

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Minutes of the Board of Trustees

Tuesday, August 26, 2025

TRUSTEES PRESENT

Mr. James Wataru, Chairperson

Mr. Osa Tui, Vice Chairperson

Ms. Sabrina Nasir, Secretary-Treasurer

Ms. Jacqueline Ferguson-Miyamoto

Mr. Christian Fern

Ms. Audrey Hidano

Mr. Wesley Machida (via video conference)

Ms. Maureen Wakuzawa

Mr. Robert Yu (via video conference, excused at 10:06 a.m.)

TRUSTEES ABSENT

Mr. Ryan Yamane

ATTORNEY

Mr. Michael Chambrella, Deputy Attorney General

EUTF STAFF (in person, unless otherwise noted)

Mr. Derek Mizuno, Administrator

Mr. David Okamoto, Chief Investment Officer

Ms. Amy Cheung, Financial Management Officer (via video conference)

Ms. Jessica McDonald, Member Services Branch Manager

Mr. Brett Tatsuno, Investment Officer (via video conference)

Ms. Desiree Yamauchi

Mr. Justin Isobe (via video conference)

Ms. Emily Kaimulua (via video conference)

Ms. Katie Matsushima

Ms. Lara Nitta

Ms. Melissa Tom (via video conference)

CONSULTANTS (via video conference, unless otherwise noted)

Mr. Colin Bebee, Meketa

Mr. Tyler Brotz, Segal Consulting

Ms. Shelley Chun, Segal Consulting

Ms. Mary Fedor, Segal Consulting

Mr. Stephen Murphy, Segal Consulting (in person)

OTHERS PRESENT (via video conference, unless otherwise noted)

Mr. Blaise Aquino, HMSA

Ms. Sandra Benevides, CVS

Ms. Jessica Benson, Verdegard

Mr. Ty Bowers, CVS

Mr. Su Chai, Kaiser

Mr. Francis Cuenca, CVS

Mr. Joe Ebisa, WithIntelligence

Ms. Kjirsten Elsner, Securian

Mr. Thomas England, Kaiser

Ms. Samantha Furutani, CVS

Mr. Dale Goya, HMSA (in person)

Mr. Galen Haneda, HMSA (in person)

Ms. Meagan Kini-Ho, HMSA

Ms. Mae Kishimoto, HSTA-Retired

Ms. Joey Lee, HDS

Mr. Chris Letoto, HMSA

Ms. Charina Masatsugu, HMSA

Ms. Denise Mercil, Securian

Dr. Christopher Miura, Kaiser

Mr. Ezra Ng, HMSA

Ms. Kelsi Quon, HMSA

Ms. Michelle Sasaki, HMSA

Mr. Dave Shiroma, Kaiser

Dr. Rodd Takiguchi, Kaiser

Mr. Troy Tomita, Kaiser

Appellant

Retiree

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 James Wataru, in the EUTF Board Room, 201 Merchant Street, Suite 1700, Honolulu, Hawaii, on Tuesday, August 26, 2025.

II. REVIEW OF MINUTES – JULY 29, 2025

The Board reviewed the draft minutes of July 29, 2025.

Mr. Derek Mizuno recommended the following amendment on page 3, lines 31-33. The 1st sentence should reflect: “A retiree shared his concerns regarding coordination of his claims between Medicare and HMSA, as he recently found that he is not included on the file Medicare submits to HMSA for secondary payment.”

Since there were no other edits or objections by the Trustees, the minutes stand approved, as amended.

III. EXECUTIVE SESSION

MOTION was made and seconded to move into Executive Session at 9:02 a.m. (Tui/Ferguson-Miyamoto) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

Trustee Robert Yu was excused from the meeting during Executive Session, at 10:06 a.m.

The regular meeting reconvened at 10:14 a.m.

Chairperson Wataru reported that during Executive Session, the Board:

- Approved an appeal for late Medicare Part B enrollment.
- Approved an appeal for late birth enrollment.

IV. NEW BUSINESS

A. Proposed EUTF Administrative Rule Changes – Comments from Employers and Employee Organizations

Mr. Derek Mizuno reported that the City and County of Honolulu (City) raised concerns about the removal of deadlines for the Board to respond to petitions for changes to the EUTF Administrative Rules and declaratory rulings (both 90-days) and appeals (45-days). The City also noted a typo that was incorporated into the revised EUTF Administrative Rules. Mr. Mizuno noted that the removal of the deadlines was to provide the Board with more deliberation time for complex issues. The intent of the EUTF is to resolve petitions and appeals by the original deadline.

