

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Thursday, October 17, 2002

TRUSTEES PRESENT

Ms. Audrey Hidano, Vice-Chairperson
Ms. Joan Lewis, Secretary-Treasurer
Mr. Gerald Machida
Ms. Kathryn Matayoshi

Mr. Neal Miyahira (Arrived - 11:30 a.m.)
Mr. Will Miyake
Mr. Davis Yogi (Left - 1:15 p.m.)

TRUSTEES ABSENT

Mr. Sam Callejo, Chairperson

ATTORNEY

Mr. Brian Aburano, Deputy Attorney General

HEUHBTF STAFF

Mr. H. Mark Fukuhara, Administrator
Mr. Lawrence Nishihara
Mr. Leslie Ozawa
Ms. Maria Quartero

Mr. John Garner, Consultant
Mr. Andrew Keowen, Consultant
Ms. Donna Tonaki

OTHERS PRESENT

Ms. Lynette Arakawa, HDS
Mr. George Butterfield
Ms. Nani Crowell, HSTA MBC
Ms. Alana Deppe-Mariota, Kaiser Permanente
Ms. Monica Engle, VSP
Ms Elaine Fujiwara, HDS
Mr. Melvin Higa, Royal State
Mr. Charles Khim, Public

Mr. Miles Kubo, HDS
Mr. Michael Moss, HMSA
Ms. Karen Muronaka, HSRTA
Mr. Tom Ramsey, UHPA
Mr. Peter Rodriguez, Hartford
Mr. Rod Tam, HMSA
Mr. Justin Wong-HSTA-R
Mr. George Yamamoto, HGEA-Retirees

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order when there was a quorum at 9:30 a.m. by Trustee Audrey Hidano, Vice-Chairperson, in Conference Room 408, State Capitol, 415 S. Beretania Street, Honolulu, Hawaii, on Thursday, October 17, 2002.

ANNOUNCEMENTS

A special recognition was given to the temporary Trust Fund staff that returned to their regular jobs. The Vice-Chair noted that Trustees Callejo and Miyahira were absent.

II. APPROVAL OF MINUTES - None

III. COMMITTEE REPORTS

A. ADMINISTRATIVE COMMITTEE:

1. Trustee Matayoshi reported that the Administrative Committee is recommending that the Board approve Garner Consulting to assist in preparing an RFP for Third Party Administrators (TPA) for an amount not to exceed \$15,000.

MOTION was made to approve to expend up to \$15,000 for assistance from Garner Consulting in preparing a TPA RFP. (Matayoshi/Machida) After discussion by the Trustees, the motion passed unanimously. (Employer trustees 3/Employees-Beneficiary trustees 3)

Discussion held by Trustees. Trustee Matayoshi noted that this is not part of Garner Consultant's contract and would be an addendum. Trustee Miyake commented that it is an RFP to determine if the Committee would like to select a TPA for the implementation of the new plan effective July 1, 2003 and there is a need to act immediately. Trustee Matayoshi stated that the timeline for decision-making is December 15, 2002, and that the draft would need to be done in 2 weeks. Trustee Yogi inquired what would happen to the existing employees. Trustee Matayoshi stated that this and other issues would be discussed further in Administrative Committee.

Trustee Matayoshi also reported that the Administrative Committee would be meeting tomorrow, October 18, 2002, at 10:00 a.m.

B. RULES COMMITTEE:

Trustee Yogi reported that the Rules Committee met and that letters were sent to employers and affected employee organizations asking for comments on the final draft rules by October 21, 2002. The final draft rules will be addressed by the Full Board at the October 24, 2002 Board meeting. Comments already received from Mr. Eldon Wegner and Mr. Melvin Higa will be addressed on October 24, 2002.

PUBLIC COMMENTS

G. Yamamoto asked if the rules would be taken to public hearing and why the Trust Fund is exempted. Trustee Yogi stated that under HRS Chapter 87A, the Trust Fund is exempt from the public hearing process required under HRS Chapter 91. Instead, its rules are to go through a consultation process with those that would be affected by such rules, e.g., employee and employer organizations. Mr. Aburano added that the rules will be adopted at a public meeting, but that is not a public hearing under Chapter 91.

