

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Wednesday, May 14, 2008

TRUSTEES PRESENT

Mr. Gerald Machida, Chairperson
Ms. Marie Laderta, Secretary-Treasurer
Ms. Barbara Annis
Mr. Darwin Ching

Mr. Guy Fujio
Mr. John Radcliffe
Mr. Lawrence Reifurth
Mr. Stanley Shiraki

TRUSTEES ABSENT

Mr. George Kahooohanohano, Vice Chairperson
Ms. Elizabeth Ho

ATTORNEY

Mr. Brian Aburano, Deputy Attorney General

EUTF STAFF

Mr. James Williams, Administrator
Ms. Maria Quartero
Ms. Kathleen Shiroma
Ms. Donna Tonaki

Mr. Timothy Nimmer, Consultant
Mr. Justin Kindy, Consultant
Ms. Joni Tamayo-Wilson, Consultant

OTHERS PRESENT

Ms. Lynette Arakawa, HDS
Ms. Sara Ballard, NMHC
Ms. Irene Bayudan, VSP
Ms. Sandra Benevides, Kaiser Permanente
Ms. Venus Gabuyo RSN
Ms. Donna Higashi, HSTA-R
Ms. Bonnie Kahalewai, Standard Insurance
Mr. Jack Katahira, HGEA-R

Ms. Ruth Kim, HSRTA
Ms. Wanda Kimura, B&F
Ms. Alice Kotake, HSTA-R
Ms. Doreen Kuroda, HRD
Ms. Margaret Lawrence, HWMG
Mr. Harris Nakamoto, HMA
Ms. Gertrude Nitta, HGEA-R
Mr. Rod Tam, HMSA

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, May 14, 2008.

II. APPROVAL OF MINUTES

The Board reviewed the draft minutes for April 2, 2008.

There being no objections by the Trustees, the minutes for April 2, 2008 were approved as circulated.

III. OTHER REPORTS

A. Administrator

1. May Update (see written report)

a. PeopleSoft Support

Overview by Ms. Shiroma regarding PeopleSoft support (see Administrator's report). Ms. Shiroma reported today is the last day for Open enrollment. The EUTF received 2,300 Open Enrollment forms.

b. Vitech Systems Group, Inc. – VS Benefits Administration System Implementation

Overview by Ms. Shiroma regarding VS Benefits Administration System Implementation (see Administrator's report).

c. IT Support by Gartner, Inc. –SPO Approved Vendor

Overview by Ms. Shiroma regarding IT support by Gartner, Inc. This item will be addressed in Executive Session.

d. Implementation of New Automated Call Distribution (ACD) Phone System

Overview by Ms. Shiroma regarding the ACD system (see Administrator's report).

e. 2008 Open Enrollment

Overview by Mr. Williams regarding the 2008 Open Enrollment (see Administrator's report).

f. FY 2009 Supplemental Budget Bill – HM No. 2500, HD1, SD1, CD1

Overview by Ms. Tonaki regarding the supplemental budget bill and Budget Proviso Section 124.3 and 124.6 (see Administrator's report).

g. Accounting Issues

Ms. Tonaki gave an update on two issues that were reported at the April Board meeting regarding CMS and Kaiser Permanente Northwest claims (see Administrator's report). The EUTF submitted correspondence to the collection agency and CMS has suspended the debt until the dispute has been reviewed. An e-mail was received from Sandra Benevides at Kaiser canceling the debt with Kaiser Permanente Northwest for \$19,756.14.

h. GASB 43/45

Mr. Williams reported that he and David Shimabukuro of ERS have been invited by Councilman Cachola to speak on "Unfunded Liability" at the 2008 Annual Conference of the Hawaii State Association of Counties in June (see Administrator's report).

- i. Request for Proposals (RFP) No. 08-002 to Furnish Investment Consultant Services
Mr. Williams reported that the Evaluation Committee for RFP No. 08-002 met and has a recommendation. The recommendation will be considered in Executive Session (see Administrator's report).
- j. Diabetes Life Coaching Program – City & County of Honolulu
Mr. Williams reported that the Corporation Council still has legal questions regarding the diabetes life coaching program. The mayor and staff still support this program. At the April board meeting, the Trustees agreed to leave this matter on the Board's agenda until the City & County contacts the EUTF.
- k. Proposed Legislation
Update by Mr. Williams regarding bills affecting the EUTF (see Administrator's report and Updates on Bills). Overview by Mr. Williams regarding HB2710 and SB2262. The administrator recommends that the Board request that the Governor veto SB2262.

