

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Wednesday, December 9, 2009

TRUSTEES PRESENT

Mr. George Kahooanohano, Chairperson	Mr. Darwin Ching
Mr. Guy Fujio, Vice Chairperson	Dr. Carl Daeufer
Mr. Stanley Shiraki, Secretary-Treasurer	Ms. Elizabeth Ho
Ms. Barbara Annis	Ms. Marie Laderta (arrived 9:10 am)
Mr. Ron Boyer	Mr. John Radcliffe

TRUSTEES ABSENT: None

ATTORNEY

Mr. Russell Suzuki, Deputy Attorney General

EUTF STAFF

Mr. James Williams, Administrator	Mr. Timothy Nimmer, Consultant
Mr. Lawrence Nishihara	Mr. Mark Fukuhara, Consultant
Ms. Maria Quartero	Mr. Justin Kindy, Consultant
Ms. Kathleen Shiroma	Ms. Joni Tamayo-Wilson, Consultant
Ms. Donna Tonaki	
Ms. Nicole Wong	

OTHERS PRESENT

Mr. Mark Adkison, informedRx	Mr. Eleu Kane, HMA
Ms. Lynette Arakawa, HDS	Mr. Jack Katahira, HGEA-R
Ms. Nikki Bassett, informedRx	Mr. Myles Kiyabu
Ms. Irene Bayudan, VSP	Ms. Doreen Kuroda, DHRD
Ms. Sandra Benevides, Kaiser Permanente	Ms. Alice Kotake, HSTA-R
Mr. Greg Buscetto, informedRx	Mr. Michael Moss, Kaiser Permanente
Mr. Lawrence Chen, Grant Thornton	Mr. Harris Nakamoto, HMA
Ms. Monica Engle, VSP	Ms. Lynn Shimono, Grant Thornton
Ms. Venus Gabuyo, Royal State	Mr. Rod Tam, HMSA
Ms. Susan Goya, HGEA-R	Ms. Jennifer Tobin, C&C/DHR
Ms. Julie Hedani, Grant Thornton	Ms. Valerie Trechter, Kaiser Permanente
Ms. Vanelle Hirayasu, HMA	Mr. John Wadahara, HGEA-R
Ms. Bonny Kahalewai, Standard Insurance	Ms. Regina Young, HMA

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 9:00 a.m. by Trustee George Kahooanohano, Chairperson, in EUTF Conference Room, 201 Merchant Street, Honolulu, Hawaii, on Wednesday, December 9, 2009.

Chair Kahooanohano acknowledged that Trustees Ho, Radcliffe, and Dr. Daeufer are resigning and this is their last meeting and thanked them for their service to the EUTF.

MOTION was made for the Board to approve to amend the agenda to add EGWP Plan under VI. New Business, item T. (Fujio/Boyer) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

II. APPROVAL OF MINUTES

The Board reviewed the draft minutes for October 28, 2009.

There being no objections by the Trustees, the minutes for October 28, 2009 were approved as circulated.

[Chair Laderta arrived at 9:10 a.m.]

III. INVESTMENT COMMITTEE REPORT

Chair pro-tem Guy Fujio reported that the Investment Committee met on November 24, 2009. The results of the meeting are summarized in the "Review of November 24, 2009 Investment Committee Meeting" prepared by Mercer and distributed in the Board packets. The recommendations of the Committee regarding investment strategies are summarized on page 20 of the Mercer Review document. The following pages were summarized and tabbed in the report: (1) page 3 – Revised Strategic Asset Allocation; (2) page 6 – Averaging into market 25% per quarter; (3) page 8 – TIPS – Blackrock; (4) page 9 – U.S. large cap equity – Vanguard; (5) page 10- U.S. fixed income – Vanguard; (6) page 11 – U.S. REITs – Vanguard; (7) page 12 – U.S. Small/Mid-cap – Vanguard; (8) page 14 – All World ex-U.S. – Vanguard. In addition, the Committee recommends adoption of the "Statement of Investment Policy and Guidelines" also distributed in the Board packet.

MOTION was made upon the recommendation of the Investment Committee for the Board to approve the recommendations regarding investment strategies summarized on page 20 of the Mercer Review document and the adoption of the "Statement of Investment Policy and Guidelines". The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

IV. OTHER REPORTS

A. Administrator

1. December Update

a. ICSD Changes

Overview by Ms. Kathleen Shiroma regarding ICSD changes (see Administrator's report).

b. PeopleSoft Support

Overview by Ms. Shiroma regarding PeopleSoft Support (see Administrator's report).