MOTION was made and seconded to approve the revised EUTF Administrative Rule Changes for submission to the Governor. (Tui/Ferguson-Miyamoto) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-5)

V. COMMITTEE REPORTS

A. Investment Committee

1. Quarterly Performance Report – Q2 2025

Mr. Colin Bebee, Meketa Investments, presented the second quarter performance report. The OPEB Trust finished the quarter at \$9.0 billion, gaining 3.6% and 7.0% (net of fees) for the quarter and 1-year, respectively, outperforming the policy benchmark of 2.2% and 6.9%, respectively. The modest outperformance during the quarter relative to the benchmark was primarily attributed to systematic trend following within diversifying strategies and private equity within aggressive growth. Since inception

(June 23, 2011), the portfolio has returned 7.3% (net of fees) versus the policy benchmark return of 7.2%.

Meketa also recommended placing AlphaSimplex on Watch status due to underperformance relative to peers and benchmarks. Over the trailing one-year period, AlphaSimplex returned -29.5%, compared to -25.7% for the policy benchmark and -6.3% for EUTF's other trend following manager, Mount Lucas.

The EUTF Trust Fund finished the quarter at \$543.8 million, gaining 1.9% and 3.9% (net of fees) for the quarter and 1-year, respectively. Since inception (October 1, 2013), the portfolio has returned 3.8% (net of fees).

MOTION was made and seconded to approve the Investment Committee's recommendation to place AlphaSimplex on Watch status effective July 1, 2025 for performance reasons. (Fern/Ferguson-Miyamoto) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-5)

2. Quarterly Private Credit Report and Annual Portfolio Review – Q1 2025
Mr. David Okamoto presented the first-quarter 2025 private credit performance report and annual asset class review. At the end of the quarter, Private Credit reported a market value of \$769.5 million (9.0% of the OPEB Trust), with a since inception return of 10.0% (net of fees), outperforming the asset class benchmark of 9.3%.
3. Quarterly Private Equity Report – Q1 2025
This report was included for informational purposes only and was not discussed at the meeting.
4. Quarterly Private Real Assets Report Q1 2025
This report was included for informational purposes only and was not discussed at the meeting.
5. Benchmark Update
Mr. Okamoto summarized the recommendation to update the benchmark for the systematic trend following asset class, currently managed by AlphaSimplex and Mt. Lucas noting that the EUTF's custodian does not plan to charge for use of the proposed benchmark.

MOTION was made and seconded to approve the Investment Committee's recommendation to change the Trend Following benchmark from the Credit Suisse Managed Futures (15% Volatility) Index to the Societe Generale (SG) Trend Index effective July 1, 2025. (Ferguson-Miyamoto/Wakuzawa) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-5)

6. Investment Policy Statement (IPS) Revisions
Mr. Okamoto summarized the recommendation to update the EUTF Investment Policy Statement.

MOTION was made and seconded to approve the Investment Committee's

recommendation to approve the Updated Investment Policy Statement. (Ferguson-Miyamoto/Wakuzawa) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-5)

B. Administrative Committee

1. EUTF Annual Report

Mr. Mizuno highlighted items in the draft EUTF Annual Report.

MOTION was made and seconded to approve the Administrative Committee's recommendation to approve the EUTF Annual Report for fiscal year 2024-2025 for submission to the Legislature. (Hidano/Wakuzawa) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-5)

2. 2026 Legislative Proposals

Mr. Mizuno summarized the 2026 Legislative proposals recommended by the Administrative Committee.

MOTION was made and seconded to approve the Administrative Committee's recommendation to submit a bill to amend Hawaii Revised Statutes 87A-24 to have the EUTF Board set the EUTF Investment Officers and Investment Analysts salaries. (Hidano/Ferguson-Miyamoto) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-5)

MOTION was made and seconded to approve the Administrative Committee's recommendation to submit a bill to remove the limitation in Hawaii Revised Statutes 87A-32, 33, 34, 35 and 36 that the employer contribution be no more than a family contribution, if both spouses are employees/retirees of the State and/or counties. (Hidano/Ferguson-Miyamoto) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-5)

3. Supplemental Budget Request – July 1, 2026 – June 30, 2027

Mr. Mizuno summarized the reasons for requesting another Investment Officer in the supplemental budget for July 1, 2026 – June 30, 2027.

MOTION was made and seconded to approve the Administrative Committee's recommendation to approve the supplemental budget request for July 1, 2026 to June 30, 2027. (Hidano/Ferguson-Miyamoto) The motion passed unanimously. (Employer Trustees-3/Employee-Beneficiary Trustees-5)

VI. REPORTS

A. EUTF Benefits Consultant (Segal)

1. Quarterly Plan Performance Report – June 30, 2025
2. Quarterly Performance Guarantee Report – June 30, 2025
3. June 30, 2025 IBNR Calculation – Prescription Drug Plan and Supplemental Medical and Prescription Drug Plan
4. 2025 Q3 Trends Report
5. Compliance News

Mr. Steve Murphy, Segal Consulting, summarized the reports.

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B. Administrator

1. Meetings with Legislators and Unions
2. Staffing Update
3. Training
4. Social Security Disability Insurance Project Progress Report

Mr. Mizuno summarized the Social Security Disability Insurance Project results.