MOTION was made for the Board to approve the recommendation of the administrator that the Board request that the Governor veto SB2262. (Shiraki/Ching) The motion passed unanimously. (Employer Trustees-5/Employee-beneficiary Trustees-3)

- l. Naming of Newsletter
The staff review committee recommended the following nominees: EUTF Hi-Lights, Ka Leo O EUTF (Voice of EUTF), and Pono News (Benefits News). Aon has agreed to award three gift certificates to the three finalists.

MOTION was made for the Board to approve "Ka Leo O EUTF" as the name of the EUTF newsletter and to award the newsletter prize to the three recommended nominees. (Reifurth/Radcliffe) The motion passed unanimously. (Employer Trustees-5/Employee-beneficiary Trustees-3)

B. DEPUTY ATTORNEY GENERAL

Mr. Aburano gave an update on the appeal of the Everson lawsuit that was heard on the same day as the last Board meeting. Judge Hifo indicated that she would make a ruling which would not require a remand to the EUTF. As of yesterday, Mr. Aburano has heard nothing from the court. A post-hearing memo was filed because the Judge was interested in Alaska laws pertaining to retiree health benefits. In Alaska, it has been held that the Alaska constitution, which has a provision that is worded similarly to section 2, article XVI of the Hawaii constitution, retiree health benefits are a vested right. However, as Mr. Aburano argued, section 2, article XVI of the Hawaii

constitution was modeled on a similar provision in the New York constitution, and it has been held that retiree health benefits are not vested under the New York constitution. Mr. Aburano said that through his ERS work he has discovered that in Alaska, as opposed to Hawaii, the contributions to Alaska's version of the ERS include contributions required for pre-funding of retiree health benefits. As such, the Alaska's system is very different from the Hawaii system. In Alaska, retiree health benefits are a part of their ERS and contributions to the Alaska ERS cover both retiree pensions and health benefits. In Hawaii, retiree health benefits are outside of the ERS and contributions to the ERS do not cover health benefits.

C. BENEFITS CONSULTANT

1. May Report

a. Newsletters

Overview by Ms. Tamayo-Wilson regarding the newsletters (see Consultant's report).

b. VSP Medical Data Collection Tool

Overview by Ms. Tamayo-Wilson regarding VSP Medical Data Collection Tool (see Consultant's report).

c. Hoana Lifebed

Overview by Ms. Tamayo-Wilson regarding Hoana Lifebed (see Consultant's report).

d. Aon Spring 2008 Health Care Trend Survey

Overview by Ms. Tamayo-Wilson regarding results of Aon's Spring 2008 Health Care Trend Survey (see Consultant's report). Mr. Nimmer stated that the average trend for the nation were about 10.5%. For the State of Hawaii, from a prior meeting, most trends are running in the 8% to 9% range which is consistent with other large public sector entities across the country. This 10.5% includes private sector employers which is driving the national trend average up. For the State of Hawaii, the trend is 1% or 2 % below this.

e. Contract Extensions

Overview by Ms. Tamayo-Wilson regarding contract extensions (see Consultant's report). Further discussion on this item will be addressed in Executive Session.

f. Higher Employer Contributions for Retiree Group Life Insurance

Overview by Mr. Kindy regarding higher employer contributions for retiree group life insurance and optional life insurance for actives (see Consultant's report). Ms. Higashi inquired about cost to retirees and the supplemental plan. Mr. Williams clarified there are two parts: (1) the question of the fully funded life insurance, they submitted a proposal to offer increased coverage for

increased premium, which if approved would be fully paid by employers under our law; and (2) also submitted a proposal to offer optional additional insurance, which if anyone took that additional insurance, they would pay it themselves. Whether the Board will entertain either or both will be determined later in the meeting in Executive Session. The public is invited to make any comments before decision is made in Executive Session. Ms. Kahalewai from Standard Insurance commented that at the open enrollment sessions members have been inquiring about additional insurance and she has been referring them to the unions. Mr. Katahira inquired if this is adopted, is there any indication that the fixed dollar amount would encroach on other funds that would be available for retirees health benefits. Mr. Williams stated that the Board would need to assess that. However, we are looking at a \$2 increase and the EUTF is well under the cap. Whether it is too much or not is a judgment call for the Trustees but whether being adopted would require some adjustment in the other plans, Mr. Williams does not realistically believe so because the amount is small. Mr. Williams then corrected his miss-statement. Life insurance has its own cap, and what this is about is if the cap has risen but the premium has not. It would have no impact on the medical cap. Trustee Radcliffe stated it has happened before where the EUTF was able to get more life insurance for the dollar. Trustee Radcliffe stated the other question is whether or not the Board offers additional insurance for retirees in competition with the union plans they already have. Discussion held by Trustees, staff, and public regarding the additional life insurance coverage. Ms. Kahalewai clarified that the offer of additional life insurance coverage is for actives. Further discussion on this item will be addressed in Executive Session.