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- c. Vitech Systems Group, Inc. – V3 Benefits Administration System Implementation
Overview by Ms. Shiroma regarding V3 Benefits System implementation (see Administrator’s report).
- d. Request to Amend Vitech Contract
Overview by Ms. Shiroma regarding request to amend Vitech contract (see Administrator’s report).
- e. IT Support by Gartner, Inc. – SPO Approved Vendor
Overview by Ms. Shiroma regarding IT support by Gartner, Inc. (see Administrator’s report).
- f. Member Services Branch Operations Update
Overview by Ms. Nicole Wong regarding Member Services branch operations update (see Administrator’s report).
- g. Update on Implementation of Dependent Eligibility Audit
Overview by Mr. Williams regarding update on implementation of dependent eligibility audit, revision of the Definitions and Required Documents and requirement of social security numbers (see Administrator’s report). Segal and the administrator are recommending revision of the Definitions and Required Documents. Segal is recommending no change in the requirement to provide social security numbers at this time. Mr. Williams stated after reviewing, he agrees it is a prudent recommendation. Full data will be provided at the Board meeting in January. If there are any issues, the Board may address at that time. There are protests regarding social security numbers but sooner at later the EUTF will need it. Between the EUTF and plan administrators there are ultimate penalties by the Federal government for people that are missed. Discussion held by Trustees and staff regarding letters that should be sent to employee-beneficiaries early. Mr. Williams stated that the EUTF have reviewed draft letters that the contractor will be sending out.

MOTION was made for the Board to approve the recommended revisions of the Definitions and Required Documents. After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

There being no objections by the Trustees, New Business, item K regarding requirement to provide social security numbers is deferred until the next Board meeting.

- h. Update on Implementation of Prescription Drugs Claim Audit
Overview by Mr. Williams regarding update on implementation of

prescription drugs claim audit (see Administrator's report).

- i. Kaiser Rate Increase for Active Employees Effective 1/1/10
Overview by Mr. Williams regarding Kaiser rate increase for active employees effective 1/1/10 (see Administrator's report).
- j. FY 2011 Proposed Supplemental Budget
Overview by Mr. Donna Tonaki regarding FY 2011 proposed supplemental budget (see Administrator's report). Discussion held by Trustees and staff regarding who at B&F did EUTF staff speak to regarding the revised supplemental budget. Ms. Tonaki stated that she spoke to Wanda Kimura at B&F.

MOTION was made for the Board to approve the revised supplemental budget and authorize the administrator to take the necessary actions to seek approval by the Administration and the Legislature. (Ho/Shiraki) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

- k. FY09 Financial Audit
Overview by Ms. Tonaki regarding the status of the FY09 Financial Audit (see Administrator's report). Ms. Lynn Shimono of Grant-Thornton will provide an update after the Administrator's report.
- l. Accounting Issues
Overview by Ms. Tonaki regarding the accounting issues (see Administrator's report).
- m. Investment Program Development – RFP 09-004 Custodian Services
Overview by Mr. Williams regarding RFP 09-004 for custodian services (see Administrator's report). Action will be considered in Executive Session.
- n. EUTF Related Legislation
Overview by Mr. Williams regarding EUTF related legislation (see Administrator's report).
- o. Department of Health Initiative on Worksite Wellness
Overview by Mr. Williams regarding the Department of Health initiative on worksite wellness (see Administrator's report).
- p. Furloughs
Overview by Mr. Williams regarding furloughs of EUTF staff (see Administrator's report).

- q. Recruitment for Vacant Positions
Overview by Mr. Williams regarding vacant and filled positions (see Administrator's report).

Mr. Williams thanked the Trustees, staff, consultants, advisors and other interested parties for their cooperation and support over the last five (5) years. In particular, he thanked Maria Quartero, Donna Tonaki, Kathleen Shiroma and Nicole Wong for their dedication to the EUTF and assistance given to him.

- B. Presentation by Aon Risk Services, Inc. – Insurance Renewal
Mr. Bill Sandkuhler of Aon Risk Services presented the insurance renewal recommendations (see Fiduciary Liability Public Officials and Employment Practices Liability and Crime Renewal presentation). Discussion held by Trustees, deputy attorney general and Mr. Sandkuhler regarding the State's insurance policy and if the State would protect and fund the EUTF. Mr. Suzuki stated yes, must go through the Legislature to fund. Mr. Sandkuhler stated he is very pleased with the quotes.

