

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Tuesday, March 19, 2002

TRUSTEES PRESENT: Mr. Sam Callejo, Chairperson (Left 10:25 a.m.)
Ms. Audrey Hidano, Vice-Chairperson
Mr. James Williams, Secretary-Treasurer
Ms. Joan Lewis
Ms. Kathryn Matayoshi
Mr. Neal Miyahira
Mr. Willard Miyake (Arrived 9:55 a.m.)
Mr. Clifford T. Uwaine
Mr. Davis Yogi

TRUSTEES ABSENT: Mr. James Yasuda

ATTORNEY: Mr. Brian Aburano, Deputy Attorney General

HEUHBTF STAFF: Mr. Tracy Ban
Ms. Lynette Fukunaga
Ms. Shirley Kawamoto
Ms. Wanda Kimura
Mr. Gary Sanehira
Ms. Karen Tom

OTHERS PRESENT: Ms. Jean Aoki, HSRTA
Ms. Becky Bates, HDS
Mr. George Butterfield, HSTA-Retired
Ms. Nani Crowell, HSTA
Ms. Monica Engle, VSP
Ms. Kathy Fay, HDS
Mr. Melvin Higa, MBAH
Mr. Charles Khim
Ms. Ruth P. Kim, HSTA-Retired
Mr. Melvin Kutara, C&C, Dept. of Human Resources
Mr. Al Lardizabal, OCB
Mr. Maurice Morita, HSTA
Mr. Tom Morrison, The Segal Company
Mr. Gordon Murakami, Royal State
Mr. Keith Odachi, OCB
Mr. George Yamamoto, HGEA-Retirees

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A. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order when a quorum was present at 9:38 a.m. by Mr. Sam Callejo, Chairperson, in Conference Room 303/304, No. 1 Capitol District Building, 250 South Hotel Street, Honolulu, Hawaii, on Tuesday, March 19, 2002.

The Chair stated that Mr. Yasuda notified staff that he would be unable to attend the meeting. The Chair also stated that Mr. Miyake notified staff that he would be late and should arrive by 10 a.m.

ANNOUNCEMENTS

The Chair announced that the Benefits Committee meeting, following the Board meeting at 1:30 p.m., will have presentations on the current benefit plans (Health Fund and Employee Organizations) from the insurance carriers and the trustees are encouraged to attend.

The Chair announced that the Governor's message to the Legislature to amend the Trust Fund's budget has been finalized and Mr. Miyahira is working with the staff to meet with the Legislators to explain the increase in the Trust Fund's budget.

B. APPROVAL OF MINUTES

MOTION to approve the February 19, 2002 minutes as submitted was made by Mr. Yogi and seconded by Ms. Matayoshi. The motion was passed unanimously (Employer Trustees 5/ Employee-Beneficiary Trustees 3).

C. ADMINISTRATIVE COMMITTEE REPORT (Agenda Item III.A.)

1. Hiring of an Administrator

a. Administrator Position Description

MOTION to approve the position description for the Administrator/CEO as submitted was made by the Administrative Committee.

DISCUSSION: The Administrative Committee commented that an Administrator is necessary even if third-party administrators are hired. The Administrator is intended to be a strong CEO-type who has the knowledge and expertise to provide considerable assistance and advice to the Board and is able to operate with both consultants and service provider executives as equals.

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

b. Recruitment Advertising

MOTION to approve the proposed print and internet advertising which includes print ads in Midweek (the State's required publication), Honolulu Advertiser, Honolulu Star-Bulletin, and Pacific Business News and internet listings with the International

Foundation of Employee Benefit Plans (IFEBP) and International Personnel Management Association (IPMA) was made by the Administrative Committee.

DISCUSSION: Mr. Uwaine proposed using one of the local dailies and the internet listings in recruiting for the Administrator. The Administrative Committee indicated that the proposed plan of advertising was intended to reach the maximum circulation of readers with advertisements in both daily newspapers and the Pacific Business News (has a business audience which is the targeted audience). Realizing that the recruitment may be difficult, the Administrative Committee wanted to ensure that the greatest number of potential candidates were aware of the vacancy.

MOTION to amend the print ad by deleting the sentence, "Salary commensurate with qualifications and experience; generous benefits package" was made by Ms. Matayoshi.

PUBLIC COMMENT

There was comment that the phrase, "Salary commensurate with qualifications and experience" should remain in the ad because it alerts applicants that the salary is linked with qualifications.

MOTION to amend the motion on the table by keeping the phrase "Salary commensurate with qualifications and experience", deleting the phrase "generous benefits package" in the print ad, and adding the sentence "Salary commensurate with qualifications and experience" in the internet ad was made by Mr. Uwaine and seconded by Mr. Miyake.

