

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
Minutes of the Board of Trustees
Tuesday, September 13, 2011

TRUSTEES PRESENT

Mr. George Kahooahano, Chairperson	Ms. Karolyn Mossman
Mr. Dean Hirata, Secretary-Treasurer	Ms. Celeste Nip
Ms. Loretta Fuddy	Ms. Sunshine Topping
Ms. Audrey Hidano	Mr. Clifford Uwaine (arrived 9:14 am)
Mr. Everett Kaneshige (arrived 9:10 am)	

TRUSTEES ABSENT

Mr. Derek Mizuno, Vice-Chairperson

ATTORNEY

Ms. Sarah Hirakami, Deputy Attorney General

EUTF STAFF

Ms. Barbara Coriell, Administrator	Mr. Tom Morrison, Consultant
Ms. Sandi Yahiro, Assistant Administrator	Ms. Donna Tonaki
Ms. Maria Quartero	Ms. Nicole Wong
Ms. Kathleen Shiroma	

OTHERS PRESENT

Ms. Cassandra Adachi, HRD	Ms. Mae Kishimoto, HSTA-R
Ms. Nikki Bassett, informedRx	Mr. Blaise Liu, Royal State
Ms. Sandra Benevides, Kaiser Permanente	Mr. Tony Malone, HMSA
Mr. Greg Buscetto, informedRx	Mr. Michael Moss, Kaiser Permanente
Ms. Monica Engle, VSP	Ms. Lori Naylor, HMA
Mr. Christian Fern, HMSA	Mr. Larry Nishihara, Akamai Benefits
Ms. Elaine Fujiwara, HDS	Mr. Phil Takaba, HMSA
Mr. Mark Fukuhara, Akamai Benefits	Mr. Vaughn Tokashiki, HSTA-R
Mr. Cal Hutton, Ceridian	

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 9:00 a.m. by Trustee George Kahooahano, Chairperson, in EUTF Conference Room, 201 Merchant Street, Honolulu, Hawaii, on Tuesday, September 13, 2011.

MOTION was made for the Board to approve amending the agenda to add agenda item III.G. Carrier Reports. (Topping/Fuddy) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-3)

II. MINUTES

A. August 9, 2011

Review of the minutes from August 9, 2011 is deferred until the next Board meeting.

- B. August 31, 2011
Review of the minutes from August 31, 2011 is deferred until the next Board meeting.

III. REPORTS

A. Administrator

1. Update on Contract Awards/Implementation
Overview by Ms. Barbara Coriell regarding update on contract awards and implementation from the recent RFPs.
2. Open Enrollment Meetings with DPOs
Overview by Ms. Coriell regarding Open Enrollment meetings with DPOs.
3. HDS Plan Maximum for Retirees
Overview by Mr. Tom Morrison regarding HDS plan maximum for retirees. Mr. Morrison stated that the CEO, Faye Kurren, of HDS has agreed to a contract amendment that would allow the existing rates and the emerging surplus from the active as well as the retiree rates including the retrospective premium to cover all benefits expenditures for the remainder of this contract period. This appears to be more than sufficient to cover additional benefits for the last six months and still leave a surplus to be refunded to the EUTF according to the existing contract. Upon the Board's approval will prepare a suggested contract amendment for review. [Trustee Everett Kaneshige arrived at 9:10 a.m.] Discussion held by Trustees, staff and benefits consultant that the monies are going to be from the rates that are currently being paid under the current contract liability for the potential maximum liability of an additional \$500 per retiree. Mr. Morrison stated that the year to date projected surplus including retrospective premium liability of 5% as of August as reported by HDS is approximately \$2.2 million. The initial estimate of what the retiree \$500 additional benefits for the remaining 6 months of this calendar year was \$1.4 million and could be as high as \$1.7 million.

MOTION was made for the Board to approve the use of retrospective rating surplus to cover HDS retiree claims exceeding \$500 for the period 7/1/11 to 12/31/11 and to allow the active surplus to cover retiree claims.

(Mossman/Topping) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)

4. Hawaii and Maui County Premium Split (HGEA)
Overview by Ms. Coriell regarding the Hawaii and Maui County premium split for HGEA. [Trustee Clifford Uwaine arrived at 9:14 a.m.]

