA
Mr. Kraig Sommer, Aetna
Mr. Rod Tam, HMSA
Mr. George Yamamoto, HGEA-Retirees
Ms. Lilia Yu-Lum, Royal State

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 9:05 a.m. by Trustee Mark Recktenwald, Chairperson, in Conference Room 1935, City Financial Tower, 201 Merchant Street, Honolulu, Hawaii, on Wednesday, September 27, 2006.

II. APPROVAL OF MINUTES

The Board reviewed the draft minutes for July 27, 2006.

There being no objections by the Trustees, the minutes for July 27, 2006 were approved as circulated.

III. COMMITTEE REPORTS

A. Investigative Committee on Investments

Trustee Shiraki reported that the Investigative Committee on Investments met on September 19, 2006 and reviewed short term investment options through the Department of Budget and Finance (B&F). A draft RFP for consultant to develop longer term investments was prepared by the EUTF staff. Trustees were given a handout regarding "Investment of State of Hawaii Treasury Funds" and a memorandum from ERS regarding investment of EUTF's assets by the ERS. Trustee Shiraki introduced Scott Kami, FAD Administrator, and Judy Dang, Funds Custody Manager, at B&F to answer questions. The committee deferred the RFP for consultant to explore the possibility of having the ERS invest EUTF assets. Mr. David Shimabukuro, ERS Administrator, is in favor of this concept but the ERS tax attorney is concerned about serious tax issues with commingling of assets of other tax-exempt entities that are not tax-qualified retirement plans. The ERS will inform the EUTF when the tax attorney responds and at that time the Investigative Committee will meet. The committee recommends that the Board authorize the Administrator to invest EUTF reserves in instruments available through B&F for a period ranging from seven (7) days to five (5) years. The committee also recommends that the Board re-authorize it to thoroughly investigate long term investment options for the EUTF, including the possible investment of funds through the ERS and/or entering into a contract with an investment consultant who would assist the EUTF in developing an EUTF investment program.

MOTION was made upon the recommendation of the Investigative Committee on Investments for the Board to authorize the Administrator to invest EUTF reserves in instruments available through B&F for a period ranging from seven (7) days to five (5) years. The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

MOTION was made upon the recommendation of the Investigative Committee on Investments for the Board to re-authorize the Investigative Committee on Investments to thoroughly investigate long term investment options for the EUTF, including the investment of funds through the ERS and/or an EUTF contract with an investment consultant to assist in developing the EUTF investment program. The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

IV. OTHER REPORTS

A. Administrator

1. September Update (see written report)

a. PeopleSoft Support

Overview by Ms. Shiroma regarding PeopleSoft support and the recommendation to extend the BST contract (see Administrator's report).

MOTION was made for the Board to authorize the Administrator to take the necessary steps to extend the BST contract to March 31, 2007.

(Thomason/Radcliffe) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

- b. Feasibility Study by Gartner, Inc.
Overview by Ms. Shiroma regarding the Feasibility Study Report (FSR) by Gartner, Inc. (see Administrator's report). The FSR will be presented at the October 25, 2006 Board meeting. Briefing sessions for the Trustees will be scheduled for September 29, 2006 and October 6, 2006. Mr. Williams announced that the purpose is for the consultant to brief the Board and not for deliberation or decision making. The briefing is open to the public and anyone interested in attending may contact Maria Quartero, EUTF secretary.
- c. Claims Audit Update
Overview by Mr. Williams regarding the Claims Audit update (see Administrator's report).
- d. Insurance Broker Procurement
Mr. Williams reported that the Insurance Broker RFP was issued. In Executive Session the Board will be considering an addendum to the RFP based on feedback from the qualified brokers (see Administrator's report).
- e. EUTF Facilities – Renovation
Mr. Lawrence Nishihara reported that Phase 1 is almost completed (see Administrator's report). Mr. Williams stated that the conference room may be ready for Board meeting at the end of the year.
- f. Proposed Biennium Budget
Overview by Ms. Tonaki regarding the proposed biennium budget (see Administrator's report and memo). The proposed biennium budget was submitted to B&F subject to Board approval.

