

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Wednesday, February 27, 2008

TRUSTEES PRESENT

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| Mr. Gerald Machida, Chairperson | Ms. Elizabeth Ho |
| Mr. George Kahooohanohano, Vice Chairperson | Mr. John Radcliffe |
| Ms. Barbara Annis | Mr. Lawrence Reifurth |
| Mr. Darwin Ching (arrive 9:40 am) | Mr. Stanley Shiraki |
| Mr. Guy Fujio | |

TRUSTEES ABSENT

Ms. Marie Laderta, Secretary-Treasurer

ATTORNEY

Mr. Russell Suzuki, Deputy Attorney General

EUTF STAFF

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| Mr. James Williams, Administrator | Mr. Mark Fukuhara, Consultant |
| Mr. Lawrence Nishihara | Mr. Bryan Aycock, Consultant |
| Ms. Maria Quartero | |
| Ms. Kathleen Shiroma | |
| Ms. Donna Tonaki | |

OTHERS PRESENT

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| Ms. Sara Ballard, NMHC | Mr. Jack Katahira, HGEA-R |
| Ms. Irene Bayudan, VSP | Ms. Wanda Kimura, B&F |
| Ms. Sandra Benevides, Kaiser Permanente | Ms. Doreen Kuroda, HRD |
| Mr. Jack Borja, HMA | Mr. Ray Mook, HMA |
| Ms. Monica Engle, VSP | Ms. Gertrude Nitta, HGEA-R |
| Mr. Kevin Fong, HDS | Mr. Darek Sato, HMA |
| Ms. Venus Gabuyo RSN | Mr. Rod Tam, HMSA |
| Ms. Susan Goya, HGEA-R | Mr. Roger Tayasu, C&C, Hnl |
| Ms. Donna Higashi, HSTA-R | Ms. Sharon Urada, HSTA-MBC |
| Ms. Bonnie Kahalewai, Standard Insurance | |

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 9:00 a.m. by Trustee Gerald Machida, Chairperson, in EUTF Conference Room, 201 Merchant Street, Honolulu, Hawaii, on Wednesday, February 27, 2008.

II. APPROVAL OF MINUTES

The Board reviewed the draft minutes for January 30, 2008.

There being no objections by the Trustees, the minutes for January 30, 2008 were approved as circulated.

III. OTHER REPORTS

A. Administrator

1. February Update (see written report)

- a. PeopleSoft Support
Overview by Ms. Shiroma regarding PeopleSoft support (see Administrator's report).
- b. RFP No. 08-001 Benefits Administration System Implementation and Maintenance Services
Ms. Shiroma reported that the EUTF received the Comptroller's approval and is waiting for the Governor's approval (see Administrator's report).
- c. Replacement of the Automated Call Distribution (ACD) System
Overview by Ms. Shiroma regarding replacement of the ACD system (see Administrator's report). Ms. Shiroma stated that staff training will be held on March 14, 2008. The installation of phones will be done after work hours on March 17, 2008.
- d. Medicare Part D Prescription Drug Plan
Overview by Mr. Nishihara regarding Medicare Part D Prescription Drug plan (see Administrator's report).
- e. 2008 Open Enrollment
Overview by Mr. Nishihara regarding 2008 Open Enrollment (see Administrator's report). Discussion held by Trustees, staff, and public regarding open enrollment for retirees. Mr. Williams stated that retirees main open enrollment will be held in the Fall. Retirees may make changes during the Spring open enrollment but no retiree meetings will be held.
- f. GASB 43/45
Overview by Ms. Tonaki regarding GASB 43/45 (see Administrator's report). Ms. Tonaki stated that to date no contributions have been received. Discussion held by Trustees and staff regarding what agencies contacted the EUTF regarding contributions for OPEB. Ms. Tonaki stated that the County of Hawaii and the City & County of Honolulu has contacted the EUTF regarding pre-funding.
- g. Request for Proposals (RFP) No. 08-002 to Furnish Investment Consultant Services
Overview by Ms. Tonaki regarding due dates for RFP No. 08-002 (see Administrator's report).

- h. Diabetes Life Coaching Program-City & County of Honolulu
Mr. Williams stated that the City & County is not ready and requested that this item be deferred until the next Board meeting.

There being no objections from the Trustees, this item is deferred until the next Board meeting.

- i. Request for Delegation of Authority Regarding Enrollment of Retirees
Overview by Mr. Williams regarding the request for delegation of authority regarding enrollment of retirees (see Administrator's report). The Administrator recommends the Board authorize the Administrator to approve changes in plan enrollment requested by retired employee-beneficiaries where the purpose of the requested change is to preserve benefits of the affected employee-beneficiary or his or her dependent-beneficiaries which would otherwise be reduced or lost through circumstances beyond their control. Discussion held by Trustees and staff regarding cost impact and what has been the intent of the Board regarding retirees benefits. Mr. Williams stated the Board's philosophy has never been to take away benefits. Trustee Reifurth requested that the Administrator confer that if the number of requests becomes substantial it should be brought back to the Board.