g. COBRA Premiums

Overview by Mr. Kindy regarding COBRA premiums. The consultant recommends adding 2% administrative fees to the total premiums charged to active employees and retirees in determining COBRA premiums (see Consultant's report). Mr. Nimmer stated it is a methodology change in the calculation and the effect is a couple of cents on the total rate. Discussion held by Trustees, staff, and consultant regarding claims experience and purpose for the change. Mr. Nimmer stated that they pulled the claims experience into the plan. Mr. Williams stated when you look at the bargaining unit report; there is a separate column for COBRA. It almost always runs a deficit, meaning everyone else subsidizes COBRA. The law limits the charge for COBRA. Mr. Nimmer stated they are cleaning up the calculation and including the administrative costs as part of the expenses where as before it was carved out. This would bring the EUTF in line with other with other State entities. Further discussion held by Trustees, staff, and consultant regarding the impact in dollars. Mr. Nimmer stated it would be nickel to dime on the high end for a family.

MOTION was made for the Board to approve the consultant's recommendation to include the administrative fee in the calculation of COBRA rates. (Fujio/Radcliffe) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-5/Employee-beneficiary Trustees-3)

h. Injectable Drugs

Overview by Mr. Kindy regarding injectable drugs. The consultant recommends adding coverage for Byetta and Symlin under NMHC effective July 1, 2008.

MOTION was made for the Board to approve the consultant's recommendation to cover injectable drugs Byetta and Symlin under the EUTF prescription drug plan effective July 1, 2008. (Radcliffe/Annis) The motion passed unanimously. (Employer Trustees-5/Employee-beneficiary Trustees-3)

i. Financial Reports and IBNR Certification

Overview by Mr. Nimmer regarding financial reports and IBNR certification letter. Trustee Shiraki requested that data be submitted by bargaining unit. Mr. Nimmer stated that Aon will have data by bargaining units at the next Board meeting.

MOTION was made for the Board to approve the IBNR liability as of March 31, 2008 as presented by the Actuary. (Annis/Fujio) The motion passed unanimously. (Employer Trustees-5/Employee-beneficiary Trustees-3)

D. Financial Report as of March 31, 2008

Overview by Ms. Tonaki regarding the financial report as of March 31, 2008 (see financial reports). Discussion held by Trustees and staff that the Attorney General's office has not billed us for Brian Aburano's services. Mr. Williams stated that the ERS is paying for Brian Aburano.

E. Carrier's Reports

1. VSP

Written report submitted.

2. Standard Insurance

Written report submitted. Ms. Kahalewai commended Mr. Williams and staff regarding the open enrollment and departmental personnel officer's sessions.

3. Royal State Insurance

No report submitted.

4. NMHC

Written report submitted.

5. Kaiser
Written report submitted.
6. HMA
Written report submitted.
7. HMSA
Written report submitted. Mr. Tam reported that HMSA is piloting a new program "Exceptional Services" and is offering the program to the EUTF and their participants. The administrator and consultant will submit a recommendation at the next Board meeting.
8. HDS
Written report submitted. Ms. Arakawa reported that Gregory Dunn is the new chairperson for the 2008-2009 HDS Board.

IV. UNFINISHED BUSINESS

- A. Diabetes Life Coaching Program-City & County of Honolulu
This item was addressed during the Administrator's report and will remain on agenda until the City & County notifies the EUTF.

V. NEW BUSINESS

- A. Gartner Service Offering 3 – Project Oversight and Assessment
This item was addressed during the Administrator's report.
- B. Request for Proposals (RFP) No. 08-002 to Furnish Investment Consultant Services
This item will be addressed in Executive Session.
- C. Benefit Plan (Carriers and Plan Administration) Contract Extension
This item will be addressed in Executive Session.
- D. Group Life Insurance Premiums and Benefits-Revisions
This item will be addressed in Executive Session.
- E. COBRA Plans
This item was addressed during the Consultant's report.
- F. Injectable Drugs – Coverage under Prescription Drug Plan
This item was addressed during the Consultant's report.
- G. IBNR Liability Estimation and Certification as of 3/31/08
This item was addressed during the Consultant's report.
- H. Request Governor Veto SB2662
This item was addressed during the Administrator's report.