MOTION was made for the Board to approve the insurance policy renewals as presented and recommended by Aon. (Daeufer/Boyer) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

- C. Update by Auditor (Grant-Thornton) - FY09 Financial Audit
Ms. Lynn Shimono from Grant-Thornton presented a progress report on the status of the FY09 Financial Audit. Discussion held by Trustees and Ms. Shimono regarding concerns of the FY09 financial audit.

D. Deputy Attorney General

1. Update on Everson Case

Mr. Russell Suzuki reported that the decision is pending. Oral arguments are on the judiciary website.

2. Other

Mr. Suzuki reported that a letter was received by OIP regarding the Board having mediation in Executive session. A response from Mr. Suzuki was sent to OIP stating how mediation is exempted from the sunshine law. UHPA has filed a prohibited practice charge. UPW served a subpoena duces-tecum to the Administrator. Any legal advice will be done in Executive Session.

E. Benefits Consultant

1. December Report

- a. Updated Timeline

Overview by Mr. Fukuhara regarding the updated timeline (see Consultant's report).

b. informedRx

(1) Outline of Pharmacist Consultation Report

Mr. Fukuhara stated that informedRx has provided a report that outlines extended hours of operation and the pharmacist consultation process.

(2) EGWP Contract Changes

Overview by Mr. Fukuhara regarding the EGWP changes required by CMS (see Consultant's report). Discussion held by Trustees, staff, deputy attorney general and benefits consultant regarding making a decision to approve the changes to the EGWP plan after discussion of the part that deals with the informedRx contract that will be addressed in Executive Session.

MOTION was made for the Board to approve the changes to the EGWP plan as summarized by the consultant. (Boyer/Daeufer) After discussion by the Trustees, the motion failed. (Employer Trustees-2 YES-Annis, Boyer, 3 NO-Ching, Laderta, Shiraki/Employee-Beneficiary Trustees-5 YES-Daeufer, Fujio, Ho, Kahoohanohano, Radcliffe)

Discussion held by Trustees, staff, deputy attorney general and benefits consultant regarding concerns that EGWP changes are a federal requirement and would need to be resolved at some point today. Mr. Suzuki stated that this item can be considered after Executive Session in open meeting.

(3) Implementation Contract Credit

This item will be addressed in Executive Session.

c. Final Accounting for Royal State Supplemental Plan

Overview by Mr. Fukuhara regarding the final accounting for Royal State supplemental plan (see Consultant's report).

MOTION was made for the Board to approve to request that Royal State return the FY 08 surplus of \$311,840 from the supplemental plan as presented by the consultant. (Boyer/Ching) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

d. Performance Guarantees as of September 30, 2009

Overview by Mr. Fukuhara regarding the performance guarantees as of September 30, 2009 (see Consultant's report).

- e. Update on Active/Retiree Open Enrollment Sessions
Overview by Mr. Fukuhara regarding the active/retiree open enrollment sessions (see Consultant's report).
- f. Fully-Insured Benefit Design Options for Active Plan Benefits and Rates Effective 7/1/2010 through 6/30/2011
This item will be addressed in Executive Session.

Recess at 10:45 a.m. and Reconvened at 10:55 a.m.

- g. Self-Funded Plan IBNR and Utilization Reports
Overview by Mr. Nimmer regarding self-funded plan IBNR (see Consultant's report). Aon recommends Board approval of the IBNR evaluation including the 5% margin as of September 30, 2009. Discussion held by Trustees, staff and benefits consultant regarding not including the 5% margin. Mr. Williams stated historically that the EUTF have been including the 5% margin until June 30, 2009. It was pointed out if you include the margin that will make the negative in the unrestricted net assets even greater. The estimate without the margin is the best estimate of what is needed. The 5% was an added margin for safety. When this information was given to the Board earlier, the Board decided not to use the 5% margin in the June 30, 2009 IBNR. Related to that, when the EUTF had their status meeting with the auditor, the auditor questioned why the Board changed. Mr. Williams explained why the Board changed and his feeling was that as long as the Board set it at the estimated level that is considered adequate. The auditor asked why the EUTF gave a 5% margin before. Mr. Williams explained to the auditor that the EUTF had more money before. The first time you change it, it will show as a note in the financials. Mr. Williams's statement to the Auditor and his recommendation to the Board, from now on, is to go with the straight amount and not put in the margin. Mr. Williams explained that the impact, if the EUTF would ever run out claims, if you estimated more the EUTF would get extra and if estimated less, the EUTF would have to pay. With the auditor saying why are you changing, it proves to Mr. Williams that you can avoid the question from the Auditor by going with the flat amount. Even in a surplus situation, just let it be put in the surplus and if the Board needs a little more you would have a nest. It was prudent to Mr. Williams that if you have the cushion put it in, if you do not have the cushion do not put it in. Trustee Laderta asked what is Aon's recommendation. Mr. Nimmer stated including the margin provides more security but there are couple of items that ties into the claims for the Board's decision today. One is whether or not the EUTF has the money. With the unrestricted net assets in the negative, Mr. Williams comment was that the EUTF does not have the money to fund it, which is the basis for that recommendation. When times are better and the EUTF has more money, Aon highly recommends a margin. The principle behind that would be if you flip

