

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Minutes of the Board of Trustees

Tuesday, December 17, 2024

TRUSTEES PRESENT

Mr. Ryan Yamane, Chairperson
Mr. Robert Yu, Vice Chairperson (via video conference)
Mr. James Wataru, Secretary-Treasurer
Ms. Jacqueline Ferguson-Miyamoto
Mr. Christian Fern
Mr. Wesley Machida (via video conference)
Ms. Sabrina Nasir (via video conference, entered at 10:30 a.m.)
Mr. Osa Tui
Ms. Maureen Wakuzawa

TRUSTEES ABSENT

Ms. Audrey Hidano

ATTORNEY

Mr. Michael Chambrella, Deputy Attorney General

EUTF STAFF

Mr. Derek Mizuno, Administrator
Ms. Donna Tonaki, Assistant Administrator
Ms. Amy Cheung, Financial Management Officer (via video conference)
Ms. Jessica McDonald, Member Services Branch Manager
Mr. Todd Nishida, Information Systems Chief (via video conference)
Mr. David Okamoto, Chief Investment Officer
Mr. Brett Tatsuno, Investment Officer (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
Ms. Lara Nitta
Ms. Melissa Tom (via video conference)
Ms. Desiree Yamauchi

CONSULTANTS (via video conference, unless otherwise noted)

Mr. Tyler Brotz, Segal Consulting
Ms. Shelley Chun, Segal Consulting
Ms. Mary Fedor, Segal Consulting
Mr. Quentin Gunn, Segal Consulting (in person)
Mr. Stephen Murphy, Segal Consulting (in person)
Mr. Richard Ward, Segal Consulting (in person)

OTHERS PRESENT (via video or audio conference)

Mr. Blaise Aquino, HMSA
Ms. Joni Amato, CTI
Ms. Stacia Baek, HDS
Ms. Amy Bell, TELUS Health
Ms. Sandra Benevides, CVS
Mr. Ty Bowers, CVS
Mr. Su Chai, Kaiser
Mr. Francis Cuenca, CVS
Mr. Joe Ebisa, WithIntelligence
Mr. Thomas England, Kaiser
Ms. Samantha Furutani, CVS
Dr. Rupal Gohil, HMSA
Mr. Galen Haneda, HMSA
Ms. Monica Kim, VSP
Ms. Meagan Kini-Ho, HMSA
Ms. Mae Kishimoto, HSTA-Retired
Ms. Joey Lee, HDS
Mr. Chris Letoto, HMSA
Ms. Charina Masatsugu, Kaiser
Dr. Christopher Miura, Kaiser
Ms. Canela Queiruga, Verdegard
Mr. Dave Shiroma, Kaiser
Ms. Jenny Smith, Humana
Mr. Troy Tomita, Kaiser
Ms. Ann VanHaaren, CVS
Anonymous

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 Ryan Yamane, in the EUTF Board Room, 201 Merchant Street, Suite 1700, Honolulu, Hawaii, on Tuesday, December 17, 2024.

II. REVIEW OF MINUTES – NOVEMBER 26, 2024

The Board reviewed the draft minutes of November 26, 2024. Since there were no edits or objections by the Trustees, the minutes stand approved.

III. OLD BUSINESS

A. Benefits Administration System Implementation Status Update

Ms. Amy Bell, TELUS Health, provided an update on the implementation of the new Benefits Administration System (BAS) noting that they are continuing to work on the remaining payroll and other accounting report, death file import and Medicare expiry issues which are expected to be completed by December 31, 2024.

IV. NEW BUSINESS

A. Claim Technologies, Inc. Claims Audit Report

1. Kaiser Permanente Medical and Prescription Drug Plans for Active Employees July 1, 2022 – June 30, 2023 and Retirees January 1, 2022 – December 31, 2022
2. Securian Financial Life Insurance Plans for Active Employees July 1, 2020 – June 30, 2023 and Retirees January 1, 2020 – December 31, 2022 – Performance Guarantees Only

Ms. Joni Amato, CTI, presented the results of their audits of Kaiser Permanente (KP) and Securian (performance guarantees only) noting the following:

- Based on CTI's random sample, KP performed in the top quartile for financial accuracy rate, accurate payment frequency and accurate processing frequency.
- The amounts on slide 5 do not represent actual overpayments or extrapolated overpayments. The amounts reported represent the total amount of claims related to the category in which errors in the sample were found. EUTF staff will work with CTI and KP to test additional samples from the Duplicate Payments category to verify that there are no systemic issues. EUTF will utilize the post audit hours provided by CTI for this work.
- KP has paid EUTF \$22,260.67 related to a missed performance guarantee that was previously reported as met.
- Securian has agreed to pay \$11,036 related to two missed performance guarantees that were previously reported as being met.