MOTION was made for the Board to authorize the Administrator to approve changes in plan enrollment requested by retired employee-beneficiaries where the purpose of the requested change is to preserve benefits of the affected employee-beneficiary or his or her dependent-beneficiaries which would otherwise be reduced or lost through circumstances beyond their control. (Radcliffe/Kahooohanohano) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-3/Employee-beneficiary Trustees-5)

- j. Proposed Legislation
Update by Mr. Williams regarding bills affecting the EUTF. New and revised positions are recommended on HB1968, HB2481, HB2710, and SB2710 (see Administrator's report and Update of Bills). Discussion held by Trustees and staff regarding HB2710/SB2710 - unfunded liability, who supports this bill, and employers problems or concerns. It was stated that all employers support this bill.

MOTION was made for the Board to approve the administrator's recommendation as stated on the Update of Bills: HB1968 (support), HB1481 (oppose), HB2710 (no position), SB2710 (no position), SB2827 (no position),

and SB3214 (no position. (Radcliffe/Ho) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-3/Employee-beneficiary Trustees-5)

Trustee John Radcliffe stated that if the VEBA extension is passed again, in his judgment, eventually the EUTF will be back in the same situation that the PEHF was in years ago, and that most, or even all, unions be justified in seeking parity with HSTA if that happens . He specifically recommends that the employer members pay attention to the VEBA extension debate going on now and oppose the extension. Most employee representatives opposed and fought establishment of EUTF. Subsequently, they were not able to resist its implementation and then decided to make it work. And it is working. But before the EUTF was hardly off the ground, the Legislature negated its own policy, changed the rules again, and permitted HSTA to have a so-called "pilot" program that took that union out of the EUTF. This, in essence, abrogated the initial policy decision to put all employees and retirees in a single system.

B. DEPUTY ATTORNEY GENERAL: None

C. BENEFITS CONSULTANT

1. February Report

a. Prescription Drug Plan – Operational Issues

Overview by Mr. Fukuhara regarding the operational issue of the prescription drug plan (see Consultant's report). Aon is working with NMHC to resolve issues.

b. SHOPO Self-Insured Premiums

Mr. Fukuhara reported that the exhibit handed out at the last Board meeting did not include rates for the HMSA supplemental plan and a updated exhibit was distributed to the Trustees (see Consultant's report and Exhibit).

c. Staffing Change

Mr. Fukuhara reported that Bryan Aycock has transferred to Aon's San Francisco office and Joni Tamayo-Wilson will be taking Bryan's responsibilities with the EUTF (see Consultant's report). Aon will submit Joni Tamyao-Wilson's resume to the EUTF.

d. Annual Report

The final copy of Aon's Annual Report was distributed to the Trustees and public. If the Trustees have any questions regarding the annual report they may e-mail Mark Fukuhara.

e. Based Monthly Contribution (BMC)

Mr. Fukuhara reported that the based monthly contribution will need to be revised and will be presented at the next Board meeting when Mr. Nimmer and Mr. Kindy present the updates on the IBNR, staffing comparison, and financial report for 12/31/07.

f. Open Enrollment

Mr. Fukuhara reported that Aon is preparing for DPO training and finalizing the newsletters and reference guides.

Chair Machida thanked Bryan Aycock for his services and wished him the best.

D. Financial Report as of December 31, 2007

Overview by Ms. Tonaki regarding the financial report as of December 31, 2007 (see financial reports). Ms. Tonaki stated changes include the IBNR for self-funded plans. \$28.5 million is recorded for IBNR and as a result retained earnings were reduced to \$41 million. As the fiscal year goes on and if the rates were set correctly, then retained earnings will increase over time. Discussion held by Trustees and staff regarding where the balance of self-insured funds are. Mr. Williams stated it is in reserves. There are two reserves, the IBNR and retained earnings.

E. Carrier's Reports

1. VSP

Written report submitted.

2. Standard Insurance

Written report submitted.

3. Royal State Insurance

No report submitted.

4. NMHC

Written report submitted. Ms. Ballard reported that NMHC has been acquired by SXC Health Solutions, Inc. A letter from Tom Erickson, Chairman and Interim CEO was distributed to the Trustees today. Mr. Williams stated that he did receive a call from Mary Ellen Mitchell to give him a heads up. The new COO was also on the call to let him know their commitment to the EUTF will continue. Mr. Williams did check the company's stock report and there were no red flags. The EUTF will be talking to NMHC regarding the name change.

5. Kaiser

Written report was distributed to Trustees today.

6. HMA

Written report submitted.

7. HMSA

Written report submitted. Overview by Mr. Tam regarding HMSA's Care Active Assistance program.

8. DHS
Written report submitted.

IV. UNFINISHED BUSINESS

- A. Diabetes Life Coaching Program-City & County of Honolulu
This item was addressed during the Administrator's report and has been deferred until the next Board meeting.