coin 20 times, you would expect 10 heads and 10 tails and the 5% margin would be like 11 heads and 9 tails. It provides that extra security. As the EUTF Actuary, Aon's recommendation will always be to keep solvency as their number one objective.

MOTION was made for the Board to approve the IBNR of \$42,032,000.00 without the 5% margin as of September 30, 2009. (Fujio/Daeufer) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

- h. Self-Funded Benefit Design Options for Active Plan Benefits and Rates Effective 7/1/2010 through 6/30/2011
Overview by Mr. Nimmer regarding the self-funded benefit design options for active plan benefits and rates effective 7/1/2010 through 6/30/2011 (see Consultant's report). Discussion held by Trustees and benefits consultant regarding the summaries for FY2011 Active PPO Plan Design Options and to have two distinct plans with a greater difference, one affordable-basic plan and one like the 90/10 plan. There being no objections by the Trustees, this item is deferred until the Board meeting is reconvened.

- F. Financial Report as of September 30, 2009
Overview by Ms. Tonaki regarding the financial report as of September 30, 2009.

G. Carriers

- 1. HDS
Written report submitted.
- 2. HMSA
Written report submitted.
- 3. HMA
Written report submitted. Mr. Harris Nakamoto reported that HMA attended all of the open enrollment sessions. Mr. Nakamoto summarized HMA's letter to the Board regarding open enrollment dated 11/30/09.
- 4. Kaiser
Written report submitted.
- 5. informedRx (NMHC)
Written report submitted.
 - a. Issue with Co-payments
Ms. Nikki Bassett reported the hardship of the employee-beneficiary for co-payments. Arrangements have been made to break out the 90-day supply. Trustee Ching thanked informedRx for following up on this issue of co-payments.
- 6. Royal State Insurance
Written report submitted.

7. Standard Insurance
Written report submitted.
8. VSP
No written report submitted.

V. UNFINISHED BUSINESS

- A. Administrator Recruitment Activities
This item will be addressed in Executive Session.
- B. Trustee Liability Insurance Renewals
This item was addressed during the Administrator's report.

VI. NEW BUSINESS

- A. EUTF Annual Report
Overview by Mr. Williams regarding the EUTF Annual Report. The administrator recommends that the Board approve the EUTF Annual Report for 2008-2009 and to authorize the Administrator to double check and update/correct numbers and disseminate the report.

MOTION was made for the Board to approve the EUTF Annual Report for 2008-2009 and to authorize the Administrator to double check and update/correct numbers and disseminate the report. (Radcliffe/Daeufer) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

- B. Proposed FY 2011 Supplemental Budget Request, Revisions
This item was addressed during the Administrator's report.
- C. Benefit Plan Administrators Performance and Contract Issues Resolution
This item will be addressed in Executive Session.
- D. Vitech Contract Issue Resolution
This item will be addressed in Executive Session.
- E. RFP 09-004 Custodian Services
This item will be addressed in Executive Session.
- F. Final Accounting for Royal State Supplemental Plan
This item was addressed during the Consultant's report.
- G. Fully-Insured Benefit Design Options for Active Plan Benefits and Rates Effective 7/1/2010 through 6/30/2011
This item will be addressed in Executive Session.

- H. Self-Funded Plan IBNR and Utilization Reports
This item was addressed during the Consultant's report.
- I. Self-Funded Benefits Design Options for Active Plan Benefits and Rates Effective 7/1/2010 through 6/30/2011
This item was addressed during the Consultant's report and is deferred until the Board reconvenes.
- J. Dependent Eligibility verification Definitions and Required Documents – Revision
This item was addressed during the Administrator's report.
- K. Collection of Social Security Numbers for Dependents of Active Employees
This item was addressed during the Administrator's report and is deferred until the next Board meeting.
- L. Assignment of Rate Tier for Determination of Base Monthly Contribution
Overview by Mr. Williams and Ms. Tonaki regarding the assignment of rate tier for determination of base monthly contribution. Mr. Williams stated that the EUTF staff is not asking for a recommendation at this time but to give the Board time to review based on the interpretation by the EUTF staff. Discussion by Trustees and staff regarding employer contributions. There being no objections by the Trustees, this item is deferred to the next Board meeting.
- M. Appointment of Interim Administrator
This item will be discussed in Executive Session.
- N. GASB Valuation Contract Extension – Aon Consulting
This item will be discussed in Executive Session.
- O. Recommendation of Investment Committee to Revise Strategic Allocation
This item was addressed during the Investment Committee's report.
- P. Recommendation of Investment Committee to Implement the Strategic Allocation in Phases
This item was addressed during the Investment Committee's report.
- Q. Recommendations of Investment Committee to Select Investment Managers for Each Strategic Asset Class
This item was addressed during the Investment Committee's report.
- R. Recommendation of Investment Committee to Approve Investment Policy and Guidelines
This item was addressed during the Investment Committee's report.