I. Naming of Newsletter

This item was addressed during the Administrator's report.

VI. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES

A. Letter from Employee-beneficiary dated 4/29/08 – Request to Provide HDS Coverage for Different Types of Dental Fillings

Mr. Williams stated the employee-beneficiary is requesting to pay normal coverage for composite fillings. Discussion held by Trustees, staff, and HDS regarding research on amalgams and current practice of dentists. Mr. Arakawa stated latest reports still support amalgams and most dentists use amalgam. Employees may use alternate composites for a fee. HDS will submit reports to Aon Consulting.

There being no objections by the Trustees, this item will be referred to the consultant for review, discussion with HDS and submit recommendation (if any).

Ms. Donna Higashi requested that the EUTF website be kept updated.

Mr. Guy Archer expressed concern about processing of incoming materials for eligibility. Chair Machida stated regarding Mr. Archer's letter, the issue has been resolved. Mr. Williams confirmed that the EUTF will make reimbursement.

Mr. Katahira stated the newsletter and website is great and if the EUTF would consider updating the website daily. Mr. Katahira inquired if the retirees' open enrollment dates are set. Mr. Williams stated specific dates for retirees' open enrollment are not set yet. Mr. Williams stated that those who represent employees and retirees if they have any input, the earlier the better, as opposed to the staff and consultant making a recommendation and someone does not like it. If they have some idea, the EUTF can take it into consideration.

VII. FUTURE AGENDA ITEMS AND NEXT MEETING DATE

The next Board meeting is scheduled for Wednesday, June 25, 2008, 9:00 a.m., EUTF conference room, 15th floor.

VIII. EXECUTIVE SESSION

MOTION was made to go into Executive Session at 10:01 a.m. for the reasons stated on the agenda. (Annis/Radcliffe) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)

MOTION was made to move out of Executive Session at 11:06 a.m. (Radcliffe/Reifurth) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)

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

1. Approval of April 2, 2008 Executive Session minutes.

2. Approval of contract extensions: NMHC – one year; HDS, HMSA, HMA, Kaiser Permanente, Royal State, Standard Insurance, VSP – 2 years.
3. Approval of Gartner Service Offering 3 (project oversight and assessment).
4. Approval of Award of Investment Consultant Contract to Mercer Consulting, subject to agreement on a contract regarding the primary consultant.

IX. ADJOURNMENT

There being no objections by the Trustees, the meeting adjourned at 11:07 a.m.

Respectfully submitted,

/s/

Marie Laderta, Secretary-Treasurer

APPROVED on May 14, 2008.

Documents Distributed:

1. Draft Minutes for April 2, 2008. (8 pages)
2. Memorandum to BOT from Administrator regarding May Administrator Report dated 5/6/08. (4 pages)
3. Attachment - Budget Proviso Section 124.3 dated 5/2/08. (1 page)
4. Letter to Administrator from C&C regarding Diabetes Life Coaching Program dated 11/15/07. (1 page).
5. Proposed Legislation Affecting EUTF, House Bills Introduced in 2008 Session dated 5/6/08. (2 pages)
6. Proposed Legislation Affecting EUTF, Senate Bills Introduced in 2008 Session dated 5/6/08. (1 page)
7. Letter to BOT from Aon Consulting regarding May 2008 Benefit Consultant Report dated 5/2/08. (2 pages)
8. Draft EUTF Newsletter. (1 page)
9. Aon Consulting's Spring 2008 Health Care Trend Survey dated 4/14/08. (5 pages)
10. E-mail from Standard Insurance to Aon Consulting regarding Life Insurance dated 4/28/08. (4 pages)
11. EUTF Quarterly Utilization Report (3Q08) July 2007-March 2008 by Aon. (22 pages)
12. Letter from Aon Consulting to Administrator regarding EUTF 3/3/08 Reserve Estimates dated 4/30/08. (3 pages)
13. EUTF Statement of Net Assets (Unaudited) dated 4/22/08. (1 page)
14. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison 9 Months Ended 3/31/08 (Unaudited) dated 4/22/08. (1 page)
15. EUTF Statement of Cash Flows 9 Months Ended 3/31/08 (Unaudited) dated 4/22/08. (1 page)
16. Minutes for January 30, 2008. (15 pages)