V. INVESTMENT COMMITTEE REPORT

A. Private Equity Pacing Update

Mr. David Okamoto presented the Investment Committee's recommendation to approve a pacing plan update for Private Equity (PE). As of June 30, 2024, EUTF's PE allocation is 10.2% versus the interim target of 10.5% and long-term target of 15%. The recommended pacing plan for 2025 is \$360 million across 3-5 partnerships, ranging from \$45-115 million each. This represents an increase of \$60 million over the 2024 target. In addition, up to \$75 million in up to five co-investments, ranging from \$15-25 million each.

MOTION was made and seconded to approve the Investment Committee's recommendation to approve the 2025 Private Equity Pacing Plan. (Yu/Ferguson-Miyamoto) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-5)

B. Private Credit Pacing Update

Mr. Okamoto presented the Investment Committee's recommendation to approve a pacing

plan update for Private Credit (PC). As of June 30, 2024, EUTF's PC allocation is 7.6% versus an interim target of 7.5% and long-term target of 10%. The recommended pacing plan for 2025 is \$350 million across 3-6 partnerships, ranging from \$75-150 million each. This represents an increase of \$50 million over the 2024 target.

MOTION was made and seconded to approve the Investment Committee's recommendation to approve the 2025 Private Credit Pacing Plan. (Wataru/Yu) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-5)

C. Private Real Assets Pacing Update

Mr. Okamoto presented the Investment Committee's recommendation to approve a pacing plan update for Real Assets (RA). As of June 30, 2024, EUTF's RA allocation is 9% versus an interim target of 9% and long-term target of 12%. The recommended pacing plan for 2025 is \$215 million across 2-4 partnerships, ranging from \$50-100 million each for real estate funds and \$50-75 million each for infrastructure funds. This represents an increase of \$15 million over the 2024 target.

MOTION was made and seconded to approve the Investment Committee's recommendation to approve the 2025 Private Real Assets Pacing Plan. (Ferguson-Miyamoto/Yu) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-5)

D. Investment Policy Statement Update

Mr. Okamoto presented the Investment Committee's recommendation to approve an updated Investment Policy Statement (IPS) including a new selection process for non-private market managers, the performance objective for the EUTF Trust Fund, defining leverage utilization within private real assets, delegating authority to EUTF staff related to time sensitive matters for private market funds, updated strategic targets and ranges for OPEB and the EUTF Trust Fund, and removing and updating benchmarks and managers that are no longer applicable.

MOTION was made and seconded to approve the Investment Committee's recommendation to approve the Updated Investment Policy Statement. (Ferguson-Miyamoto/Yu) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-5)

E. Investment Manager Due Diligence Update

Mr. Okamoto noted that the due diligence on investment managers is up to date and there are no plans for EUTF staff to make any site visits in 2025.

VI. EXECUTIVE SESSION

MOTION was made and seconded to move into Executive Session at 9:16 a.m. (Wataru/Ferguson-Miyamoto) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-5)

The regular meeting reconvened at 9:27 a.m.

Chairperson Yamane reported that during Executive Session, the Board approved HMSA, HDS, VSP and Securian premium rates for active employees effective July 1, 2025.

IV. NEW BUSINESS (continued)

B. Self-Funded Prescription Drug (Administered by CVS) Rates for Active Employees Effective July 1, 2025

Mr. Derek Mizuno and Mr. Stephen Murphy, Segal Consulting, presented and discussed the reasons for the three different methods of calculating the self-funded prescription drug premiums for active employees effective July 1, 2025 – 1) current methodology (i.e. separate prescription drug premiums for the HMSA 75/25 PPO members), 2) same prescription drug premiums for all HMSA plans and 3) current methodology with additional \$10, \$24 and \$31 increases for single, two-party and family, respectively, prescription drug premiums for the HMSA 75/25 plan with reductions for the prescription drug premiums with the other HMSA plans. EUTF staff and Trustee Christian Fern noted the concern that the low HMSA 75/25 medical/prescription drug premiums will continue to drive employees to the HMSA 75/25 plan which has a lower benefit than the prevalent HMSA plan. Option 3 gradually addresses this issue.

