HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Tuesday, November 16, 2021

TRUSTEES PRESENT

Mr. Christian Fern, Chairperson
Mr. James Wataru, Vice Chairperson
Mr. Ryker Wada, Secretary-Treasurer (via video conference)
Mr. Roderick Becker (via video conference)
Ms. Jacqueline Ferguson-Miyamoto
Ms. Audrey Hidano (via video conference, excused at 11:02 a.m.)
Ms. Laurel Johnston
Ms. Celeste Nip (via video conference)
Mr. Osa Tui (via video conference)

TRUSTEES ABSENT

Mr. Damien Elefante

ATTORNEY

Mr. Michael Chambrella, Deputy Attorney General (via video conference)

EUTF STAFF

Mr. Derek Mizuno, Administrator
Ms. Donna Tonaki, Assistant Administrator
Ms. Desiree Yamauchi (via video conference)
Ms. Amy Cheung (via video conference)
Ms. Lauren Endo (via video conference)
Ms. Linda Green (via video conference)
Mr. Marvin Judd (via video conference
Ms. Emily Kaimuloa (via video conference)
Mr. Raymond Kan (via video conference)
Ms. Jessica McDonald
Ms. Lara Nitta (via video conference)
Mr. Brett Tatsuno (via video conference)
Mr. Kuan Yuan
Mr. Dylan Zheng (via video conference)

CONSULTANTS (via video conference)

Mr. Colin Bebee, Meketa Investment Group
Ms. Diane Clausen, PSG
Mr. Stephen Murphy, Segal Consulting
Ms. Lynn Smith, PSG
Mr. Johnny Wu, Segal Consulting

OTHERS PRESENT (via video or audio conference)

Mr. Jarrett Arakawa, HMSA
Ms. Stacia Baek, HMSA
Mr. Kevin Balaod, With Intelligence
Ms. Sandra Benevides, CVS
Ms. Tammi Bongoll, Kaiser
Mr. Ty Bowers, CVS
Mr. Luis Carbajal, CVS
Mr. Su Chai, Kaiser
Mr. Thomas England, Kaiser
Ms. Elaine Fujiwara, HDS
Ms. Samantha Furutani, CVS
Dr. Rupal Gohil, HMSA
Mr. Galen Haneda, HMSA
Ms. Stephanie Heller, Humana
Ms. Vanelle Hirayasu, HMA
Ms. Monica Kim, VSP
Ms. Mae Kishimoto, HSTA-R
Mr. Chris Letoto, HMSA
Ms. Denise Mercil, Securian
Dr. Christopher Miura, Kaiser
Mr. Neal Nakashima, Marsh
Mr. Kurt Neuenfeld, CVS
Mr. Joe Newton, GRS
Ms. Stacey Pagud, Kaiser
Mr. Mehdi Riazi, GRS
Mr. Dave Shiroma, Kaiser
Dr. Rodd Takiguchi, Kaiser
Mr. Troy Tomita, Kaiser
Ms. Darlene Yamada, DHRD
Mr. Scott Yamaguchi, Kaiser

I. CALL TO ORDER

The meeting of the Board of Trustees of the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) was called to order at 9:02 a.m. by Chairperson Christian Fern, in the City Financial Tower Conference Room, 201 Merchant Street, Suite 1935, Honolulu, Hawaii, on Tuesday, November 16, 2021.

II. MINUTES – OCTOBER 26, 2021

The Board reviewed the draft minutes of October 26, 2021.

MOTION was made and seconded to approve the minutes of October 26, 2021, as circulated. (Ferguson-Miyamoto/Wataru) The motion passed unanimously. (Employer Trustees-4/ Employee-Beneficiary Trustees-5)

III. NEW BUSINESS

A. EUTF Fiduciary Liability Insurance

Mr. Neal Nakashima, Marsh USA, presented Marsh's recommendation to renew the fiduciary liability insurance policy with RLI Insurance Company (RLI) noting that out of eight carriers contacted only two proposed and the proposal from Beazley was for $5 million in coverage instead of $10 million. RLI's proposal was under the same terms and conditions as the expiring policy with an increase of 10.5% in the premium primarily due to an 84% increase in the EUTF's assets. Marsh recommended renewal with RLI as the premium increase was less than anticipated under the current market conditions.