The motion to amend the motion on the table was passed unanimously (Employer Trustees 3/ Employee-Beneficiary Trustees 5/ Opposed 1 – Mr. Yogi).

The amended motion on the table to amend the print and internet ads was passed (Employer Trustees 5/Employee-Beneficiary Trustees 4).

The original motion to approve both the print and internet ads as amended was passed unanimously (Employer Trustees 5/Employee-Beneficiary Trustees 4).

RECESS at 10:20 a.m. at Mr. Uwaine's request to caucus with a trustee; reconvened at 10:25 a.m.

The Chair was called from the meeting at 10:25 a.m.; Ms. Hidano, Vice-Chair, assumed the Chair for the remainder of the meeting.

MOTION to delete the Honolulu Star-Bulletin, the Pacific Business News, and the Star-Bulletin link to Monster.com from the proposed recruitment publications was made by Mr. Uwaine and seconded by Mr. Miyake.

DISCUSSION

Mr. Uwayne commented that the Honolulu Advertiser, the largest daily, along with internet job listings would be sufficient for recruitment.

Ms. Hidano wanted to participate in the discussion on this item and Mr. Williams assumed the Chair temporarily.

The trustees discussed the advantages of advertising in the Pacific Business News and reasons for not advertising in that publication. A compromise was suggested that advertising begin with the Honolulu Advertiser and be reassessed for other publications after evaluating the initial response.

PUBLIC COMMENT

There was comment that supported the motion because it is financially prudent and that the Board may not want to advertise in the Pacific Business News because of the anti-public union positions it has taken. There was comment that did not support the motion because the objective is to find the best candidate and the Board has an obligation to reach as many potential applicants as possible in its advertisement.

FURTHER DISCUSSION

The trustees discussed the use of multiple publications when only one publication is required by the State. Ms. Matayoshi commented that this is the most critical and important position for the Board and expressed concerns that the Board would not consider expending the money to find the right person for the position and could possibly deadlock on this issue resulting in no advertising for the position.

The motion was defeated. (Employer Trustees 0/Employee-Beneficiary Trustees 4. Agreed 4 – Ms. Lewis, Mr. Miyake, Mr. Uwayne, Mr. Williams/Opposed 4 – Ms. Hidano, Ms. Matayoshi, Mr. Miyahira, Mr. Yogi)

MOTION to delete the Pacific Business News and the Monster.com link from the proposed advertising plan and to advertise only in the Honolulu Star-Bulletin, Honolulu Advertiser, and Honolulu Advertiser on-line was made by Mr. Miyake and seconded by Mr. Uwayne.

Mr. Miyake withdrew his motion and there were no objections by the other trustees.

MOTION to delete the Pacific Business News, the Star-Bulletin link to Monster.com, and all of the internet advertising from the proposed advertising plan was made by Mr. Miyake and seconded by Mr. Uwayne.

DISCUSSION

Mr. Miyake stated the reason for his motion was that he preferred the recruitment be focused locally. The trustees discussed the strategies of concurrently recruiting locally and through the internet. The reason for concurrent recruiting is to expedite the recruitment. Additionally, the Administrative Committee did not want to eliminate former qualified residents who were interested in the position. The organizations selected for the internet job listings are focused in the benefits area where it is possible to find qualified candidates. In the position description, the competency relating to an understanding of the local environment will be considered in looking at the different candidates. There was a comment about how to handle the expenses of Mainland candidates. The Administrative Committee indicated that there had been no decisions made on that issue.

PUBLIC COMMENT

There was comment that there is a 45-day period that must be complied with and should the Board place Mainland candidates on the side indefinitely there would be a violation of an individual's constitutional right to travel.

Staff clarified that the 45-day waiting period restricts a public agency from appointing a non-resident earlier than 45 days from the first advertisement. The intent was to begin screening all applications and the Administrative Committee would interview the local applicants first.

Mr. Miyake withdrew his motion; there were no objections from the other Trustees.

MOTION to amend the original motion by deleting advertising in the Star-Bulletin link to Monster.com and the Pacific Business News was made by Mr. Miyake and seconded by Ms. Lewis.

The motion was passed unanimously (Employer Trustees 4/Employee-Beneficiary Trustees 4).

The trustees voted on the main motion which was to adopt the Administrative Committee's recommendation for print and internet advertising as amended. The motion was passed unanimously (Employer Trustees 4/Employee-Beneficiary Trustees 4).

Mr. Williams returned the Chair to Ms. Hidano.