Discussion held by Trustees and staff regarding funding for the new computer system. Mr. Williams stated that he would recommend that the new computer system be funded partially from EUTF reserves.

MOTION was made for the Board to approve the proposed biennium budget for FY 08-09 and authorize the Administrator to take the necessary steps to obtain approval by the Governor and the Legislature. (Thomason/Radcliffe) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

- g. FY 2005-2006 Financial Audit

Ms. Tonaki reported that Grant Thornton has started the FY 2005-2006 Financial Audit. A draft will be submitted at the November Board meeting (see Administrator's report).

h. Employee Diabetes Management

Mr. Williams stated that the Employee Diabetes Management program is off the ground and the EUTF will continue to provide updates (see Administrator's report).

i. Maui County Voluntary Prescription Drug Discount Program

Overview by Mr. Williams regarding Maui County Council's request for Board approval to offer a voluntary prescription drug discount program for Maui County (see Administrator's report). Mr. Williams stated that the program is not a health benefits plan for Maui County employees that require any contributions from the State or Maui County; therefore, he believes it does not need Board approval.

There being no objections by the Trustees, the Administrator will write a letter informing Maui County that the EUTF Board of Trustees has no objections to the proposed prescription drug discount program.

j. HSTA VEBA – Option Period for Retirees of Bargaining Unit 5

Overview by Mr. Williams regarding the HSTA VEBA – option period for retirees of Bargaining Unit 5. The recommendation is to designate the period from October 16, 2006 through November 10, 2006 as the option period for bargaining unit 5 retirees to enroll with the HSTA VEBA or remain with EUTF and to authorize the Administrator to take the necessary steps to communicate with affected retirees and administer the one-time option (see Administrator's report). Discussion held by Trustees and staff regarding retiree premiums. A copy of the mailing will be provided to the Trustees.

MOTION was made for the Board to approve the Administrator's recommendation to designate the period from October 16, 2006 through November 10, 2006 as the option period for bargaining unit 5 retirees to enroll with the HSTA VEBA or remain with EUTF and to authorize the Administrator to take the necessary steps to communicate with affected retirees and administer the one-time option. (Thomason/Radcliffe) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

B. DEPUTY ATTORNEY GENERAL

Everson Lawsuit

Mr. Aburano reported that the State's and Counties' motions to dismiss the lawsuit were in the Trustees packet. Due to requests from the counties' and plaintiffs'

counsel, the hearing is now scheduled for October 26, 2006. The plaintiffs' attorneys have agreed that the State need not respond to their discovery requests pending the outcome of the motion to dismiss. Details will be addressed in Executive Session.

C. BENEFITS CONSULTANT

September Report

Mr. Garner introduced Kraig Sommer and Carmen Barton from Aetna.

1. Financial Reports
Overview by Mr. Garner regarding the financial reports (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 HMSA did not meet their performance standard regarding phone inquiry timeliness which carries no penalty (see written report).
4. Self Funding
Overview by Mr. Garner regarding the reserves needed for self funding (see Consultant's report). Mr. Garner stated they continue to estimate that the reserves available will be well in excess of the amount needed for self funding.
5. Request for Proposals
Mr. Garner reported that proposals from 22 companies were received. Further discussion will be held in Executive Session.
6. Budget Projections
Mr. Garner reported that an e-mail was sent at the request of the budget division with preliminary projections of rate changes for fiscal years 2008 and 2009 (see Consultant's report). Projections include two significant changes from recent experience: (1) loss under the HMSA retiree plan; and (2) a surplus on the dental plan. Discussion held by Trustees and consultant regarding the projections.
7. Surveys
Overview by Ms. Gerti Reagan Garner regarding the surveys (see written graphs).
8. Garner Consulting Bulletins – July/August 2006
Mr. Garner stated that there was a variety of items in the bulletins but nothing requiring action (see bulletins).