MOTION was made and seconded to bind fiduciary liability insurance coverage with RLI as recommended by Marsh for the period December 15, 2021 to December 15, 2022. (Wataru/Johnston) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

B. July 1, 2021 Actuarial Valuation Methodology Discussion

Mr. Mehdi Riazi and Mr. Joe Newton, Gabriel Roeder Smith & Company (GRS), proposed methodology changes for the July 1, 2021 actuarial valuation of the State and counties other post-employment benefits noting the following:

- All changes have been presented to the applicable employers with none raising concerns.
- The changes include a 2% annual required contribution smoothing corridor (adopted by the County of Maui for the July 1, 2020 actuarial valuation), changing the amortization period for new actuarial losses to 20 years from 30, applying actuarial gains to the initial unfunded base and resetting existing actuarial gain and loss layers to match the initial base.

Trustee Laurel Johnston asked GRS their opinion on how this will impact the State's bond rating. Mr. Newton responded that the change should have minimal impact and if any, it would likely be seen as a positive as the new actuarial losses will be amortized over a shorter period.

GRS will prepare the July 1, 2021 actuarial valuations with the aforementioned methodology changes.

C. 2022 Medicare Part B Premium and Retiree Base Monthly Contribution

Ms. Amy Cheung presented a memorandum regarding the 2022 Medicare Part B Premium and Retiree Base Monthly Contribution noting that the standard Medicare Part B premium will be increasing to $170.10 per month in 2022 from $148.50, a 14.5% increase. This

change is projected to increase the calendar year Medicare Part B premium reimbursements from $100.8 million in 2021 to $112.4 million in 2022. Mr. Derek Mizuno noted that the 14.5% increase will result in an actuarial loss for the employers in the July 1, 2021 actuarial valuation as the expected Medicare Part B premium increase was only 5%.

D. EUTF Annual Report to the Legislature
Mr. Mizuno presented the EUTF Annual Report to the Legislature highlighting the components of the report. Trustee Roderick Becker requested that the Administrator's name be added to the document. Mr. Mizuno noted that it will be added at the top of page 2.

MOTION was made and seconded to approve the EUTF Annual Report as amended for submission to the Legislature for fiscal year 2021. (Wataru/Ferguson-Miyamoto) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

IV. COMMITTEE REPORTS

A. Investment Committee

1. September 30, 2021 Quarterly Performance Report
Mr. Colin Bebee, Meketa Investments (Meketa), highlighted significant points in the September 30, 2021 Performance Report. The OPEB Trust Fund finished the quarter at $5.8 billion with no gain/loss for the quarter under-performing the policy benchmark of 0.3%. Since inception (June 23, 2011), the EUTF portfolio has returned 8.2% (net of fees) out-performing the policy benchmark return of 8.1%. The EUTF Trust Fund portfolio finished the quarter at $333.9 million down 0.3% (net of fees) for the quarter. Since inception (October 1, 2013), the EUTF Trust Fund portfolio returned 4.1% (net of fees).

2. Quarterly Private Equity & Private Credit Report – Q2 2021
Mr. Kuan Yuan highlighted significant points in the Quarterly Private Equity and Private Credit Report. Since reporting for private market investments is lagged by one quarter, the report covers the second quarter 2021. At the end of the quarter, Private Equity and Private Credit reported market values of $313.7 million and $171.9 million, respectively, with since inception internal rates of return of 35.3% and 16.3% (both net of fees), respectively. Since inception, private equity and private credit outperformed their benchmarks of 29.4% and 10.1%, respectively.

3. Quarterly Real Assets Report – Q2 2021
Mr. Yuan highlighted significant points in the Quarterly Real Assets Report. Since reporting for private market investments is lagged by one quarter, the report covers the second quarter 2021. At the end of the quarter, Private Real Assets reported a market value of $413.7 million with a quarterly and fiscal year return of 3.5% and 8.7% (both net of fees), respectively, underperforming and outperforming the asset class benchmarks of 3.7% and 7.3%, respectively.

B. Benefits Committee

1. Kaiser Permanente semi-annual utilization report ending June 30, 2021
2. HMSA semi-annual utilization report ending June 30, 2021
3. HMSA proposed plan changes

4. HDS proposed plan changes
5. HMSA Model of Care with Disease Management and Integrated Health Management fee analysis

Mr. Mizuno presented the Benefits Committee report from their meeting on November 9, 2021 and the three Committee recommendations related to changes to the benefit plans.