MOTION for the Board to authorize the Administrative Committee to commence the procurement of a search firm was made by the Administrative Committee.

DISCUSSION

There was clarification that a “contingency” fee would be paid if the Trust Fund hires a referred candidate and the “retainer” fee is paid whether a candidate is hired or not. Ms. Matayoshi commented that if the Board is interested in using an executive search firm then the Administrative Committee would begin the Board’s procurement process. Mr. Williams commented that the hiring of the administrator is a very important Board decision. The recruitment plan was developed to work on parallel tracks instead of sequentially so that the recruitment will be expedited. The intent was to begin and evaluate the print and internet recruitment then determine whether an executive search firm would be needed. Initiating the procurement process concurrently with the advertising will allow the procurement to proceed and be at the point of decision-making when the recruitment is evaluated.

Mr. Aburano commented that although he was not present at the last Administrative Committee meeting he understood that it was advised that an executive search firm is not considered professional services exempt from procurement under Chapter 103D under Section 87A-24(7), HRS. However, given the amount of the expected cost of the executive search firm, he understood that the procurement could follow the small purchase procurement process under Chapter 103D, HRS, and that the small purchase procurement process would be satisfied if the Board followed its own recently approved procurement process. It was noted that the small purchase procurement process currently covers purchases under \$50,000.

PUBLIC COMMENT

There was comment that the Board should include parameters, i.e., a contingent and non-exclusive clause so that if the Board found someone from its advertisements the Board would not have to pay the search firm.

The motion was passed unanimously (Employer Trustees 4/Employee-Beneficiary Trustees 4).

2. Proposed Legislation During the 2002 Legislative Session
Ms. Matayoshi commented that the trustees were given a listing of the proposed bills currently at the Legislature. The Administrative Committee decided that it would not recommend a position on any of the bills, however, if any trustee wished the Board take a position on a particular bill, the trustee should individually bring it forward for consideration.
3. Procurement of Consultant to Review Current Health Fund Operations and HFIMS
MOTION for the Board to authorize the Administrative Committee to proceed with the procurement of a consultant to review the operations and technical systems of the Health Fund was made by the Administrative Committee.

DISCUSSION

The Committee indicated the procurement of this consultant would follow the Board's procurement process. The consultant's review would be a quick and focused evaluation to provide the Board with information upon which to make decisions on the assumption of Health Fund operations and staff, the HFIMS, and third party administrators. It was suggested that the Health Fund transition committee and Trust Fund Administrative Committee meet before pursuing this procurement. The trustees discussed the need to evaluate the capabilities of the HFIMS to satisfy the Trust Fund's anticipated needs. The trustees discussed whether the benefits consultant could be used to do this evaluation. Since there are subsidiary issues surrounding the benefits consultant it is possible that the consultant procurement could be lengthy. It was anticipated that this management consultant would be easier to procure. The procurement of this management consultant services would have to be focused with targeted issues so that costs can be controlled and remain within the Trust Fund's budget.

PUBLIC COMMENTS

Comments supported the motion because the Board needs to know the capabilities of the operational infrastructure before designing benefit plans. Mr. Sanehira commented that he could provide more insight on the HFIMS at the appropriate committee meetings.

The motion was passed unanimously (Employer Trustees 4/Employee-Beneficiary Trustees 3). Mr. Uwaine was not present for the vote.

PUBLIC COMMENT

M. Higa commented that he had submitted written comments to the Administrative Committee for consideration. Staff indicated that the letter was included in the February 27, 2002 minutes.

- D. RULES COMMITTEE REPORT (Agenda Item III.B.)
Mr. Yogi reported that he was elected chairperson. The Rules Committee has planned a briefing of the project team's proposed rules as compared with the Health Fund rules in two meetings. The first meeting is scheduled for March 27 and will cover the general administrative rules. The second meeting on April 2, 2002 will cover enrollment rules and other stakeholders (Unions, Employers, and retiree groups) will be invited to attend the session.
- E. REPORT ON THE PROCUREMENT OF INSURANCE (Agenda Item IV.A.1-2)
Ms. Matayoshi reported that a letter has been sent to both brokers. Next week Messrs. Uwaine, Aburano, and Ban will meet with the representatives from Marsh to obtain the additional information requested by the Trustees.