D. Financial Report as of June 30, 2006

Overview by Ms. Tonaki regarding the financial report as of June 30, 2006. There were no significant changes. (see written reports).

Recessed at 10:06 a.m. and Reconvened at 10:15 a.m.

- E. Presentation – GASB Statements 43 & 45
Trustee Thomason, in her role as Deputy Comptroller, did a presentation regarding the meaning and implications of GASB 43 and 45 (see written presentation).
- F. Carrier's Reports
 - 1. HDS
Written report submitted.
 - 2. HMSA
Written report submitted. Mr. Tam reported that there will not be a flu vaccine shortage this year and introduced Mr. Tony Saguibo, Assistant VP of Marketing.
 - 3. Kaiser Permanente
Written report submitted.
Medicare Part D Changes Effective 1/1/07, Benefit Clarifications
Mr. Garner stated that the EUTF does not have control over the Senior Advantage program and the letter from Kaiser was for information only.
 - 4. MBAH
Written report submitted.
 - 5. Royal State Insurance
No written report submitted.
 - 6. VSP
Written report submitted.
- V. UNFINISHED BUSINESS: None
- VI. NEW BUSINESS
 - A. Recommendations of Investigative Committee on Investments
This item was addressed during the Committee's report.
 - B. Proposed HDS Contract Revision
This item will be addressed in Executive Session.
 - C. Insurance Broker RFP Revision
This item will be addressed in Executive Session.
 - D. Proposed Biennium Budget
This item was addressed during the Administrator's report.
 - E. HSTA VEBA – Option Period for Retirees of Bargaining Unit 5
This item was addressed during the Administrator's report.
 - F. Appeal by EUTF Retiree

This item will be addressed in Executive Session.

- G. Request that Medical Coverage Include Dieticians as Health Care Providers
Overview by Mr. Garner regarding the request that medical coverage include dieticians as health care providers.

MOTION was made for the Board to authorize the benefits consultant to pursue the request that medical coverage include dieticians as health care providers with HMSA. (Radcliffe/Kahooohanohano) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

- H. Maui County Voluntary Prescription Drug Discount Program
This item was addressed during the Administrator's report.

- I. Extension of BST Contract
This item was addressed during the Administrator's report.

- J. Amendments to Health and Other Benefits Plan RFP
This item will be addressed in Executive Session.

- K. EUTF Legislative Proposals

- 1. Amendment to Clarify the Definition of "Employee-Beneficiary"
Overview by Mr. Aburano regarding the legislative proposal to clarify the definition of "Employee-Beneficiary".

Discussion held by Trustees and staff regarding tentative approval of legislative proposals for purposes of further consideration.

MOTION was made for the Board to tentatively approve the legislative proposal to clarify the definition of "Employee-Beneficiary" in HRS § 87A-1 for purposes of further consideration and that the EUTF Board reserves the right to withdraw this proposal based on such further consideration. (Befitel/Thomason) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

- 2. Revision of HRS §87A-33 – Permits Tiering of Base Monthly Contribution
Overview by Mr. Williams regarding the legislative proposal to the revision of HRS § 87A-33 to permit tiering of base monthly contributions for retirees.

MOTION was made for the Board to tentatively approve the legislative proposal to the revision of HRS § 87A-33 to permit tiering of base monthly contributions for retirees for purposes of further consideration and that the EUTF Board reserves the right to withdraw this proposal based on such further consideration.

(Thomason/Kahooohanohano) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

3. Amendment of HRS § 87A-16 to Clarify and Confirm the Complete Discretion, Authority, and Flexibility of EUTF Board to Design Health Benefit Plans
Overview by Mr. Aburano regarding the amendment of HRS § 87A-16 to clarify and confirm the complete discretion, authority, and flexibility of the EUTF Board to design health benefit plans.

MOTION was made for the Board to tentatively approve the legislative proposal to amend HRS § 87A-16 to clarify and confirm the complete discretion, authority, and flexibility of the EUTF Board to design health benefit plans for purposes of further consideration and that the EUTF Board reserves the right to withdraw this proposal based on such further consideration.