M. Higa clarified that the letter Trustee Yogi referred to is not the response of the communication that was sent out for final comments for the rules but in response to

Trustee Yogi's response to his letter dated September 17, 2002. He also received further communications from Trustee Yogi that he will respond to separately from comments on the latest version of the rules that is being recommended for adoption.

Discussion held by the Trustees on reciprocal beneficiaries.

Trustee Lewis noted that the RFP did not ask for proposals covering reciprocal beneficiaries and asked how this would impact the RFP if it were an issue that needed to be addressed by the Rules Committee and the Board.

Trustee Matayoshi stated that the Administrative Committee is still reviewing whether the issue of reciprocal beneficiaries should be included in the Trust Fund's legislative packet. She also added that from the information received from the public, who are here, the impact would be nominal for covering reciprocal beneficiaries.

Trustee Miyake stated that when the reciprocal beneficiary law was in place, that according to health fund records, there were not enough people who signed up for it. He stated that UHPA health plan provides that benefit for its membership, and that UH would be introducing legislation to implement benefits for reciprocal beneficiaries. He said that once the law is changed then the Administrative Committee could implement changing requirements; the issue now is whether the Board would want to support UH's proposed legislation.

Mr. Aburano explained that the reciprocal beneficiary law initially required the PEHF to provide reciprocal beneficiary family coverage. However, the law provided that this requirement would be repealed in 1999. The legislature did not extend the requirement, which could indicate that they intended to end that coverage. He said that when the legislature enacted Act 88, they did not provide for reciprocal beneficiary coverage. Also, in defining dependent beneficiaries, they used the term "spouse" but did not define spouse. The common as well as the legal meaning of "spouse" is someone legally married. By definition, reciprocal beneficiaries are people that cannot be legally married, which implies that the legislature may not have intended to have reciprocal beneficiaries covered under Chapter 87A. He stated that if the legislature amends Chapter 87A to provide reciprocal beneficiary coverage, there would not be a problem in providing such coverage. However, there could be a problem going forward now given the legislative history regarding reciprocal beneficiaries in this State.

Trustee Matayoshi added that the University of Hawaii is submitting its proposed legislation to the Administrative Committee as part of its review of legislative proposals. Trustee Lewis expressed concern about making decisions about civil rights that cannot be undone in a timely fashion. She asked if the costs of providing coverage for reciprocal beneficiaries is a nominal amount; do the carriers believe that it is significant and does it change things. Mr. Garner stated that he recognizes that the definition of "reciprocal beneficiary" is different than the typical definition of a "domestic partner" used on the mainland, and that he has a number of clients that provide domestic partner coverage. He

has never seen a situation where a carrier has treated them any differently than a spouse. He added that a premium is negotiated for a spouse and the only difference if a company decides to add domestic partner coverage is that there are more people with two party or family coverage and this is not a material difference with any carrier he has dealt with on the mainland.

PUBLIC COMMENTS

C. Khim commented that the deputy attorney general's analysis is totally incorrect. He stated that the Board's obligation to cover reciprocal beneficiaries, i.e., partners of gay public employees is not dependent on the reciprocal beneficiaries act and is not dependent upon its inclusion in your law. He mentioned the Hawaii Supreme Court's decision in Baehr vs. Director of the Department of Health. He stated that the constitution requires the Board to cover gays and their partners and that HRS Chapter 378-2 provides that the State cannot discriminate against its employees on the basis of the employees' sexual orientation with regard to wages and fringe benefits. He said that if the Board does not cover the reciprocal beneficiary or the partner of a gay public employee and their family, the Board would be in great danger of violating the Constitution of the State of Hawaii and Chapter 378-2. He agrees with Trustee Lewis's concern.

A. Deppe-Moriota explained that for a carrier, the definition for domestic partner is persons of the same sex or partners living together with affidavits or other obligations and that reciprocal beneficiaries are a much broader term i.e., grandma, grandpa, auntie, uncle, etc. Domestic partners are common and most groups will administer the eligibility on their own but that reciprocal beneficiaries has a much broader scope.