V. NEW BUSINESS

- A. Delegation of Authority to Administrator to Approve Retiree Enrollment Exceptions
This item was addressed during the Administrator's report.
- B. Positions on Legislative Issues
This item was addressed during the Administrator's report.
- C. EUTF Position on Applicability of Chapter 432E
This item will be addressed in Executive Session.

Trustee Ching arrived at 9:40 a.m.

- D. Amendment to EUTF Rules: Continued Coverage for Domestic Partner upon Death of Retiree/Beneficiary
Overview by Mr. Williams regarding amendment to EUTF rules for continued coverage for domestic partner upon death of retiree/beneficiary. Discussion held by Trustees, staff, and deputy attorney general regarding the authority of the Board to approve rule. Mr. Suzuki stated there may be an issue if the Board does not approve this rule amendment. Mr. Williams summarized background of covering domestic partners. Mr. Williams explained that if the Board approved the amendment to EUTF Rules today, it will be sent out to employer and employee organizations for consultation and then back to the Board for review of comments and approval.

MOTION was made for the Board to approve the draft rule revision for transmittal to employer and employee-organizations for comment. (Radcliffe/Ho) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-4/Employee-beneficiary Trustees-5)

- E. Aon Annual Report
This item was addressed during the Consultant's report.
- F. Revised Self Insured Plan Rates
This item was addressed during the Consultant's report.
- G. FY 09 Insured Plan Rates – Approval
This item will be addressed in Executive Session.

H. 2008 Open Enrollment April 14 – May 14, 2008
This item was addressed during the Administrator's report.

I. Positions on Legislative Issues
This item was addressed during the Administrator's report.

J. Annual Evaluation of Administrator
This item will be addressed in Executive Session.

VI. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES

A. Request from Senator Hanabusa dated January 27, 2008 (Re: Continued Coverage for Domestic Partner upon Death of Retiree/Beneficiary)
This item was addressed under New Business.

VII. FUTURE AGENDA ITEMS AND NEXT MEETING DATE

Due to a State holiday, the Board meeting scheduled for March 26, 2008 is re-scheduled to Wednesday, April 2, 2008, 9:00 a.m., EUTF conference room, 15th floor.

VIII. EXECUTIVE SESSION

MOTION was made to go into Executive Session at 10:00 a.m. for the reasons stated on the agenda. (Radcliffe/Fujio) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

MOTION was made to move out of Executive Session at 10:15 a.m. (Kahooohanoho/Ho) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

The Chair reported that the Board has taken the following actions in Executive Session:

1. Approval of January 30, 2008 Executive Session minutes.
2. Approval to Request Formal Opinion from Attorney General regarding Chapter 432E.

IX. ADJOURNMENT

There being no objections by the Trustees, the meeting adjourned at 10:16 a.m.

Respectfully submitted,

/s/

Gerald Machida, Chairperson

APPROVED on April 2, 2008.

Documents Distributed:

1. Draft Minutes for January 30, 2008. (15 pages)
2. Memorandum to BOT from Administrator regarding January Administrator Report dated 2/20/08. (3 pages)
3. Memorandum to Employers from Administrator regarding OPEB dated 2/7/08. (3 pages)
4. Proposed Legislation Affecting EUTF, Update on House Bills Carried Over from 2007 Session dated 2/20/08. (2 pages)
5. Proposed Legislation Affecting EUTF, House Bills Introduced in 2008 Session dated 2/20/08. (2 pages)
6. Proposed Legislation Affecting EUTF, Update on Senate Bills Carried Over from 2007 Session dated 2/20/08. (1 page)
7. Proposed Legislation Affecting EUTF, Senate Bills Introduced in 2008 Session dated 2/20/08. (2 pages)
8. Letter to BOT from Aon Consulting regarding February 2008 Benefit Consultant Report dated 2/15/08. (1 page)
9. Self-Insured Rates Active Plans – BU 12 (SHOPO) dated 1/29/08, revised. (1 page)
10. Aon Consulting State of Hawaii – EUTF Final Annual Report Plan Year 2006-2007 dated 1/30/08 revised 2/2008. (61 pages)
11. EUTF Statement of Net Assets (Unaudited) dated 2/20/08. (1 page)
16. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison 6 Months Ended 12/31/07 (Unaudited) dated 2/20/08. (1 page)
17. EUTF Statement of Cash Flows 6 Months Ended 12/31/07 (Unaudited) dated 2/7/08. (1 page)
18. Letter to Administrator from Senator Hanabusa regarding request of coverage for domestic partners dated 1/28/08. (1 page)
19. Letter to Administrator from George Dixon in support of Senator Hanabusa's request of coverage for domestic partners dated 2/9/08. (1 page)
20. The High Road, Hawaii State Ethics Commission January 2008 No 2008-1. (2 pages)
21. Minutes for September 26, 2007. (12 pages)
22. Minutes for October 24, 2007. (10 pages)
23. Minutes for November 29, 2007. (14 pages)