(Radcliffe/Kahooohanohano) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

The Board will consider the approval of the three (3) legislative proposals at the October Board meeting. Mr. Williams requested that the Trustees notify him if they have any questions, concerns, or suggestions.

VII. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES

- A. Allstate Supplemental Group Disease Insurance
Presentation by Mr. Endo from Star Alliance Hawaii regarding Allstate supplemental group disease insurance (see written report).

VIII. FUTURE AGENDA ITEMS AND NEXT MEETING DATE

Board meeting is scheduled for Wednesday, October 25, 2006, 9:00 a.m., CFT-room 1935.

IX. EXECUTIVE SESSION

MOTION was made to go into Executive Session at 11:20 a.m. for the reasons stated on the agenda. (Thomason/Kahooohanohano) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-4)

There being no objections by the Trustees, Executive Session was adjourned at 12:33 p.m.

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

1. Approval of July 27, 2006 Executive Session minutes.
2. Approval of HDS contract revision.
3. Approval of revisions to Insurance Broker RFP.
4. Action on appeal by retiree.

X. ADJOURNMENT

There being no objections by the Trustees, the meeting adjourned at 12:36 p.m.

Respectfully submitted,

/s/

Guy T. Tajiri, Secretary-Treasurer

APPROVED on October 25, 2006.

Documents Distributed:

1. Draft Minutes for July 27, 2006. (8 pages)
2. Memorandum to BOT from Administrator regarding September Administrator Report dated 9/19/06. (3 pages)
3. Memorandum to BOT Regarding Request to Approve to Amend BST Contract dated 9/19/06. (3 pages)
4. Letter to BOT from Garner Consulting regarding September Benefit Consultant Report dated 9/18/06. (2 pages)
5. EUTF Claims Experience Summary for 2005-06 Plan Year 12 Months Ended 6/30/06- Estimated dated 9/18/06. (1 page)
6. Active and Retired Employees Surplus (Loss) at 6/30/06 dated 9/18/06. (2 pages)
7. EUTF 2005 Plan Year Reserves versus Actual Run-Out Claims Through 6/30/06 dated 9/18/06. (1 page)
8. HDS – EUTF Financial Performance Report by Bargaining Unit for Period 7/1/05 to 6/30/06. (1 page)
9. HMSA – EUTF Summary of Financial Operations by Bargaining Unit for Service Incurred 7/1/05 to 6/30/06. (4 pages)
10. VSP – EUTF Financial Operations Report by Bargaining Unit for Plan Year 7/1/05 to 6/30/06. (1 page)
11. Active Employees and Retirees Enrollment dated 9/18/06. (2 pages)
12. Report on Performance Standards dated 9/18/06. (1 page)
13. EUTF Estimate of Reserves on 7/1/07 dated 9/18/06. (1 page)
14. EUTF Estimate of Reserves Needed for Self-Funding dated 9/18/06. (1 page)
15. Surveys by Garner Consulting dated 9/1/06. (7 pages)
16. E-mail from Garner Consulting Regarding Estimates of Premium Changes for FY 2008-09 dated 8/6/06. (1 page)
17. Garner Consulting Bulletin for July 2006. (3 pages)
18. Garner Consulting Bulletin for August 2006. (3 pages)
19. EUTF Statement of Net Assets (Unaudited) dated 8/11/06. (1 page)
20. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison 12 Months Ended 6/30/06 (Unaudited) dated 8/10/06. (1 page)

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21. EUTF Statement of Cash Flows 12 Months Ended 6/30/06 (Unaudited) dated 8/10/06. (1 page)
22. A Plain-Language Summary: GASB Statements 45 & 43 for Other Post Employment Benefits presented by Katherine Thomason dated 8/7/06. (36 pages)
23. Allstate Supplemental Group Disease Insurance presented by Mark Endo dated 8/9/06. (14 pages)
24. The High Road - July 2006. (2 pages)
25. Approved Minutes for June 10, 2006. (9 pages)