

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Wednesday, October 25, 2006

TRUSTEES PRESENT

Mr. Mark Recktenwald, Chairperson
Mr. Nelson Befitel, Vice Chairperson
Mr. Guy Tajiri, Secretary-Treasurer
Ms. Elizabeth Ho

Ms. Marie Laderta (arrived 9:10 am)
Mr. John Radcliffe
Mr. Stanley Shiraki
Ms. Katherine Thomason

TRUSTEES ABSENT

Mr. George Kahooohanohano
Mr. Gerald Machida

ATTORNEY

Mr. Brian Aburano, Deputy Attorney General

EUTF STAFF

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

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

OTHERS PRESENT

Ms. Irene Bayudan, VSP
Ms. Sandra Benevides, Kaiser Permanente
Ms. Alana Deppe-Mariota, Kaiser Permanente
Ms. Monica Engle, VSP
Ms. Elaine Fujiwara, HDS
Ms. Venus Gabuyo, MBAH
Mr. Rick Jackson, MDX Hawaii
Mr. John Jacobs, HMSA
Mr. Eleu Kane, Summerlin
Ms. Ruth Kim, HSTA-R
Ms. Wanda, Kimura, B&F

Ms. Alice Kotake, HSTA-R
Ms. Doreen Kuroda, DHRD
Mr. Maurice Morita, HSTA
Mr. Michael Moss, HMSA
Ms. Lori Naylor, Summerlin
Ms. Gertrude Nitta, HGEA-R
Ms. Sue Oguro, ORTA
Mr. Tony Saguibo, HMSA
Mr. Rod Tam, HMSA
Mr. George Yamamoto, HGEA-Retirees

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 9:03 a.m. by Trustee Mark Recktenwald, Chairperson, in Conference Room 1935, City Financial Tower, 201 Merchant Street, Honolulu, Hawaii, on Wednesday, October 25, 2006.

II. APPROVAL OF MINUTES

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

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

III. OTHER REPORTS

A. Administrator

1. October Update (see written report)

a. PeopleSoft Support

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

b. HIPAA Security Incident

Overview by Ms. Shiroma regarding a HIPAA security incident (see Administrator's report). Mr. Williams clarified that in this case HIPAA privacy was not a concern but the incident affected the availability of electronic Protected Health Information (ePHI).

c. Feasibility Study by Gartner, Inc. – SPO Approved Vendor

Ms. Rosy Spraker summarized the Feasibility Study Report (see written report). [Trustee Laderta arrived at 9:10 a.m.] Discussion was held by the Trustees and Gartner, Inc. regarding the costs involved, previous concerns of the Trustees that the Peoplesoft system would be obsolete, upgrade paths, and hosting. Ms. Tonaki gave an overview of two scenarios for the proposed funding of the new system. Discussion held by Trustees and staff regarding the costs of the two scenarios. Mr. Williams clarified that these scenarios presented are just to show how the one-time costs could be paid. Further discussion held by Trustees and Gartner, Inc. regarding the EUTF allocation, hosting costs, and reasons why staying on the current system would cost more. Mr. Williams stated that the biennium budget request to BF will be amended to reduce the amount that was previously submitted.

MOTION was made for the Board to approve the FSR including the proposed budget and to authorize the Administrator to take the necessary steps to disseminate the report and pursue implementation of the recommendations of the report, including competitive procurement of a commercial off-the-shelf product to replace the current PeopleSoft/HFMIS. (Thomason/Tajiri) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)

d. Claims Audit Update

Overview by Mr. Williams regarding the Claims Audit update (see Administrator's report).

e. Insurance Broker Procurement

This item will be addressed in Executive Session.

f. EUTF Facilities – Renovation

Ms. Shiroma reported that the Telecom request has been approved (see Administrator's report).