- S. Extension of Aon Risk Services Contract
This item will be discussed in Executive Session.

- VII. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES
 - A. Complaints/Concerns from Employee-Beneficiaries Regarding informedRx and Changes to Prescription Drug Program
Letters addressed to the Board, along with corresponding responses from informedRx, have been distributed to the Trustees.

Discussion held by Trustees, staff and a member of the public regarding concerns that letters are received from all over but should be sent from the EUTF and be clear and upfront and correspondence received from HMSA. Mr. Williams stated if it is regarding the dependent eligibility audit, all letters and envelopes do have the State seal. Chair Kahooohanohano stated that correspondence from carriers will be addressed directly with the carrier.

- VIII. FUTURE AGENDA ITEMS AND NEXT MEETING DATE
 - A. January 27, 2010 – Regular Board meeting.

- IX. EXECUTIVE SESSION

MOTION was made to go into Executive Session at 12:38 a.m. for the reasons stated on the agenda. (Fujio/Daeufer) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

Executive Session adjourned at 2:25 p.m.

- E. Benefits Consultant
December Report

- b. informedRx
 - (2) EGWP Contract Changes
MOTION was made for the Board to reconsider and approve the changes to the EGWP plan as summarized by the consultant. (Ching/Daeufer) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

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

1. Approval of Executive Session Minutes for June 17, 2009.
2. Approval for Trustees Boyer and Radcliffe to draft letter to carrier.
3. Approval to compensate carrier for EGWP changes.
4. Approval of award of the contract for Custodian Services.
5. Approval of contract extension for insurance broker.
6. Approval of contract extension for GASB valuation services.

There being no objections by the Trustees, the meeting recessed at 2:25 p.m.

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Documents Distributed:

1. Draft Board Minutes for 10/28/09. (11 pages)
2. EUTF Review of 11/24/09 Investment Committee Meeting by Mercer dated 12/9/09. (20 pages)
3. Memorandum to BOT from Administrator Regarding December Administrator Report dated 12/3/09. (6 pages)
4. Memorandum to BOT from Administrator Regarding Assignment of Rate Tier for Determination of Base Monthly Contribution dated 12/8/09. (2 pages)
5. Memorandum to Administrator from Segal Regarding Dependent Eligibility Verification – Collection of Social Security Numbers dated 12/7/09. (3 pages)
6. CMS Alert: Compliance Guidance Regarding Obtaining Individual HICNs and/or SSNs for Group Health Plan (GHP) Reporting Under 42 U.S.C. 1395y(b)(7). (1 page)
7. Memorandum to Administrator from Segal Regarding Dependent Eligibility Verification – Status Report dated 11/30/09. (3 pages)
8. EUTF Definitions and Required Documents prepared by Segal. (3 pages)
9. Memorandum to BOT from Administrator Regarding FY 2011 Supplemental Budget. (1 page)
10. Memorandum to Aon from Administrator Regarding Request for Analysis of Financial Impact of Draft Legislation dated 12/2/09. (15 pages)
11. Memorandum to Administrator from Aon Regarding Fiduciary Liability Policy No. EPG0008821 dated 11/16/09. (5 pages)
12. Memorandum to Administrator from Aon Regarding Public Officials and EPL Policy No. G23632913 003 dated 11/16/09. (3 pages)
13. EUTF Fiduciary Liability Public Official and Employment Practices Liability and Crime Renewal Presentation prepared by Aon dated 12/3/09. (34 pages)
14. Memorandum to BOT from Aon Regarding December 2009 Benefit Consultant Report dated 12/2/09. (2 pages)
15. EUTF FY10 Timeline prepared by Aon dated 12/2/09. (2 pages)
16. Clinical Mail Order Inquiries – Participant Call Procedures. (2 pages)
17. EUTF Performance Summary 3rd Qtr 2009 by Aon dated 12/2/09. (2 pages)
18. Summary – FY2011 Active PPO Plan Design Options prepared by Aon dated 12/2/09. (1 page)
19. Letter to Administrator from Aon Regarding EUTF 9/30/09 Reserve Estimates dated 12/9/09. (5 pages)
20. Summary – FY2011 Active PPO Plan Design Options (I-IV) dated 12/9/09. (1 page)
21. Summary – FY2011 Active PPO Plan Design Options (I-II) dated 12/9/09. (1 page)
22. 2010 EUTF Actives/SHOPO Plan Design Options (Kaiser). (3 pages)
23. EUTF Statement of Net Assets (Unaudited) dated 12/1/09. (1 page)
24. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison 3 Months Ended 9/30/09 (Unaudited) dated 12/1/09. (1 page)
25. EUTF Statement of Cash Flows 3 Months Ended 9/30/09 (Unaudited) dated 12/2/09. (1 page)
26. Memorandum to DH/DPOs/CPO/EO from Administrator Regarding EUTF Rates through 6/30/09 dated 11/3/09. (1 page)

