

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Minutes of the Board of Trustees

Tuesday, November 21, 2023

TRUSTEES PRESENT

Ms. Jacqueline Ferguson-Miyamoto, Chairperson

Mr. James Wataru, Vice Chairperson

Mr. Wesley Machida, Secretary-Treasurer (via video conference)

Ms. Audrey Hidano

Ms. Sabrina Nasir

Ms. Maureen Wakuzawa

Mr. Ryan Yamane

Mr. Robert Yu (via video conference)

TRUSTEES ABSENT

Mr. Christian Fern

Mr. Osa Tui

ATTORNEY (via video conference)

Mr. Michael Chambrella, Deputy Attorney General

EUTF STAFF

Mr. Derek Mizuno, Administrator

Ms. Donna Tonaki, Assistant Administrator

Mr. David Okamoto, Chief Investment Officer

Ms. Debra Pfeffer

Ms. Desiree Yamauchi

Ms. Amy Cheung (via video conference)

Mr. Marvin Judd (via video conference)

Ms. Emily Kaimuloa (via video conference)

Mr. Joao Marco Maffini (via video conference)

Ms. Katie Matsushima (via video conference)

Ms. Jessica McDonald (via video conference)

Mr. Todd Nishida (via video conference)

Ms. Lara Nitta (via video conference)

Mr. Brett Tatsuno (via video conference)

Ms. Melissa Tom (via video conference)

CONSULTANTS (via video conference)

Mr. Colin Bebee, Meketa Investments

Ms. Shelley Chun, Segal Consulting

Mr. Stephen Murphy, Segal Consulting

Mr. Baelee Zeiher, Segal Consulting

OTHERS PRESENT (via video or audio conference)

Ms. Stacia Baek, HDS

Ms. Amy Bell, TELUS Health

Ms. Sandra Benevides, CVS

Ms. Tammi Bongoll, Kaiser

Mr. Ty Bowers, CVS

Mr. Francis Nick Cuenca, CVS

Ms. Erin Dey, Humana

Ms. Kjirsten Elsner, Securian

Mr. Thomas England, Kaiser

Ms. Samantha Furutani, CVS

Ms. Reyna Galinato, HMSA

Dr. Rupal Gohil, HMSA

Mr. Galen Haneda, HMSA

Ms. Vanelle Hirayasu, HMA

Dr. Karen Hu, HDS

Ms. Connie Kaneshiro

Ms. Joey Lee, HDS

Mr. Chris Letoto, HMSA

Ms. Charina Masatsugu, Kaiser

Dr. Christopher Miura, Kaiser

Mr. Neal Nakashima, Marsh

Mr. Dave Shiroma, Kaiser

Mr. Guy Tingey, CVS

Mr. Troy Tomita, Kaiser

Ms. Anne VanHaaren, CVS

Mr. Scott Yamaguchi, Kaiser

Anonymous (x2)

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 9:00 a.m. by Chairperson Jacqueline Ferguson-Miyamoto, in the EUTF Board Room, 201 Merchant Street, Suite 1700, Honolulu, Hawaii, on Tuesday, November 21, 2023.

MOTION was made and seconded to move section V.A Executive Session Investment Committee to the end of the agenda with V.B and C. (Wataru/Yu) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)

II. REVIEW OF MINUTES – OCTOBER 24, 2023

The Board reviewed the draft minutes of October 24, 2023.

MOTION was made and seconded to approve the minutes of October 24, 2023, as circulated. (Wataru/Wakuzawa) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)

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 the following:

- The premiums have not increased. This is positive since risk increased with the increase in assets by over 15%.
- None of the other 11 firms that Marsh requested quotes from submitted quotes.

MOTION was made and seconded to bind fiduciary liability insurance coverage with RLI as recommended by Marsh for the period December 15, 2023 to December 15, 2024. (Wataru/Wakuzawa) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)

IV. OLD BUSINESS

A. Benefits Administration System Implementation and Enrollment Processing Status Update

Ms. Donna Tonaki and Ms. Amy Bell, TELUS Health, provided an update on the implementation of the new Benefits Administration System (BAS) and enrollment processing noting the following:

- A software upgrade was completed the weekend of October 13, 2023 with minimal issues.
- TELUS Health has focused on retiree open enrollment over the past month resulting in minimal movement on the other issues.
- EUTF and TELUS Health continue to manually review and adjust errors on the semi-monthly payroll files. TELUS Health is focusing on resolving issues that are causing the errors to eliminate the manual intervention.
- Refunds for 145 County of Maui and County of Hawaii BU11 members must still be processed.
- Payroll issues related to pre go-live changes in coverages between January 16 – April 30, 2022 are being manually resolved.
- Payroll and other accounting reports are being worked on.
- Death imports and SSI Medicare Part D enrollment continue to be worked on with SilverScript, the Department of Health, and TELUS Health.