M. Higa commented that this matter has been brought to the Benefits and Rules Committee some time ago and it has been brought in respect to a broad over all employment discrimination umbrella. He said that the committee and the board has chosen not to ask for the specifics in respect to the concern that had been raised and only now it is surfacing and that the details of this matter would be forthcoming to the Rules Committee as required by no later than October 21, 2002. He stated that what is of concern is the reality that there are existing laws that this Trust Fund must comply with; and solely depending upon 87A as a basis for determining how to handle reciprocal beneficiaries is very inconsistent with other decisions made without having 87A amended. Mr. Aburano stated that this issue was not been brought up before in this context, i.e., constitutional issues and section 378-2, HRS. The only context it was brought up in were questions from UHPA and Ex-Trustee Uwaine as to whether the reciprocal beneficiary law required the Trust Fund to provide coverage for reciprocal beneficiaries and whether Chapter 87A permitted such coverage. While he had not had the opportunity to research the new issues being raised, Mr. Aburano said that Chapter 87A's coverage of spouses and not reciprocal beneficiaries appeared to be based on legal status (marriage) not sexual orientation. He noted that it is ironic that no one has brought this up over the past two/three years if it is a constitutional problem because the PEHF is in a similar situation and has not been sued or challenged for not providing reciprocal beneficiary coverage.

There is further discussion by the Trustees on the constitutional issues being raised. Trustee Matayoshi would like Mr. Aburano to research first but personally does not have a problem with offering benefits to domestic partners and incorporating that into the RFP. However, her inclination was to make sure this had a minimal impact on rates and to await the Legislature's determination on reciprocal beneficiaries. She added, that in the interim, she would like to hear whether or not the Board has that flexibility now based upon the constitutional arguments that were raised by Mr. Khim. Trustee Miyake agrees that the issue is reciprocal beneficiaries. He stated that changes should be made to the RFP if it can be done and to send an addendum to the carriers so the Trust can get appropriate rates.

MOTION was made to add an addendum to the RFP to include domestic partners eligible for all health benefit plans. (Miyake/Lewis) The motion was passed unanimously. (Employer trustees-3/Employees-Beneficiary trustees-3)

PUBLIC COMMENTS

C.Khim stated that he raised the point of reciprocal beneficiaries because it was close to what a spouse is but if the Board is willing to go with domestic partners and it includes unmarried heterosexuals living as a family or a couple then that would be acceptable. He also stated that it should be done now and not wait for the Legislature, Attorney General, or until someone sues. He said that the RFP process needed to be redone to give everyone who wanted to bid a chance to revise the whole process before selecting because of fundamental fairness.

M. Higa stated that the RFP could be amended in only two ways according to the provisions contained in the RFP: 1) the RFP has been amended by all of the 173 answers that were provided in response to questions on the RFP, and 2) through issuance of an addendum. He said to say that you could proceed without issuing an addendum is not correct. In respect to whether any carrier would wish to submit new bids because of the addenda that are issued; it is up to the carriers to determine whether the addendum is substantive or affects the rates.

G. Butterfield clarified information on the PEHF enrollment of reciprocal beneficiaries that at the time the PEHF issued the coverage, it was not sure what the rate charged to employees would be because of some legal and IRS questions.

Trustee Miyake stated that the rules would probably need to be amended. Mr. Garner asked the Board if the addendum could request the impact on the rates not only for domestic partners but also for reciprocal beneficiaries so in the future they would know the rates.

MOTION was made to also request the impact on the rates for reciprocal beneficiaries in the addendum. (Matayoshi/Miyake) After discussion by Trustees, motion was unanimously passed. (Employer trustees-3/Employees-Beneficiary trustees-3)

PUBLIC COMMENTS

M. Higa stated that the Rules or Administrative Committee should draft the amendment to the Rules so it can be sent out for comments. He added that the Board needed to make a decision on whether they are going to amend 3.01 or elsewhere because the Board has not placed items in definitions where they would normally be but have put them in section 3.01. The Board should amend the Rules to include domestic partners first, and then send the Rules out for comments.