MOTION was made and seconded to move into Executive Session at 9:52 a.m. (Tui/Ferguson-Miyamoto) The motion passed unanimously. (Employer Trustees-3/ Employee-Beneficiary Trustees-5)

The regular meeting reconvened at 9:58 a.m.

Mr. Mizuno noted that if the employer contribution for the July 1, 2025 medical/prescription drug plans is determined under the same methodology as it currently is, the \$10, \$24 and \$31 increase in prescription drug premiums will increase the employee's monthly share of HMSA 75/25 medical/prescription drug plans by \$1.00, \$2.40 and \$3.10 for singles, two-party and family plans, respectively

MOTION was made and seconded to approve the self-funded prescription drug premiums based on methodology consistent with 2023-2024 with slight adjustments. (Tui/Ferguson-Miyamoto) The motion passed. (Employer Trustees-3 YES Machida, Yamane, Yu/ Employee-Beneficiary Trustees-4 YES Ferguson-Miyamoto, Fern, Tui, Wakuzawa, 1 NO Wataru)

C. Self-Funded Supplemental Medical and Prescription Drug Rates (Administered by Verdegard) for Active Employees Effective July 1, 2025

Mr. Murphy presented Segal's recommendation of the active employee supplemental medical and prescription drug plan premiums for July 1, 2025 – June 30, 2026.

MOTION was made and seconded to approve the self-funded supplemental medical and prescription drug rates for active employees effective July 1, 2025 as recommended by Segal. (Tui/Ferguson-Miyamoto) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-5)

D. Board Meeting Schedule for Fiscal Year 2026

Mr. Mizuno presented the proposed Board and Committee Schedule for fiscal year 2026.

VII. REPORTS

A. EUTF Benefits Consultant (Segal)

1. Compliance News
 2. Quarterly Trends Report
- Mr. Murphy summarized the Segal reports.

B. Administrator

1. Meetings with Legislators and Unions
 2. Staffing Update
 3. Training
- Mr. Mizuno informed the Board that the IFEBP reports for the staff that attended this year's conference are included in the packets.

C. EUTF Managers' and Program Specialists' Reports

1. Member Services Branch (MSB)
 - a. MSB Data
 - b. Outreach & Training
 - c. 2025 Retiree Open Enrollment
2. Information Systems (IS)
 - a. EUTF Benefits Administration System (BAS) Project
 - b. Equipment Replacement
 - 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
 - b. Refunds and Medicare Part B Overpayments Status
 - c. EUTF Collections
 - d. 2024 Financial Audit
 - e. Financial Statements as of July 31 and August 31, 2024

D. Carrier Reports

1. CVS Caremark
2. SilverScript
3. Hawaii Dental Service (HDS)
4. Hawaii Medical Service Association (HMSA)
5. Humana
6. Kaiser Health Foundation
7. Securian
8. Verdegard Hawaii (formerly known as HMA)
9. Vision Service Plan (VSP)

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VI. EXECUTIVE SESSION (continued)

The Board meeting recessed and moved into Executive Session at 10:09 a.m.

Trustee Sabrina Nasir entered the meeting during executive session at 10:30 a.m.

The regular meeting reconvened at 10:47 a.m.

Chairperson Yamane reported that during Executive Session, the Board

- Approved Kaiser premium rates for active employees effective July 1, 2025.
- Approved a commitment of funds to a private real assets manager, subject to contract negotiations.
- Approved a commitment of funds to a private equity manager, subject to contract negotiations.
- Approved extension of an insurance brokerage contract.
- Approved extension of benefits and pharmacy benefits consulting contracts.
- Approved an appeal to change plans.
- Reviewed and discussed the November 26, 2024 minutes. Since there were no edits or objections, the minutes stand approved.

VIII. NEXT MEETING

Monday, January 13, 2025, 9:00 a.m. – July 1, 2024 Actuarial Valuation and June 30, 2024 Audited Financial Statements

IX. ADJOURNMENT

MOTION was made and seconded for the Board to adjourn the meeting at 10:52 a.m.