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27. Memorandum to Employers/Legislative Leadership/DPO?CPO/EO Regarding EUTF Workload and Service Issues dated 11/5/09. (2 pages)
28. Letter to HMSA from Administrator Regarding e-mail sent by Mike Sayama of HMSA dated 11/4/09. (3 pages)
29. Letter to Administrator from HMSA Attorney Regarding e-mail sent by Mike Sayama of HMSA dated 11/19/09. (1 Page)
30. Letter to HMSA President from Administrator Regarding HMSA Letter from Attorney dated 11/20/09. (1 page)
31. Press Statement by EUTF Administrator Jim Williams dated 11/23/09. (10 pages)
32. Response to Governor from Administrator Regarding Concerns about Current EUTF Open Enrollment dated 11/25/09. (2 pages)
33. Response to Senate President Colleen Hanabusa and Chair David Ige, Senate Committee on Health from Administrator Regarding Concerns about Current EUTF Open Enrollment dated 11/25/09. (2 pages)
34. Response to Representative Roland Sagum from Administrator Regarding Concerns about Current EUTF Open Enrollment dated 11/25/09. (2 pages)
35. Response to Representative Ryan Yamane from Administrator Regarding Concerns about Current EUTF Open Enrollment dated 11/25/09. (2 pages)
36. Response to Representative Karl Rhoads from Administrator Regarding Concerns about Current EUTF Open Enrollment dated 11/25/09. (2 pages)
37. Response to Representative Pono Chong from Administrator Regarding Concerns about Current EUTF Open Enrollment dated 11/25/09. (2 pages)
38. Response to Senator Michelle Kidani from Administrator Regarding Concerns about Current EUTF Open Enrollment dated 11/25/09. (2 pages)
39. Response to Mayors from Administrator Regarding Concerns about Current EUTF Open Enrollment dated 11/25/09. (2 pages)
40. Response to HGEA/UPW/UHPA from Administrator Regarding Concerns about Current EUTF Open Enrollment dated 11/25/09. (2 pages)
41. Article by Honolulu Advertiser "HMSA e-mail riles benefits trust fund" dated 11/14/09. (3 pages)
42. Article by Honolulu Advertiser "Union urge delay in health care switch for Hawaii public workers dated 11/14/09. (2 pages)
43. The High Road by Hawaii State Ethics Commission, October 2009. (2 pages)

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Minutes of the Board of Trustees
RECONVENED - Wednesday, December 16, 2009

TRUSTEES PRESENT

Mr. George Kahooanohano, Chairperson
Mr. Guy Fujio, Vice Chairperson
Mr. Stanley Shiraki, Secretary-Treasurer
Ms. Barbara Annis

Mr. Ron Boyer
Mr. Darwin Ching (arrived 9:05 am)
Dr. Carl Daeufer
Ms. Elizabeth Ho

TRUSTEES ABSENT

Ms. Marie Laderta
Mr. John Radcliffe

ATTORNEY

Mr. Russell Suzuki, Deputy Attorney General

EUTF STAFF

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

Mr. Mark Fukuhara, Consultant
Ms. Joni Tamayo-Wilson, Consultant

OTHERS PRESENT

Ms. Lynette Arakawa, HDS
Ms. Sandra Benevides, Kaiser Permanente
Ms. Monica Engle, VSP
Ms. Venus Gabuyo, Royal State
Ms. Susan Goya, HGEA-R
Ms. Wendy Hamada, HMA
Mr. Eleu Kane, HMA
Ms. Bonny Kahalewai, Standard Insurance