MOTION was made and seconded to approve the Benefits Committee's recommendation to allow HMSA to change plan benefits and coverage only to the extent required by federal and state emergency declarations

- If the required mandate cannot be presented to the Board at a regularly scheduled meeting before the effective date noted in the emergency declaration, and
- Upon concurrence from EUTF staff, the Deputy Attorney General, and the EUTF Benefits Consultant

for EUTF and HSTA VB HMSA active and retiree plans effective July 1, 2022 and January 1, 2023, respectively. (Johnston/Wataru) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

MOTION was made and seconded to approve the Benefits Committee's recommendation to increase the extended care facility benefit limit from 100 to 120 days per calendar year under the EUTF active HMSA HMO plan effective July 1, 2022. (Wataru/Johnston) The motion passed unanimously. (Employer Trustees-4/ Employee-Beneficiary Trustees-5)

MOTION was made and seconded to approve the Benefits Committee's recommendation to add coverage of decoronation with a limit of one per tooth per lifetime at 80% coverage for HDS EUTF and HSTA VB active plans and 45% coverage for the HSTA VB active supplemental plan effective July 1, 2022, and 60% coverage for the EUTF and HSTA VB retiree plans effective January 1, 2023. (Wataru/Johnston) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

III. NEW BUSINESS (Continued)

E. Benefit Plan Changes Mandated by Emergency Declarations

Mr. Mizuno noted that the previous motion related to emergency declaration changes only applied to HMSA and the EUTF staff would like to expand the motion to include all EUTF carriers.

MOTION was made and seconded to allow the carriers to change plan benefits and coverage only to the extent required by federal and state emergency declarations

- If the required mandate cannot be presented to the Board at a regularly scheduled meeting before the effective date noted in the emergency declaration, and
- Upon concurrence from EUTF staff, the Deputy Attorney General, and the EUTF Benefits Consultant

for all EUTF and HSTA VB active and retiree plans effective immediately. (Wataru/Ferguson-Miyamoto) The motion passed unanimously. (Employer Trustees-4/ Employee-Beneficiary Trustees-5)

V. OLD BUSINESS

A. Permitted Interaction Group Employer Contributions to Health Benefit Plans
Deferred to next Board Meeting.

VI. REPORTS

A. Segal
1. Plan Performance Report through September 30, 2021
2. Performance Guarantee Report through September 30, 2021
Mr. Stephen Murphy, Segal, summarized the Segal reports.

B. PSG
1. CVS/SSI Plan Performance Report through September 30, 2021
2. CVS/SSI Performance Guarantee Report through September 30, 2021
Ms. Diane Clausen, PSG, summarized the PSG reports.

C. Administrator
1. Meetings with Legislators and Unions
2. Staffing Update
3. Operations
Mr. Mizuno noted that the EUTF office will be re-opening to the public at the beginning of the new year. EUTF will encourage members to make an appointment on the EUTF website for either in-person or Microsoft Teams meetings. EUTF already purchased sneeze guards and has adequate PPE to protect the health of the EUTF staff.

D. EUTF Managers', Program Specialist and Benefits Audit Specialist Reports
1. Member Services Branch (MSB)
a. MSB Data
b. Outreach & Training
c. Retiree Open Enrollment
2. Information Systems (IS)
a. EUTF New Benefits Administration System (BAS) Project
b. EUTF New Benefits Administration System (BAS) Project – Data Conversion
c. V3 Benefits Administration System Modified Phase II (Employer File Feed)
d. Retiree Open Enrollment 2022
e. Enrollment Counts
Ms. Mae Kishimoto-HSTA-R inquired about DOE submitting paper enrollment forms for demographic changes. Mr. Raymond Kan explained that under the new Benefits Administration System we are planning to have demographic information electronically loaded for all employers including the DOE.

3. Eligibility and Enrollment Report
a. Audits Currently in Progress
b. Completed and Recurring Audits
4. EUTF Program Specialist Report

a. Worksite wellness
b. Preventive health
c. Chronic disease management

5. Financial Services Branch (FSB)
   a. FSB Performance Data
   b. Management Letter Corrective Action Plan Status
   c. EUTF Collections
   d. 2021 Financial Audit
   e. Financial Statements as of August 31, 2021

E. Carrier Reports
1. CVS Caremark
2. SilverScript
3. Hawaii Dental Service (HDS)
4. Hawaii Mainland Administrators (HMA)
5. Hawaii Medical Service Association (HMSA)
6. Humana
7. Kaiser Health Foundation
8. Securian
9. Vision Service Plan (VSP)

Chairperson Fern congratulated Kaiser Permanente for coming to an agreement with Local 5 Unite Here members and avoiding a strike.

VII. EXECUTIVE SESSION

MOTION was made and seconded to move into Executive Session at 10:23 a.m. (Wataru/Ferguson-Miyamoto) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

Trustee Audrey Hidano was excused from the meeting during Executive Session, at 11:02 a.m.