III. NEW BUSINESS (continued)

B. State Annual Required Contributions

Trustee Wesley Machida noted that when he was at ERS, ERS sent a notice to the State Department of Budget and Finance (B&F) requesting that annual pension payments be made at the beginning of the fiscal year so the monies can be invested and start earning returns as soon as possible. Mr. Derek Mizuno and Trustee Sabrina Nasir noted that B&F is aware of the benefits of early contributions but their payments are dependent on the State's cash requirements and cash flows. Trustee Machida volunteered to draft a letter or policy encouraging early payment of the Annual Required Contributions by B&F for the Board to consider at the December 19, 2023 Board meeting.

C. Moving Unreserved, Unrestricted Net Assets from the EUTF Trust Fund to the OPEB Trust Fund

Mr. Mizuno noted that Trustee Robert Yu had requested that this item be added to the Board agenda. Mr. Mizuno summarized the memorandum that was provided to the Board regarding current reserves of the unrestricted net assets and possible uses in the future. Trustee Yu noted that his request was based on the lower returns of these amounts in the EUTF Trust Fund versus the OPEB Trust Fund. Trustee Ryan Yamane requested a list of how the reserves have been used in the past.

The Board deferred this issue to the next meeting or to add to the responsibilities of the permitted interaction group (PIG), if approved (agenda item IV.C).

IV. OLD BUSINESS (continued)

B. Maui Update

Mr. Mizuno recommended continuing postponement of canceling members for non-payment and waiving submission deadlines for qualifying events for members with Maui addresses for December with staff reviewing options at the next Board meeting.

MOTION was made and seconded to waive EUTF Administrative Rules section 4.11(b) *Cancellation Due to Failure to Pay Contribution Shortage* and section 4.05(b) *Failure to File Properly Completed Enrollment Application Within the Prescribed Time* for the month of December 2023 for members with Maui addresses. (Wataru/Wakuzawa) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)

C. Permitted Interaction Group – Employer Contributions to Health Benefits Plans

Mr. Mizuno summarized the memorandum dated August 18, 2021, regarding Permitted Interaction Group – Employer Contributions to Health Benefit Plans. Trustees Christian Fern, Osa Tui, James Wataru, Nasir, Yamane and Yu were interested in serving on the PIG. Mr. Mizuno noted that the PIG participants cannot constitute a quorum. Trustee Wataru volunteered to remove himself. Trustee Yamane requested that Trustee Machida participate as well. Trustee Machida agreed. Mr. Mizuno also noted that Ryker Wada was also mentioned as a participant. Trustee Machida requested that Mr. Ron Shiigi, DAGS internal audit and former audit partner, be added as a non-Board member based on his financial background.

MOTION was made and seconded to establish a permitted interaction group to perform the following:

1. A comprehensive review and comparison of Hawaii's public employees and retirees share of health contributions to the West Coast and the US continental states;
2. An analysis of the differences in the HMO and PPO plans;
3. An analysis of the reasons why Hawaii is lagging behind in employer contributions compared to other counterparts;
4. A review of the current process for determining employer health contributions;
5. Analysis of ways to use EUTF unrestricted, unreserved net assets, and
6. Recommendations on possible solutions and outcomes to address these issues

To be comprised of the following members:

1. Trustee Christian Fern
2. Trustee Wesley Machida
3. Trustee Sabrina Nasir
4. Trustee Osa Tui
5. Trustee Ryan Yamane
6. Trustee Robert Yu
7. Mr. Ryker Wada, former Director State Department of Human Resources Development
8. Mr. Ron Shiigi, DAGS internal audit

(Wataru/Yu) The motion passed unanimously. (Employer Trustees-5/  
Employee-Beneficiary Trustees-3)

## V. COMMITTEE REPORTS

### A. Investment Committee

#### 1. Quarterly Performance Report – Q3 2023

Mr. Colin Bebee, Meketa Investments, highlighted significant points in the Q3 Performance Report. The OPEB Trust Fund portfolio finished the quarter at \$6.8 billion and declined -1.2% for the quarter and fiscal year (net of fees) out-performing the policy benchmark by 0.2%. Since inception (June 23, 2011), the portfolio has returned 6.9% (net of fees) versus the policy benchmark return of 6.8%.