Mr. Jack Katahira, HGEA-R
Ms. Doreen Kuroda, DHRD
Mr. Harris Nakamoto, HMA
Mr. Tony Saguibo, HMSA
Mr. Rod Tam, HMSA
Ms. Jennifer Tobin, C&C/DHR
Ms. Valerie Trechter, Kaiser Permanente

I. CALL TO ORDER

The regular meeting of the Board of Trustees was reconvened at 9:02 a.m. by Trustee George Kahooanohano, Chairperson, in EUTF Conference Room, 201 Merchant Street, Honolulu, Hawaii, on Wednesday, December 16, 2009.

Chair Kahooanohano stated that a letter from the legislative auditor to Senate President Colleen Hanabusa regarding VEBA trust pilot program to sunset July 1, 2010 was distributed to the Trustees for review.

[Trustee Ching arrived at 9:05 a.m.]

E. Benefits Consultant
December Report

I. Self-Funded Benefits Design Options for Active Plan Benefits and Rates
Effective 7/1/2010 through 6/30/2011

Overview by Mr. Mark Fukuhara regarding the supplemental information on self-funded plans and rates effective 7/1/2010 through 6/30/2011 that was distributed to the Board. Ms. Debbie Donaldson, Aon's actuary, is on standby via conference call. Discussion held by Trustees, staff and benefits consultants regarding the rate increase figures, percentages, catch-up and trends noted on page 3 of the supplemental information. Mr. Fukuhara stated that page 4, Option III, out of pocket maximum was changed to \$4,000 per person and \$12,000 per family from the December 9, 2009 summary. Option IV, out of pocket maximum should be \$7,500 per family not \$9,000. Discussion held by Trustees, staff and benefits consultants regarding the summary on FY2011 active PPO plan design options presented December 9, 2009 (pages 4-6) and the discussion and recommendation (pages 7-9) of the supplemental information on self-funded plans and rates effective 7/1/2010 through 6/30/2011. Mr. Fukuhara stated based on the factors to consider listed on page 7, Aon recommends approval of the 26.2% increase for self-funded plans. Discussion held by Trustees, staff and benefits consultant regarding the comparisons of Options I-V. Trustee Shiraki requested that Aon provide similar community prevalent plans so the Board can see comparisons and to provide information on what other State's provide, what they are doing to meet their budget crisis and how are they meeting the medical and financial needs. Ms. Donaldson stated that many State's that are similar to the State of Hawaii where we rely on tourism. The State of Nevada had to make strong decisions to cut \$52 million which they did in two years. There was cost sharing and increase in deductibles. Aon has seen throughout the States, where deductibles have been increasing in the range of \$500 - \$700 that is not typical these days. It is very common to see deductibles and increased cost sharing particularly with States Aon works with. Trustee Shiraki asked what are other States doing regarding other plans like dental and prescription drugs. Ms. Donaldson stated other States are making changes but those like dental and prescription drugs are not big dollars. Chair Kahooohanohano asked if those States have similar laws like Hawaii's laws regarding medical coverage. Ms. Donaldson stated she is unable to answer that question. Mr. Fukuhara stated that he understands Hawaii stand alone regarding pre-paid medical. Chair Kahooohanohano stated that is why he asked that question because how can Aon compare the other States with Hawaii. It is like comparing apples and oranges and cannot be used for comparison or a specific trend.. Trustee Shiraki stated he only wants to know what is happening in other States and would not go below the Hawaii pre-paid health care law. Mr. Fukuhara stated that the EUTF is exempt from that local law. As the Chair stated, the EUTF cannot compare to other States, each of those States must take into consideration what is prevalent in their community. A written summary will be provided by Aon regarding what other States have done. Ms. Donaldson stated yes, if it is public record. Chair Kahooohanohano stated he would not like to see

what happened in the past with delays in making decisions. The Board should meet as soon as possible and not wait until the next Board meeting. Mr. Williams stated, in his view, that it is imperative that the Board make a decision quickly. The best would be this month. Every day and week delayed, is going to put implementation in jeopardy. If delayed for a month, it is just going to be turmoil on top of turmoil. There is a big risk that the Board will not have enough Trustees. Even with new Trustees, there is a risk that they may want to start over. Then it would take another two to three months to get up to speed. There are two points: (1) for the staff to effectively implement, they will need timely decisions made this month; and (2) given the dynamics of the Board, you may be putting the decision at risk for several months. Trustee Annis stated what was presented today was the basis for the beginning of making decisions. This kind of decision making should be made with a depth of knowledge and a dedicated agenda item which should be implemented. Chair Kahoochanohano stated that he has an understanding that no decision will be made today and Aon will provide additional information.