The regular meeting reconvened at 11:22 a.m.

Chairperson Fern reported that the following were performed during Executive Session:

- Approved the October 26, 2021 minutes.
- Denied an appeal related to a late filing of enrollment forms.
- Approved a commitment of funds to a real assets manager, subject to contract negotiation.
- Approved an extension of a benefits administration system contract.

VIII. NEXT MEETING DATE

Tuesday, December 21, 2021, 9:00 a.m. –Investment Committee report and active employee premiums July 1, 2022.

IX. ADJOURNMENT

MOTION was made and seconded for the Board to adjourn the meeting at 11:23 a.m. (Wataru/Ferguson-Miyamoto) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-5)

Respectfully submitted,

/s/

Ryker Wada, Secretary-Treasurer

APPROVED on December 21, 2021.

Documents Distributed:

1. Draft Board Minutes of October 26, 2021. (6 pages)
2. 2021 EUTF Fiduciary Liability Insurance Proposal, prepared by Marsh, for the period of 12/15/2021-12/15/2022. (6 pages)
3. Hawaii EUTF, July 1, 2021 Retiree Healthcare Valuation (OPEB), Proposed Funding Policy Changes, prepared by GRS, dated November 16, 2021. (8 pages)
4. Memorandum to BOT from EUTF Financial Management Officer, Regarding 2022 Medicare Part B Premium and Retiree Base Monthly Contribution, dated November 15, 2021. (3 pages)
5. Draft EUTF Annual Report to the Legislature, July 1, 2020 through June 30, 2021. (7 pages)
6. Memorandum to BOT from Investment Committee, Regarding November 10, 2021 Investment Committee Meeting Report, dated November 10, 2021. (1 page)
7. Memorandum to BOT from EUTF Benefits Committee, Regarding CONFIDENTIAL: Benefits Committee Report, dated November 9, 2021, redacted version. (2 pages)
8. Memorandum to BOT from Administrator, Regarding Permitted Interaction Group – Employer Contributions to Health Benefit Plans, dated August 18, 2021. (2 pages)
9. EUTF Year to Date Contract Plan Experience Report, Contract Year to Date through September 2021, prepared by Segal Consulting, dated November 16, 2021. (38 pages)
10. EUTF Prescription Drug Experience Report, 1Q-3Q 2021, prepared by PSG, dated November 10, 2021. (5 pages)
11. Memorandum to BOT from PSG, Regarding 3Q 2021 CVS EGWP Performance Guarantee Reporting, dated November 9, 2021. (6 pages)
12. Administrator's Monthly Report to the Board for October 16 – November 5, 2021, dated November 5, 2021. (1 page)
13. Memorandum to BOT from Member Services Branch Manager Regarding October – November 2021 Member Services Operations Report, dated November 5, 2021. (6 pages)
14. Memorandum to BOT from Information Systems Chief Regarding October – November 2021 Information Systems (IS) Operations Report, dated November 5, 2021. (10 pages)
15. Memorandum to Administrator from Program Specialist (Eligibility and Enrollment) Regarding October and November 2021 EUTF Eligibility and Enrollment Report, dated November 9, 2021. (2 pages)
16. Memorandum to Administrator from EUTF Program Specialist Regarding October – November 2021 EUTF Program Specialist Report, dated November 5, 2021. (3 pages)
17. Memorandum to BOT from EUTF Financial Management Officer Regarding October 2021 – November 2021 Financial Services Branch (FSB) Report, dated November 5, 2021. (5 pages)
18. CVS Caremark Monthly Carrier Report for October 2021 dated November 5, 2021. (5 pages)
19. SilverScript Monthly Carrier Report for October 2021 dated November 4, 2021. (3 pages)
20. HDS Monthly Carrier Report for October 2021 dated November 9, 2021. (2 pages)
21. HMA Monthly Carrier Report for October 2021 dated November 8, 2021. (2 pages)
22. HMSA Monthly Carrier Report for October 2021 dated November 9, 2021. (3 pages)

23. Humana Monthly Carrier Report for October 2021 dated November 8, 2021. (3 pages)
24. Kaiser Permanente Monthly Carrier Report for October 2021 dated November 10, 2021. (3 pages)
25. Securian Financial Monthly Carrier Report for October 2021 dated November 10, 2021. (1 page)
26. VSP Monthly Carrier Report for October 2021 dated November 8, 2021. (2 pages)