- g. FY 2007-2009 Proposed Biennium Budget
Mr. Tonaki reported that the biennium budget is being reviewed by B&F (see Administrator's report). The proposed budget approved by the Trustees for the new system will be forwarded to B&F.
- h. FY 2005-2006 Financial Audit
Ms Tonaki reported that Grant Thornton is on site to audit the EUTF financials for FY 2005-2006. The audit report will be presented to the Board of Trustees at the November Board meeting.
- i. Investments
Mr. Williams reported that an October 19, 2006 memorandum was sent to Scott Kami at B&F outlining the approach that the Board of Trustees authorized at the September Board meeting. Overview by Ms. Tonaki regarding the graph illustrating the total funds of \$80 million that will be invested in 7-day student loans. Trustee Tajiri inquired about the term non-callable. Mr. Williams explained the term non-callable/callable.
- j. Employee Diabetes Management
Mr. Williams reported that a detailed update will be provided at the November Board meeting (see Administrator's report).
- k. Annual Conference of the International Foundation of Employee Benefit Plans (IFEBP)
Overview by Mr. Williams regarding the IFEBP conference. Trustees Radcliffe and Tajiri agreed that it was an educational and excellent conference. Trustee Shiraki suggested that the deputy attorney general assigned to the EUTF attend the Annual IFEBP conference in the future.
- l. GASB 43/45 Valuation
Overview by Mr. Williams regarding the GASB 43/45 valuation. The report stated "December" which should be corrected to "November" Board of Trustees meeting. There being no objections by the Trustees, Aon will make a presentation on GASB at the Administrative Committee meeting. Trustee Shiraki will chair the Administrative Committee meeting because Chair Laderta will not be attending the meeting.
- m. HSTA VEBA – Option Period for Retirees of Bargaining Unit 5
Mr. Williams reported that approximately 6,500 notices were mailed to retirees of Bargaining Unit 5 and only 18 were returned. Presently, 89 applications were received to terminate EUTF and join HSTA VEBA. Presentations are being sponsored by the HSTA retiree group and an EUTF representative is attending. The results will be reported at the November

Board meeting.

B. DEPUTY ATTORNEY GENERAL

Everson Lawsuit

Mr. Aburano reported that the hearing that was supposed to be held tomorrow has been re-scheduled to November 29, 2006. Mr. Aburano reported that the EUTF had notified its insurance carriers regarding the Everson lawsuit and received initial responses from those carriers. The responses from the insurance carriers denied and/or questioned whether their insurance policies provide coverage for the Everson lawsuit. Mr. Aburano is preparing letters responding to the insurance carriers. Details of the Everson lawsuit can be addressed in Executive Session.

C. BENEFITS CONSULTANT

October Report

1. Request for Proposals

Mr. Garner stated that at the last Board meeting he reported receiving proposals from 22 vendors, the correct amount is 23 vendors (see Consultant's report). This item will be addressed in Executive Session.

2. Registered Dieticians

Mr. Garner reported that he has been in discussions with HMSA about adding a benefit with them. Mr. Garner stated rather than asking HMSA to put together a network of registered dieticians, his suggestion is to have an 80% benefit for services by any registered dietician, and HMSA would determine a maximum fee that would apply. There being no objections by the Trustees, the consultant will continue discussion with HMSA. A detailed recommendation will be submitted at the November Board meeting.

3. Rate Tiering Briefing

Overview by Mr. Garner regarding the rate tiering briefing (see Consultant's report). Rate tiering alternatives will be presented at the next Board meeting.

4. Garner Consulting Bulletins – September 2006

Mr. Garner stated that there was a variety of items in the bulletin but nothing requiring action (see bulletins).

Recessed at 10:18 a.m. and Reconvened at 10:30 a.m.

D. Financial Report as of August 31, 2006

Overview by Ms. Tonaki regarding the financial report as of August 31, 2006. There were no significant changes. (see written reports).

E. Carrier's Reports

1. HDS

Written report submitted.

2. HMSA

No report submitted. Mr. Tam reported that Mr. George Lindsey at the Lt. Governor's is impressed with the HMSA Healthpass program and would like all State agencies to participate.

3. Kaiser Permanente

Written report submitted. Ms. Benevides reported that Mr. Bill Corba, Vice-President of Marketing has joined Kaiser Permanente.

4. MBAH

Written report submitted.

5. Royal State Insurance

Written report submitted.

6. VSP

No report submitted.

IV. UNFINISHED BUSINESS

EUTF Legislative Proposals

Mr. Williams reported that BUF-07(07), BUF-08(07), and BUF-09(07) have been submitted to B&F for review pending final approval of the Board of Trustees.

Overview by Mr. Williams regarding BUF-07(07) that permits tiering of base monthly contribution.