M. Engle stated that the definitions in the addendum to the RFP need to be clear for the rate impact for domestic partners and reciprocal beneficiaries to be properly assessed. Mr. Garner replied that the law on reciprocal beneficiaries could be referenced. He understands from the Trustees that the definition of domestic partners includes same sex and opposite sex partners.

Trustee Miyake stated that he agrees with the public comments on the definitions and asked how the Board should proceed to put definitions in the addendum and to amend rules at the same time. Mr. Fukuhara will prepare language to amend the Rules for the next Board meeting and in the meantime send out the addendum to the RFP.

In light of the possible changes, Trustee Lewis expressed concern about moving forward with the RFP. Mr. Garner stated that he did not see the changes as being substantial. Trustee Miyake is concerned that it would be substantial if it impacts rates, and the Board should address the different issues that are being brought up about the Rules before finalizing the RFP. Trustee Matayoshi stated that there may be other items that impact rates or other factors in the RFP but at this point it had been covered as best as it could be, and the Board should go on with the RFP so that it could meet the July 1, 2003 deadline to offer health benefits.

Mr. Aburano stated that the question is whether the final rules adopted by the Board will be so different from the draft rules that were sent out with the RFP that it would reasonably be expected to have an impact on the proposals that were submitted. He said that the Board would not know that until they get to the point of making a final adoption of the rules. From his perspective in attending every Rules Committee meeting, the public has been given a full opportunity to raise the issues that are being brought up today and in Mr. Higa's letters, and that in fact most of those issues have been discussed. Further, he did not see that the draft rules had changed substantially over the past couple of months, but deferred the issue of domestic partners and reciprocal beneficiaries to Garner Consulting. Mr. Aburano's recommendation is to follow Trustee Matayoshi's advice to move forward and if the final rules are materially different then the Board can revisit the issue of proceeding forward with the RFP or not.

Trustee Yogi expressed concern about not being able to offer health benefits by July 1, 2003. Trustee Miyake stated that he agrees, but civil rights issues should be

addressed because there is enough time to meet the timetable. He also stated that he does not agree to select any finalists at this time and that the draft rules should be discussed at the next Board meeting.

Trustee Lewis requested an answer in writing if on July 1, 2003 collective bargaining contracts are not negotiated and funded, would the active employee-beneficiaries be required to pay the full 100% of the premium, administrative costs, and start up costs. Mr. Aburano stated that the Trust Fund was set-up as a vehicle to establish health and other benefit plans and apart from that there is a negotiating process with the public unions and the public employers to negotiate to fund such plans. He does not know if the Trust Fund could do anything to force the other process and that it may fall upon the public employee unions to push the process under Chapter 89C to ensure funding of the Trust Fund's plans. He stated that the question to ask is whether public employees or interested parties are in a better or worst position if you do or do not have benefit plans to offer.

Recess 11:07 a.m. to 11:15 a.m.

PUBLIC COMMENTS

M. Higa commented that the definition of what constitutes affordability for the employee beneficiaries should have been in the Rules and he does not believe it has been discussed by the Rules Committee along with other issues that will be brought up at the next Board meeting. He stated that the RFP has been amended in response to the questions that were submitted under the RFP: questions were combined; references that were required were not included with the answers which meant that prospective bidders had to figure out what portions of the RFP the answers pertained to; some questions were never answered; and some that were restated were not questions. In his opinion, there are answers that are contrary to the law. He stated that the RFP required that answers become part of the RFP; the Board did not review the questions and some questions were asked after the deadline, which is prohibited under the RFP. He asked what the impact of these actions as they result in a revised RFP. He said that needs to be established first because they become the specification and criteria upon which to evaluate proposals. He added that the staff and the consultant went ahead and evaluated the proposals based on an RFP that has changed.

Mr. Garner explained the procedure on how the questions were answered. The Trustees were given a copy of the questions/answers.