VII. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES

A. Letter from HMSA regarding active plan changes effective July 1, 2010

Mr. Rod Tam stated HMSA wanted to make the Board aware of HMSA's assistance in making plan changes and summarized HMSA's letter. Discussion held by Trustees, staff and Mr. Tam regarding what is considered high deductible and to clarify what HMSA is recommending to the Board. Mr. Williams asked if HMSA, for an insured plan, is seriously suggesting that the Board issue an RFP in February, award a contract in April/May and implement in July. Mr. Saguibo stated HMSA is trying to make clear to the Board because the Board's objective to HMSA was not clear and explained HMSA's perspective. Mr. Williams stated that at the last Board meeting HMSA wanted the Board to delay for six months and asked if HMSA is now changing that position. Mr. Williams stated there are two plans, 90/10 by HMA and 80/20 by HMSA, if that continues, is HMSA saying there should be any changes in the 80/20 plan that HMSA administers or are you saying HMSA does not think there should be major changes. Mr. Tam stated before HMSA can respond they want to understand and have the Board consider those questions because it would make a difference based on answers to those questions. Mr. Williams stated if all the plans stayed the same, is HMSA asking the Board to just maintain the exact same benefits or you might change a little but do not change too much. Mr. Tam stated HMSA is not asking the Board to do that. Mr. Saguibo stated the issue came out due to a suggestion regarding the High Deductible plan. Mr. Williams stated HMSA is only concerned if the EUTF puts in a deductible of approximately \$400 that may be considered high for the plan HMSA is administering now. Mr. Tam and Mr. Saguibo responded yes. Mr. Saguibo stated if the Board is going to re-visit the plan options if current Administrators that administer the plan be given an opportunity to administer both options. Trustee Shiraki stated as suggested by HMSA's letter that all the carriers should work with Aon if they have suggestions

regarding developing cost-effective solutions. Mr. Harris Nakamoto from HMA stated that it was mentioned about the State auditor's recommendation regarding the VEBA sun setting. HMA administers the VEBA HSTA 80/20 plan. Based on calculations on the 80/20 plan, HMA was able to keep the teachers out of pocket cost flat. Calculations wise, the cost of an 80/20 plan for HSTA is something to evaluate, the impact towards the participant. The VEBA was looking at how they could help the participants keep their benefits and at the same time keep the out of pocket cost reasonable. If HMA can partner with the EUTF in looking at stabilizing cost over time which would benefit the State as well as the participants that is HMA's objective.

Discussion held by Trustees, staff and benefits consultant regarding retirees Medicare increases for the coming year which may impact the cap for retirees and the reimbursement for Medicare Part B. Mr. Williams stated that the reimbursement part is done operationally and is not an issue but may be an individual issue for a person to get the right amount. Our law says that the base monthly contribution goes up by the same amount when the Medicare Part B premium goes up. It does not say per person. It goes up January 1 and the base monthly contribution is adjusted July 1. Between now and July 1 there needs to be a determination that may involve some legal interpretation. Is the interpretation that the premium goes up then the base contribution goes up by that amount or is it in between. There needs to be an interpretation of how this action by CMS is going to affect the EUTF's base monthly contribution. The deputy attorney general will need to speak to Aon and the new administrator and come back to the Board.

VIII. FUTURE AGENDA ITEMS AND NEXT MEETING DATE

A. January 27, 2010 – Regular Board meeting.

IX. EXECUTIVE SESSION

MOTION was made to go into Executive Session at 10:46 a.m. for the reasons stated on the agenda. (Fujio/Daeufer) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-5)

Executive Session adjourned at 12:05 p.m.

The Chair reported that the Board has taken personnel actions in Executive Session.

X. ADJOURNMENT

There being no objections by the Trustees, the meeting adjourned at 12:07 p.m.

Respectfully submitted,

/s/

Stanley Shiraki, Secretary-Treasurer

APPROVED on March 31, 2010.

Documents Distributed:

1. Letter to Administrator from the Office of the Auditor Regarding HSTA VEBA Trust Pilot program dated 12/2/09. (7 pages)
2. EUTF Self Funded Plans and Rates, Actives: 7/1/2010-6/30/2011 Supplemental Information dated 12/16/09. (13 pages)
3. Letter to Chair Kahoohanohano from HMSA Regarding Proposed Active Plan Design Changes Effective 7/1/10 dated 12/15/09. (2 pages)