C. EUTF Managers' and Program Specialists' Reports

1. Member Services Branch (MSB)
 - a. MSB Data
 - b. Outreach & Training
 - c. 2025 Active Open Enrollment
2. Information Systems (IS)
 - a. EUTF Benefits Administration System (BAS) Project
 - b. Termination of Coverage by Absence on the Carrier file
 - 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. 2025 Financial Statements Audit
 - e. Financial Statements as of May 31, 2025

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)

A retiree shared his concerns regarding coordination of his claims between Medicare and HMSA/

IV. EXECUTIVE SESSION (continued)

The Board meeting recessed and moved into Executive Session at 10:50 a.m.

The regular meeting reconvened at 11:38 a.m.

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Chairperson Wataru reported that during Executive Session, the Board:

- Approved a commitment of funds to a private credit fund, subject to contract negotiations.
- Approved a commitment of funds to a private equity fund, subject to contract negotiations.
- Deferred an appeal to amend Open Enrollment election.
- Reviewed and discussed the June 24 and July 29, 2025 minutes. Since there were no edits or objections, the minutes stand approved.

VI. NEXT MEETING

Tuesday, September 23, 2025, 9:00 a.m. – Benefits Committee Report

VII. ADJOURNMENT

MOTION was made and seconded for the Board to adjourn the meeting at 11:39 a.m. (Ferguson-Miyamoto/Hidano) The motion passed unanimously. (Employer Trustees-3/ Employee-Beneficiary Trustees-5)

APPROVED on September 23, 2025.

Documents Distributed:

1. Draft Board Minutes for July 29, 2025. (4 pages)
2. Memorandum to EUTF BOT from Eligibility Specialist, regarding Proposed EUTF Administrative Rule Changes – Comments from Employers and Employee Organizations, dated August 20, 2025. (3 pages)
3. Memorandum to EUTF BOT from Investment Committee, regarding August 19, 2025 Investment Committee Meeting Report, dated August 19, 2025. (2 pages)
4. EUTF, YTD Contract Plan Experience Report, Contract Year to Date through June 30, 2025, prepared by Segal Consulting, dated August 26, 2025. (42 pages)
5. Memorandum to BOT EUTF from Segal Consulting, regarding Performance Guarantee Reporting for the Second Quarter of 2025, dated August 14, 2025. (20 pages)
6. Memorandum to BOT EUTF from Segal Consulting, regarding June 30, 2025 Prescription Drug IBNR Calculations, dated August 13, 2025. (2 pages)
7. Memorandum to BOT EUTF from Segal Consulting, regarding June 30, 2025 Supplemental medical IBNR Calculation, dated August 13, 2025. (2 pages)
8. Memorandum to BOT EUTF from Segal Consulting, regarding Summary of Segal 3Q25 Trends, dated August 26, 2025. (4 pages)
9. Memorandum to BOT EUTF from Segal Consulting, regarding Segal Reports Compliance News, dated August 26, 2025. (6 pages)
10. Administrator's Monthly Report to the Board for July 18 – August 14, 2025, dated August 14, 2025. (1 page)
11. Memorandum to EUTF BOT from Program Specialist V, regarding Social Security Disability Insurance Project Progress report (Inception thru June 2025), dated August 6, 2025. (2 pages)
12. Memorandum to BOT from Member Services Branch Manager, regarding July– August 2025 Member Services Operations Report, dated August 14, 2025. (6 pages)
13. Memorandum to BOT from Interim Information Systems Chief, regarding July 2025 – August 2025 Information Systems (IS) Operations Report, dated August 14, 2025. (9 pages)

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14. Memorandum to Administrator from Eligibility Specialist regarding July – August 2025 Eligibility and Enrollment Report, dated August 14, 2025. (2 pages)
15. Memorandum to EUTF BOT from Health and Wellness Specialist regarding July – August Health and Wellness Specialist Report, dated August 14, 2025. (2 pages)
16. Memorandum to BOT from EUTF Financial Management Officer regarding July 2025 – August 2025 Financial Services Branch (FSB) Report, dated August 14, 2025. (5 pages)
17. CVS/Caremark Monthly Carrier Report for July 2025 dated August 4, 2025. (12 pages)
18. SilverScript Monthly Carrier Report for July 2025 dated August 2, 2025. (2 pages)
19. HDS Monthly Carrier Report for July 2025 dated August 7, 2025. (2 pages)
20. HMSA Monthly Carrier Report for July 2025 dated August 7, 2025. (3 pages)
21. Humana Monthly Carrier Report for July 2025 dated August 8, 2025. (3 pages)
22. Kaiser Permanente Monthly Carrier Report for July 2025 dated August 8, 2025. (2 pages)
23. Securian Financial Monthly Carrier Report for July 2025 dated August 7, 2025. (1 page)
24. Verdegard Hawaii Monthly Carrier Report for July 2025 dated August 10, 2025. (2 pages)
25. VSP Vision Care Monthly Carrier Report for July 2025 dated August 5, 2025. (6 pages)