G. Butterfield stated concerns about: 1) Unions wanting employer contribution amounts for the plans when several of them previously stated that they were not going to discuss money until they had premiums from the Board; and 2) As a retiree beneficiary, he would hate to see retirees held hostage because of bargaining items that do not apply to retirees because the larger group of active employees does not have their numbers in place.

M. Higa commented that the answers did not provide the references to the questions that were asked and therefore it was impossible to define what sections of the RFP the answers

applied to. You cannot simply now take that answer and say this is what it means, or say this is the section that is clarified by the answer. There was a short period of time from the time the answers to the questions were provided and the deadline for submitting the bids for the RFP. He stated that the representations of the consultant and staff are totally wrong.

C. Khim stated that in regard to Trustees Lewis's question about how it can happen where an employee pays 100% of the premiums is very possible. He quoted HRS, Section 87-A-40 and said that if the employer makes no contribution for the employee beneficiary to the Trust Fund, the employee makes the monthly contribution of 100% of the amount of the cost of the benefits plan selected and that is in the law. He stated if there is no contract negotiated there is no contribution, or you can have a situation where once Mayor Lingle of Maui County refused to fund the HGEA contract. He does not agree with the Trustees that say you need to have a plan in place by July 1, 2003, and said that the Board's duty is to act prudently. He stated that to rush in and select the top 3 finalists when the rules are not adopted and that the RFP incorporates by references those rules is not acting prudently. It would be rushing foolhardily into something you know nothing about because the rules and bidders may change and it would be the unsuccessful bidder that would sue.

C. BENEFITS COMMITTEE:

Trustee Lewis stated that it was slated to have a general overview to be made in public forum and deliberations to be made in executive session. Due to a question raised she asked Mr. Aburano for clarification on what is the reason for going into executive session. Mr. Aburano stated that normally when you consider the details of proposals that have been submitted with respect to an RFP, you go into executive session because they generally contain proprietary matters or confidential information. He said that part of the basis for going into executive session outside of Chapter 103D (which provides that those things be discussed in executive session and not in public) would be under section 92F-13 which does not require disclosure of government records that by their nature must be kept confidential in order to avoid the frustration of a "legitimate government function". He stated that if you consider proposals in public session, you may be frustrating a legitimate government function because some bidders won't bid in order to avoid disclosure of their confidential information or won't be forthcoming in their proposals. This would cause the procuring agency to lose the benefits of competition. He stated that in order to accommodate what was perceived to be of public interest in the matter, what could be discussed in public session without disclosing confidential proprietary matters or getting into details of bidders' pricing would be the types of plans that the consultant did not think were worth pursuing so that interested members of the public would be able to make comments.

PUBLIC COMMENTS

M. Higa stated that the RFP states that when there are materials that are confidential, those pages are stamped confidential and in a separate section justification is provided as to why those particular items are confidential. The Board would determine whether to accept

those pages to be confidential or not and for those pages that are determined to be confidential are legitimate for discussion in executive session. He said that the RFP says that if it is not stamped confidential or your reasons are not accepted then the information is public. Mr. Aburano commented that what generally happens in these proceedings is that once the contract is awarded, the materials which are not stamped confidential are released to the public but while you are in the process of evaluating the proposals you keep the information confidential not only because they are proprietary but because it may frustrate a legitimate government function, i.e., effective evaluation of the proposals. One case suggested that premature disclosure may raise the costs of government procurement or give an unfair advantage to certain parties who have submitted proposals. He said we need to keep in mind that not all applicants may be present at the Board's meetings, and if some are able to sit in on a meeting and hear the Board discussing each parties' proposals while they still have a chance to amend their proposals, this could give an unfair advantage to those present. He stated that in meetings where everything is not written verbatim, some people may or may not hear things the Board discusses and it contaminates the evaluation process, which is another reason to go into executive session.