MOTION was made for the Board to approve BUF-07(07) that permits tiering of base monthly contribution and to authorize the Administrator to take the necessary steps to have the legislative proposal introduced, considered, and approved by the Legislature. (Radcliffe/Ho) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)

Overview by Mr. Aburano regarding BUF-08(07) to clarify and confirm the complete discretion, authority, and flexibility of EUTF Board to design health benefit plans. Discussion held by the Trustees and staff regarding BUF-08(07).

MOTION was made for the Board to approve BUF-08(07) to clarify and confirm the complete discretion, authority, and flexibility of EUTF Board to design health benefit plans and to authorize the Administrator to take the necessary steps to have the legislative proposal introduced, considered, and approved by the Legislature. (Radcliffe/Thomason)

MOTION was made for the Board to postpone indefinitely BUF-08(07) to clarify and confirm the complete discretion, authority, and flexibility of EUTF Board to design health benefit plans. (Radcliffe/Thomason) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)

Overview by Mr. Aburano regarding BUF-09(07) to clarify the definition of "Employee-

Beneficiary”.

MOTION was made for the Board to approve BUF-09(07) to clarify the definition of “Employee-Beneficiary” and to authorize the Administrator to take the necessary steps to have the legislative proposal introduced, considered, and approved by the Legislature. (Thomason/Tajiri) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)

V. NEW BUSINESS

A. Insurance Broker Contract Award

This item will be addressed in Executive Session.

B. Feasibility Study Report

This item was addressed during the Administrator’s report.

C. RFP No. 07-001 Benefit Plans-Amendments of Addenda

Correction was made that title should be amended to “or”, not “of”. This item will be addressed in Executive Session.

D. RFP No. 07-001 Benefit Plans-Contract Awards

This item will be addressed in Executive Session. The chair stated that it is not likely that any awards will be announced.

VI. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES

VII. FUTURE AGENDA ITEMS AND NEXT MEETING DATE

Administrative Committee meeting is scheduled for Tuesday, November 28, 2006, 2:00 p.m., place to be arranged.

Board meeting is scheduled for Wednesday, November 29, 2006, 9:00 a.m., CFT-room 1935.

VIII. EXECUTIVE SESSION

MOTION was made to go into Executive Session at 10:56 a.m. for the reasons stated on the agenda. (Thomason/Tajiri) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)

MOTION was made to move out of Executive Session at 11:42 a.m. (Thomason/Radcliffe) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)

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

1. Approval of September 27, 2006 Executive Session minutes.

2. Approval to award Insurance Broker Contract to Aon Services, Inc.
3. Approval to authorize the administrator, deputy attorney general, and benefit consultant to take certain actions to follow-up with issues regarding various plan proposals for RFP No. 07-001.
4. Approval to issue Addendum 6 for RFP No. 07-001 that reflects decision to utilize self-funded approach for prescription drug plans and authorize the administrator, deputy attorney general, and benefit consultant to take steps necessary to effectuate that decision.
5. Benefits Committee meeting is scheduled for Monday, November 27, 2006, 1:00 p.m., place to be arranged.

IX. ADJOURNMENT

There being no objections by the Trustees, the meeting adjourned at 11:44 a.m.

Respectfully submitted,

/s/

Guy T. Tajiri, Secretary-Treasurer

APPROVED on November 29, 2006.

Documents Distributed:

1. Draft Minutes for September 27, 2006. (10 pages)
2. Memorandum to BOT from Administrator regarding October Administrator Report dated 10/17/06. (4 pages)
3. Information Regarding Special Enrollment for BU 05 Retirees, 10/06. (8 pages)
4. Letter to BOT from Garner Consulting regarding October Benefit Consultant Report dated 10/16/06. (1 page)
5. Garner Consulting Bulletin for September 2006. (3 pages)
6. EUTF Statement of Net Assets (Unaudited) dated 10/16/06. (1 page)
7. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison 2 Months Ended 8/31/06 (Unaudited) dated 10/16/06. (1 page)
8. EUTF Statement of Cash Flows 2 Months Ended 8/31/06 (Unaudited) dated 10/12/06. (1 page)
9. The High Road - October 2006. (2 pages)
10. Approved Minutes for July 27, 2006. (8 pages)