Mr. Bebee reported that the EUTF Trust Fund portfolio finished the quarter at \$533.7 million, down -1.6% for the quarter and fiscal year (net of fees). Since inception (October 1, 2013), the portfolio has returned 3.1% (net of fees).

#### 2. Quarterly Private Equity Report – Q2 2023

Mr. David Okamoto noted that since reporting for private market investments is lagged by one quarter, the three private market reports cover second-quarter 2023. At the end of the quarter, Private Equity reported a market value of \$679.8 million (10.8% of the total portfolio), with a since inception internal rate of return of 16.4% (net of fees), outperforming the asset class benchmark of 8.4%.

#### 3. Quarterly Private Credit Report – Q2 2023

Mr. Okamoto noted that at the end of the quarter, Private Credit reported a market value of \$453.5 million (7.2% of the total portfolio) with a since inception internal rate of return of 8.9% (net of fees), outperforming the asset class benchmark of 7.8%.

4. Quarterly Real Assets Report – Q2 2023

Mr. Okamoto noted that at the end of the quarter, Real Assets reported a market value of \$610.9 million (9.7% of the total portfolio) with a since inception return of 6.8% (net of fees), outperforming the asset class benchmark of 6.4%.

B. Benefits Committee

1. Utilization Reports for the period ending June 30, 2023

- a. Kaiser Permanente Semi-Annual Utilization Reports
- b. HMSA Semi-Annual Utilization Reports
- c. Segal SHAPE Report
- d. VSP Active Annual Utilization Report
- e. HDS Active Annual Utilization Report

Mr. Mizuno summarized the Benefits Committee Report related to these items.

2. HDS Active Plan Change Proposal

Mr. Mizuno summarized the Benefits Committee Report noting there is no recommendation from the Benefits Committee for these changes that were discussed.

MOTION was made to increase the lifetime maximum benefit for orthodontics to \$1,500 for the EUTF and HSTA VB active employee dental plans effective July 1, 2024. (Wataru) There was no second and the motion failed.

MOTION was made to remove the limitation that an implant be between two natural teeth for the HSTA VB active employee dental and supplemental dental plans effective July 1, 2024. (Wataru) There was no second and the motion failed.

3. HMSA Active Plan Change Proposal

Mr. Mizuno summarized the Benefits Committee Report noting this change is recommended by the Benefits Committee to ensure compliance with federal law.

MOTION was made and seconded to approve the Benefits Committee's recommendation to cover applied behavior analysis services at 100% under the EUTF HMSA HMO effective July 1, 2024. (Wataru/Machida) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)

4. Segal Compliance Updates

- a. 2024 Medicare Advantage Plan Changes
- b. Telehealth Coverage

Mr. Mizuno summarized the Benefits Committee Report related to these items.

5. Segal Active Annual Report for the period ending June 30, 2023

Mr. Mizuno summarized the Benefits Committee Report related to this item.

C. Administrative Committee

1. 2024 Legislative Proposal

Mr. Mizuno summarized the Administrative Committee report noting that this is an administrative process change recommended by the Administrative Committee that would benefit retirees who pay a portion of their premiums and EUTF staff. The proposed bill is being reviewed by the State Department of the Attorney General. Trustee Yamane suggested that this item be deferred until the next Board meeting.

The Board deferred this item to the December 19, 2023 Board meeting.

2. Strategic Plan Update as of June 30, 2023

Mr. Mizuno summarized the Administrative Report related to this item.

VI. REPORTS

A. Segal

1. Compliance Updates

2. Quarterly Plan Performance Report – September 30, 2023

3. Quarterly Performance Guarantee Report – September 30, 2023

Mr. Stephen Murphy, Segal, summarized the Segal reports.

B. Administrator

1. Meetings with Legislators and Unions

2. Staffing Update

3. Training

Mr. Mizuno noted that he started meeting with legislators over the past month.

C. EUTF Managers' and Program Specialist' Reports

1. Member Services Branch (MSB)

a. MSB Data

b. Outreach & Training

c. 2024 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. Enrollment Counts

3. Eligibility and Enrollment Report

a. Audits Currently in Progress

b. Point in Time Reconciliation Audits

c. Recurring Audits

4. Health and Wellness Report

a. Worksite Wellness

b. Preventive Health

c. Chronic Disease Management

5. Financial Services Branch (FSB)

a. FSB Performance Data

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- b. Refunds and Medicare Part B Overpayments Status
- c. EUTF Collections
- d. Financial Statements as of July 31, 2023

D. 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)

V. EXECUTIVE SESSION (continued)

MOTION was made and seconded to move into Executive Session at 10:31 a.m. (Wataru/Yu)  
The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)

The regular meeting reconvened at 10:59 a.m.