- F. REQUEST FROM PUBLIC EMPLOYERS – STATUS ON EUTF (Agenda Item V.A.)
Mr. Yogi reported that there has been a request from the public employers as to how the Board anticipates the employer contributions to be structured for bargaining purposes. Currently, bargaining is ongoing with HGEA, UPW, HHFA, SHOPO, HSTA, and UHPA. Mr. Yogi indicated that the legislature is considering passing mandatory impasse procedures (SB2112, SD1). The subject of benefit contributions is a major component in settling the contracts and the public employers are looking for some direction in the structure of employer contributions. The employers also had other concerns what can be negotiated, i.e., contributions for a cafeteria plan when the Trust Fund does not have a cafeteria plan or what happens when contributions are in excess of the cost of the plans offered.

The trustees discussed different contribution proposals, e.g., negotiate contributions based upon current benefits; negotiate a contribution based upon what is required in Chapter 87A, HRS, for health and life insurance, if any, and long term care if any employer is willing to provide contributions; negotiate an employee amount for the employee to use for a selection of benefits; or negotiate an amount for an employee only and an employee with dependents. The trustees discussed that it may be best to meet with all parties, employers and unions, to discuss options and develop a common understanding. There was a comment that the Trust Fund would want to know if any new scheme is negotiated so that the Trust Fund could respond appropriately. The Trust Fund is not a controlling factor in collective bargaining negotiations rather negotiations would determine employer contribution amounts and the Trust Fund would determine benefits based upon those negotiated amounts.

Mr. Aburano cautioned the Board that they should avoid getting involved in collective bargaining matters. In this respect, he noted that the Board is solely responsible for determining the nature and types of benefits to be offered to the employee-beneficiaries, and that collective bargaining only determines how much money that they have to work with for budgeting purposes.

Mr. Yogi will work with staff to schedule a meeting with the employers and unions.

PUBLIC COMMENT

There was comment that the Board must look at Chapter 87A, HRS, for the benefits that may be offered and that it is responsible to offer benefits affordable to public employees. The cost of benefit plans impacts retirees more than active employees.

The trustees discussed the concept of benefit plans affordable to the public employees. They discussed offering multiple benefit plans to satisfy employee needs and the pros and cons of multiple plan benefit structures for groups of employees.

PUBLIC COMMENT

C. Khim commented that under an Internal Revenue Service rule passed under Code Section 89 (that was withdrawn), an employer could not offer different levels of plans for different types

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of employees unless such was the product of collective bargaining. He commented that the Board may have to offer only one benefit plan rather than multiple plans for employees excluded from collective bargaining. Mr. Yogi asked Mr. Miyake if he would request that his legal counsel, Mr. Khim, provide more information on that issue. Mr. Uwaine asked the Chair to direct Mr. Aburano to research that issue.

There was a comment that if the Board considers too many benefit plans, the carriers may not bid on all plans because of potentially low enrollments.

Another comment suggested that Mr. Aburano research the Erie County decision – a case that alleged age discrimination in benefit plans - since that issue could affect the Board's design of benefit plans. Mr. Aburano said that he would look at these issues, but he commented that he had anticipated that the Board would have a consultant that had an in-house legal department (or access to counsel that specialized in health benefits matters) look at such issues. He indicated that it would be advisable to have such specialists look at these and related issues.

G. Future Agenda Items and Next Meeting Date

There is a Benefits Committee meeting at 1:30 p.m. following the Board meeting. There is no Board meeting on March 26, 2002. The next Board meeting is scheduled for April 2, 2002.

H. ADJOURNMENT

MOTION to adjourn the meeting was made by Ms. Matayoshi and seconded by Ms. Lewis. There were no objections; the motion was unanimously passed (Employer Trustees 4/ Employee-Beneficiary Trustees 4).

The meeting was adjourned at 12:37 p.m.

Respectfully submitted,

/s/

James Williams, Secretary-Treasurer

APPROVED on April 16, 2002.

Documents Distributed:

1. Minutes of February 19, 2002. (10 pages)
2. Health Benefits Trust Fund Administrator (Chief Executive Officer) position description (Draft 03/14/02). (3 pages)
3. Newspaper Ad for Health Benefits Trust Fund Chief Executive Officer. (1 page)
4. Internet Ad for Health Benefits Trust Fund Chief Executive Officer. (1 page)
5. Recruitment Cost Information. (1 page)

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6. Recruitment Costs – Local Print; Internet Recruiting. (1 page)
7. Executive Search Firm – Local Firms. (1 page)
8. National/International Executive Search Firms. (1 page)
9. 2002 Legislative Session, First Cross Over (03-07-02). (1 page)
10. Approved minutes of February 12, 2002. (8 pages)
11. Approved minutes of February 26, 2002. (10 pages)
12. Approved minutes of February 28, 2002. (3 pages)
13. Approved minutes of March 5, 2002. (9 pages)