C.Khim stated that if the Board does not want to go into executive session it does not have to and that it is up to the Board. He reiterated what Mr. Higa said that all the bidders were told that the materials you don't want to be heard be marked confidential; everything else is fair game and thinks it is a good rule to stand by. He stated that it is interesting to hear what the Deputy Attorney General is saying because the agenda says that the executive session is to evaluate RFP proposals and the Board's attorney on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities regarding RFP proposals; nothing is mentioned about Chapter 92F or things that have to be kept confidential or might be frustrating a government purpose. Therefore, the notice is deficient if that is now the reason you are giving to go into executive session. He therefore thinks the Board should not go into executive session to discuss these matters; in regards to the materials the insurance carrier marks confidential, a decision needs to be made whether or not to keep it confidential. He stated other agencies do it because they are covered by 103D but this agency is not covered by 103D, and he has stated from day one not being covered by 103D is a double edged sword for this agency.

Trustee Miyake stated before going into any executive session, the Board needs to look into the issue of finalizing the rules, seeing what the impact would be, get the addendum out, then give the carriers an opportunity to submit revised bids if necessary, and then be able to get a finalist list. At this time, it should be open sessions with a general recommendation from the consultant on what should be included for the Board's consideration. Mr. Garner does not think that any of the changes discussed are material and if given a chance to go into executive session to go through the analysis of the proposals the Board would see that any changes would have a very minor impact and would not affect the selection of finalists.

Vice-Chair Hidano asked to take Item V.A. out of order. No objections from the Trustees.

PUBLIC COMMENTS

M. Higa commented that he is confused because the Board is moving to consider responsibilities of the Benefits Committee. Questions of the RFP and evaluating the RFP are described in the RFP as duties of the Benefits Committee; he has not received an addendum to the RFP that says the RFP and procedures have now changed. He stated he put in his bid according to the RFP. Vice-Chair stated that at prior meetings it was stated that all discussions were going to be held at the Board meetings. Trustee Lewis stated it was originally scheduled for the Benefits Committee to meet in the morning and then the Board in the afternoon to discuss the benefit plans and asked if that was wrong.

Mr. Aburano stated that the point in having Benefits Committee meetings was to have a weeding out process, but that the Board has the ultimate authority to select who is going to be the finalists. He noted that it may be a moot issue because there may be hardly anyone weeded out due to the number of applicants who actually applied. He does not think it is a substantial change to the RFP and that it was a practical move.

C. Khim stated that what he is hearing from our lawyer is yeah we are violating the RFP but no big deal because it is not a material violation and if the Board wants to process that way it is fine. He said that we are giving more ammunition for unsuccessful bidders to say that this committee never intended to and never did comply with the RFP.

Mr. Garner commented that he does not know of any bidder who would do anything differently if they had known it would be the entire Board versus the Benefits Committee selecting the finalists.

IV. OTHER REPORTS

A. ADMINISTRATOR

1. Mr. Fukuhara asked that the Board move to change the agenda to move request for changes to the RFP out of executive session and into public session.
2. Mr. Fukuhara asked the Board's direction regarding Mel Higa's request concerning the RFP questions/answers.

Discussion held by Trustees regarding the questions/answers for the RFP.

Mr. Aburano suggested a process so that which applicant asked what questions would not be revealed; this would be to avoid any adverse inferences or favoritism. Further discussion held.

MOTION made to approve an addendum to the RFP that allows carriers to resubmit a modified bid if they felt that having their questions modified or not answered had a substantial impact on their proposal. (Miyake/Lewis) After discussion, motion failed. Employer trustees Hidano, Matayoshi, Miyahira, Yogi-NO/Employee-Beneficiary trustees Lewis, Machida, Miyake-YES)

Further discussion held on motion by Trustees.

PUBLIC COMMENT

C. Khim agrees with motion.

Recess 12:15 p.m. to 12:22 p.m.

M. Higa commented that he has no problem with not knowing the company that submitted the questions. He would like a copy of the unedited questions submitted and answers. Mr. Aburano clarified that Mr. Higa is requesting the unedited questions not identifying who submitted the questions and the answers. Mr. Higa replied yes.

Further discussion held by Trustees on clarification of questions.

C. Khim agrees with Trustee Miyake that the Board should list all the questions. He also stated that if the carrier's questions were not answered that they have the opportunity to get answers. Trustee Miyake clarified that the amendment is for the purpose of the carriers to get their questions properly answered. C. Khim stated that he agrees.