Chairperson Ferguson-Miyamoto reported that during Executive Session, the Board:

- Approved a commitment of funds to a private real assets fund, subject to contract negotiation.
- Approved a commitment of funds to a private credit fund, subject to contract negotiation.
- Discussed private equity manager updates.
- Reviewed and discussed the October 24, 2023 Executive Session Minutes.

MOTION was made and seconded to approve the Executive Session minutes of October 24, 2023, as circulated. (Wataru/Yu) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)

VIII. NEXT MEETING

Tuesday, December 19, 2023, 9:00 a.m. – premium rates for active employees July 1, 2024 and Investment Committee Report

IX. ADJOURNMENT

MOTION was made and seconded for the Board to adjourn the meeting at 11:01 a.m. (Wataru/Yu) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)

Respectfully submitted,

/s/

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Wesley Machida, Secretary-Treasurer

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APPROVED on December 19, 2023, as amended.

Documents Distributed:

1. Draft Board Minutes of October 24, 2023. (8 pages)
2. 2023 EUTF Fiduciary Liability Insurance Proposal, prepared by Marsh, for the period of 12/15/2023-12/15/2024. (7 pages)
3. Hawaii EUTF – Ariel BAS Update, prepared by TELUS Health, dated November 21, 2023. (4 pages)
4. Memorandum to BOT from Administrator, regarding Moving Unreserved, Unrestricted Net Assets from the EUTF Trust Fund to the OPEB Trust Fund, dated November 15, 2023. (2 pages)
5. Memorandum to BOT from Assistant Administrator, regarding Maui Update – Possible Waiver of EUTF Administrative Rule Related to Non-Payment of Premiums and Failure to File Supporting Documents Timely, dated November 13, 2023. (2 pages)
6. Memorandum to BOT from Administrator, regarding Permitted Interaction Group – Employer Contributions to Health Benefit Plans, dated August 18, 2021. (2 pages)
7. Memorandum to BOT from Investment Committee Meeting, regarding November 13, 2023 Investment Committee Meeting Report, dated November 13, 2023. (1 page)
8. Memorandum to BOT from Benefits Committee Meeting, regarding November 14, 2023 Benefits Committee Meeting Report, dated November 14, 2023, Redacted Version. (3 pages)
9. Memorandum to BOT from Administrative Committee, regarding November 16, 2023 Administrative Committee Meeting, dated November 16, 2023. (2 pages)
10. Memorandum to BOT from Segal Consulting, regarding Segal Compliance News, dated November 21, 2023. (9 pages)
11. EUTF, Year to Date Contract Plan Experience Report, Contract Year to Date through September 2023, dated November 21, 2023. (41 pages)
12. Administrator’s Monthly Report to the Board for October 14– November 9, 2023, dated November 9, 2023. (1 page)
13. Memorandum to BOT from Member Services Branch Manager, regarding October – November 2023 Member Services Operations Report, dated November 9, 2023. (5 pages)
14. Memorandum to BOT from Information Systems Chief, regarding October 2023 – November 2023 Information Systems (IS) Operations Report, dated November 9, 2023. (9 pages)
15. Memorandum to Administrator from Eligibility Specialist regarding October – November 2023 Eligibility and Enrollment Report, dated November 9, 2023. (2 pages)
16. Memorandum to BOT from Health and Wellness Specialist, regarding October – November Health and Wellness Specialist Report, dated November 9, 2023. (11 pages)
17. Memorandum to BOT from EUTF Financial Management Officer regarding October – November 2023 Financial Services Branch (FSB) Report, dated November 9, 2023. (15 pages)
18. CVS Caremark Monthly Carrier Report for October 2023 dated October 3, 2023. (3 pages)
19. SilverScript Monthly Carrier Report for October 2023 dated November 1, 2023. (2 pages)
20. HDS Monthly Carrier Report for October 2023 dated November 9, 2023. (2 pages)
21. HMA Monthly Carrier Report for October 2023 dated November 6, 2023. (2 pages)
22. HMSA Monthly Carrier Report for October 2023 dated November 10, 2023. (3 pages)
23. Humana Monthly Carrier Report for October 2023 dated November 8, 2023. (3 pages)
24. Kaiser Permanente Monthly Carrier Report for October 2023 dated November 8, 2023.

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25. Securian Financial Monthly Carrier Report for October 2023 dated November 8, 2023. (1 page)

26. VSP Monthly Carrier Report for October 2023 dated November 8, 2023, Redacted Version. (8 pages)