(Ferguson-Miyamoto/Yu) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

APPROVED on January 13, 2025.

Documents Distributed:

1. Draft Board Minutes for November 26, 2024. (8 pages)
2. Hawaii EUTF – Ariel BAS Updated, prepared by TELUS Health, dated December 17, 2024. (5 pages)
3. Claims Administration Audits, Kaiser Permanente and Securian Life Insurance, prepared by Claim Technologies Incorporated, dated December 17, 2024. (10 pages)
4. Comprehensive Claim Administration Audit, Executive Summary Report, EUTF Medical Plans, Administered by Kaiser Permanente, Audit Period: Actives: July 1, 2022 through June 30, 2023, Retirees: January 1, 2022 through December 31, 2022, Additional Performance Guarantee Validation for: Actives: July 1, 2021 through June 30, 2022, Retirees: January 1, 2021 through December 31, 2021, prepared by Claim Technologies Incorporated, dated December 17, 2024. (9 pages)
5. Performance Guarantee Verification, Findings Report, EUTF Life Insurance Plans, Administered by Securian Financial, Audit Periods, Active – July 1, 2020 through June 30, 2021, July 1, 2021 through June 30, 2022, July 1, 2022 through June 30, 2023, Retirees – January 1, 2020 through December 31, 2020, January 1, 2021 through December 31, 2021, January 1, 2021 through December 21, 2022, prepared by Claim Technologies Incorporated, dated December 17, 2024. (7 pages)

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6. Memorandum to EUTF BOT from Investment Committee, regarding December 10, 2024 Investment Committee Meeting Report, dated December 11, 2024. (2 pages)
7. Memorandum to BOT EUTF from Segal Consulting, regarding 2025/2026 Active Prescription Drug Rates, dated December 17, 2024. (6 pages)
8. Memorandum to EUTF BOT from Segal Consulting, regarding 2025/2026 Active Supplemental Medical and Prescription Drug Plan Rates, dated December 17, 2024. (3 pages)
9. Memorandum to BOT from Administrator, regarding Board Meeting Schedule for Fiscal Year 2026, dated December 13, 2024. (2 pages)
10. Memorandum to BOT EUTF from Segal Consulting, regarding Segal Reports – Compliance News, dated December 17, 2024. (4 pages)
11. Memorandum to BOT EUTF from Segal Consulting, regarding Segal’s 2024 Fourth Quarter Trends Report, dated December 17, 2024. (3 pages)
12. Administrator’s Monthly Report to the Board for November 16-December 6, 2024, dated December 6, 2024. (9 pages)
13. Memorandum to BOT from Member Services Branch Manager, regarding November–December 2024 Member Services Operations Report, dated December 6, 2024. (6 pages)
14. Memorandum to BOT from Information Systems Chief, regarding November 2024 – December 2024 Information Systems (IS) Operations Report, dated December 6, 2024. (9 pages)
15. Memorandum to Administrator from Eligibility Specialist regarding November – December 2024 Eligibility and Enrollment Report, dated December 6, 2024. (2 pages)
16. Memorandum to EUTF BOT from Health and Wellness Specialist regarding November – December 2024 Health and Wellness Specialist Report, dated December 6, 2024. (4 pages)
17. Memorandum to BOT from EUTF Financial Management Officer regarding November 2024 – December 2024 Financial Services Branch (FSB) Report, dated December 6, 2024. (25 pages)
18. CVS/Caremark Monthly Carrier Report for November 2024 dated December 2, 2024. (6 pages)
19. SilverScript Monthly Carrier Report for November 2024 dated December 1, 2024. (2 pages)
20. HDS Monthly Carrier Report for November 2024 dated December 9, 2024. (2 pages)
21. HMSA Monthly Carrier Report for November 2024 dated December 9, 2024. (3 pages)
22. Humana Monthly Carrier Report for November 2024 dated December 9, 2024. (3 pages)
23. Kaiser Permanente Monthly Carrier Report for November 2024 dated December 10, 2024. (2 pages)
24. Securian Financial Monthly Carrier Report for November 2024 dated December 9, 2024. (1 page)
25. Verdegard Hawaii Monthly Carrier Report for November 2024 dated December 9, 2024. (2 pages)
26. VSP Vision Care Monthly Carrier Report for November 2024 dated December 10, 2024. (6 pages)