M. Higa commented that it should go to everyone not only those that submitted questions. He also stated that Trustees do not know what the RFP says.

Further discussion by Trustees on RFP and clarification by Trustee Hidano that RFP was looked over, but staff and consultant are hired to do reviews.

M. Higa stated that the RFP answers should be reviewed by the Trustees.

R. Tam commented what is the point for the motion because the bid was made and answers received. He asked if the carriers could re-bid if there are new answers.

Further discussion held by Trustees on the questions. Trustee Miyake said that the Board has the fiduciary duty to be prudent and review materials carefully. Mr. Aburano recommended that Trustees review the questions/answers that were submitted versus questions that were rephrased and answered to see if there is any substantial differences before making a decision that may set back the entire RFP process. He stated that he had reviewed some of the questions/answers and there were minor changes and nothing substantial. Motion restated for clarity.

MOTION made to adjourn meeting. (Miyake/Lewis). After discussion, the motion failed. Employer trustees Hidano, Matayoshi, Miyahira, Yogi-NO/Employees-Beneficiary trustees Lewis, Machida, Miyake-YES)

Recess 12:48 p.m. to 12:59 p.m.

3. Mr. Fukuhara reported that a draft letter responding to Mel Higa's five letters that were discussed at the last Board meeting is in the packet (see handout). Trustees may review and submit any changes or comments.

PUBLIC COMMENT

M. Higa stated that his letter should not be addressed separately but with the RFP.

Discussion held by Trustees on RFP and questions being asked from one proposer. Trustee Matayoshi stated that the questions are more general in nature and therefore are more appropriately considered as part of his comments on the RFP as opposed to part of a request for changes or an addendum. She added that Trustees should not respond to changes from proposers on what the Board wants to have in the RFP. Mr. Aburano clarified that for the most part, the five letters did not ask for changes to the RFP, they say that the Board should not be issuing or moving forward on the RFP.

C.Khim stated that the bidders may ask for an addendum to the RFP and that the Board needs to address it and cannot change the rules after the fact because it becomes an unfair bidding process.

M. Higa stated that the submission of questions and the request for changes are in two different sections of the RFP that provides specific requirements to be submitted. He said no one can consider any of the questions for requests for changes to become part of the proposal, it is the opposite, the answers to the question now becomes part of the RFP. The request for changes should have been addressed so that any addendum that would have changed the RFP becomes now part of the proposal. He added that the Board did not address the changes to the RFP.

Further discussion by Trustees regarding the draft response to Mr. Higa's letters and the questions/answers submitted by the carriers. The Board concurred that they would review the questions/answers submitted by the carriers and determine if questions were not answered or not answered as originally asked have any merit, and it would be discussed at next meeting if there are substantial changes.

PUBLIC COMMENTS

M. Higa is requesting that the Trust Fund provide the references that the answers relate to. Mr. Fukuhara will provide the references.

MOTION was made to waive the attorney-client privilege for Deputy Attorney General's memorandum regarding whether the trust fund is a Mutual Benefit Society. (Miyake/Lewis)
The motion unanimously passed. (Employer trustees 3/Employees-Beneficiary trustees 3)

The Board concurred that Mr. Fukuhara draft a letter to the insurance commissioner inquiring whether the Trust Fund is a Mutual Benefit Society.

A. DEPUTY ATTORNEY GENERAL: None

V. UNFINISHED BUSINESS:

Mr. Fukuhara gave an overview on the Biennium Budget FY2004-FY2005. (see handout)

MOTION was made to approve Biennium Budget FY2004-FY2005. (Matayoshi/Miyake) After discussion, the motion was unanimously passed. (Employer trustees-3/Employee-Beneficiary-trustees-3)

The Board concurred to take VIII. Future Agenda Items and Next Meeting Date out of order.

VI. NEW BUSINESS

A. Benefits Consultant Recommendations Regarding Plan Designs

J. Garner gave an overview on the preliminary plan design recommendation for Life, Vision, and Dental. He noted that these are Garner's recommendations and are subject to Board changes/approval.

- Life Insurance – Recommendation is to keep benefit amounts the same for actives; it may be possible to increase the life insurance benefit amount for retirees upon Board approval.
- Vision – Recommendation is to keep the same plan design and it may be possible to offer an alternative vision plan bundled with the HMO medical plan upon Board approval.
- Dental – Recommendation for retirees is to keep the plan design the same; for the actives recommendation is to offer high and low options. The low option would be the current plan with a \$25.00 annual deductible per person; the high option would provide 100% coverage for preventive and diagnostic care, increase the coverage for basic services from 60% to 80%, keep the major services covered at 60%, and add orthodontic coverage.

Discussion by Trustees regarding Garner's recommendations. Trustees concurred that recommendations be in writing, sent to Trustees as soon as possible, and be in the packet at the October 28, 2002 Board meeting.

PUBLIC COMMENTS

G. Butterfield asked if the recommendations would be shared with the public. Garner Consulting replied that the information would be general and available to the public.

N. Crowell inquired if Orthodontics would be for adults only. J. Garner replied that it would be for everyone.

VII. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES

Vice-Chair noted that the Board received letters from Mr. Ramsey, Mr. Wegner, and Mr. Melvin Higa regarding rules.

State Auditor's Report No. 99-77 regarding Reciprocal Beneficiaries were submitted by Mr. Charles Khim for the Trustees' information.

VIII. FUTURE AGENDA ITEMS AND NEXT MEETING DATE

The schedule Board meetings are:

- Monday, October 28, 2002 at 9:00 a.m., Leiopapa A Kamehameha Building, Conference Room 203.
- Tuesday, October 28, 2002 at 9:00 a.m., Leiopapa A Kamehameha Building, Conference Room 405.
- Wednesday, October 30, 2002 at 9:00 a.m., Leiopapa A Kamehameha Building, Conference Room 405

PUBLIC COMMENTS

G. Butterfield asked if the Rules would be on the agenda for October 28, 2002 because the 10/24/02 Board meeting was cancelled.

M. Higa asked if the deadline for comments to the Rules would be extended. The Board concurred to extend the deadline to October 23, 2002.

IX. EXECUTIVE SESSION

MOTION was made to move into Executive Session. (Miyahira/Matayoshi) After discussion by Trustees, the motion to move into Executive Session was withdrawn and the Board concurred.

PUBLIC COMMENTS

C.Khim commented that the consultant works for the Board and there are problems with the RFP.

M. Engle commented that it would be hard on carriers to receive short notices to do presentations on dates that are not in the RFP.

Discussion held by trustees on scheduling for carriers presentations.

M. Higa commented on the issue of the incompatibility of Trustees on the Board. He said that when a trustee is serving as a substitute for a director that the trustee carries the ex-officio director status.

Vice-Chair Hidano asked Mr. Fukuhara if he got an update from the Director of Finance.

Mr. Fukuhara stated that Trustee Callejo said that the Director of Finance has agreed to designate someone else for the PEHF Board but that has not been confirmed.

X. ADJOURNMENT

Trustee Lewis left at 2:05 p.m.

There being no quorum, the meeting was adjourned at 2:05 p.m.

Respectfully submitted,

/s/

Joan K. Lewis, Secretary-Treasurer

APPROVED as amended on April 22, 2003.

Documents Distributed:

1. HEUHBTF Budget Request FY2004-2005 dated 10/14/02 (2 pages)
2. List of Requests for Changes to RFP dated 10/17/02 (7 pages)
3. Letter from Tom Ramsey Regarding Reciprocal Beneficiaries dated 10/16/02 (1 page)
4. Memo from Eldon L. Wegner Regarding Reciprocal Beneficiaries dated 10/16/02 (1 page)
5. Memo from Melvin Higa Regarding Proposed Rules dated 10-15-02 (5 pages)
6. State Auditor's Report No. 99-17 on Study of the Fiscal Impact of Providing Certain Benefits to Reciprocal Beneficiaries Provided by Charles Khim (29 pages)