B. Assistant Administrator

1. Personnel
Ms. Sandi Yahiro introduced Ms. Bonny Kahalewai, Sr. Health Benefits Analyst.

C. Investment Committee

1. Statement of Investment Policy and Guidelines

Vice-Chairperson Dean Hirata reported that the Investment Committee met yesterday. A redline version of the proposed changes of the Statement of Investment Policy and Guidelines was distributed to the Trustees and summarized the highlighted changes. Discussion held by Trustees and Vice-Chairperson regarding the role and function of the Investment Consultant, Pension Consulting Alliance (PCA), monitoring managers to be put on the watch list, and those benchmarks on page 4 approved by the Board in May 2011.

MOTION was made upon the recommendation of the Investment Committee for the Board to approve the proposed changes of the “Statement of Investment Policy and Guidelines”. After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-4)

2. Quarterly Report as of 6/30/2011

Ms. Kay Cessarani from PCA summarized the Quarterly Report as of 6/30/2011 (for the Trustees to keep in mind that it is only for a seven day period) and changes recommended by the Investment Committee yesterday. Discussion held by Trustees, staff and investment consultant regarding benchmarks.

Vice-Chairperson Hirata stated a report on “Strategic Allocation Review” was in the Board’s packet. After the Investment Committee reviewed the report and now that PCA has a better understanding of the \$150 million OPEB contribution fund, PCA will redo the report and make a presentation at the next Investment Committee meeting.

D. EUTF Managers’ September Operational Reports

1. Member Services

The MSB Operations report was in the Board packet (see MSB Operations report). Discussion held by Trustees and staff regarding the status of the current open enrollments.

2. IT

The IT Operations report was in the Board packet (see IT Operations report). Discussion held by Trustees and staff regarding the Affordable Care Act Tax provisions that require the employers to report the cost of coverage beginning on the employees’ 2012 W-2 forms.

3. Accounting

The Accounting Operations report was in the Board packet (see Accounting Operations report).

a. Financial Report as of June 30, 2011

Overview by Ms. Tonaki regarding the Financial Report as of June 30, 2011. Discussion held by Trustees and staff regarding retroactive employer/employee contribution rates and when drug rebates are actually received by the EUTF. Ms. Tonaki will report back to the Board regarding when drug rebates were actually received. Trustee Hidano requested to have full information provided because it is difficult to figure out. Discussion held by Trustees, staff and benefits consultant regarding the Statement of Net Assets, lines item nos. 7, 8, and 37, and refunds. Ms. Tonaki stated that 50% of refunds are completed and the accounting staff is working on the balance of the backlog for refunds.

b. Update on FY10 Audit Report

Ms. Tonaki reported that the final FY10 Audit Report was in the Board packet. Discussion held by Trustees and staff regarding the final FY10 Audit Report, Trustees may e-mail any questions to Ms. Tonaki, and the target date to receive a draft of the FY11 Audit. Ms. Tonaki stated that the update on the FY10 Audit will be on the next Board's agenda and that a draft of the FY11 should be submitted by the end of December 2011.

E. Deputy Attorney General

1. RFP No. 11-06 – Pharmacy Benefit Management Services Protest/Appeal
This item will be discussed in Executive Session.

F. Segal Report

Mr. Tom Morrison stated for the Board's information only, the following was in the Board's packet: (1) Segal's publication on "How to Comply with the ERRP's Maintenance-of-Contribution Requirement". Mr. Morrison summarized how the Board can or cannot use the money from the ERRP and will be working with the EUTF staff; (2) informedRx EUTF Traditional Formulary Changes – 1/1/2012; and (3) EUTF Formulary Coverage Difference between EUTF Medicare Rx Plan 2011 and EUTF Medicare Rx Plan 2012.

Mr. Vaughn Tokashiki, member of the public, asked if the formulary will be posted on the website or if a memorandum will be sent out. Chair Kahoohanohano requested that Mr. Tokahashi inform members to contact informedRx directly.

Ms. Mae Kishimoto, member of the public, expressed concerns that the memorandum regarding the Open Enrollment was not sent out on a timely basis. Ms. Yahiro summarized the timeline when the memorandum was sent to the DOE, then the DOE sends it out to its employees after that. The EUTF did not send directly to teachers.

G. Carrier Reports

1. HDS
Written reports submitted.
2. HMSA
Written reports submitted.
3. HMA
Written reports submitted.
4. informedRx & NMHC
Written reports submitted.
5. Kaiser
Written reports submitted.
6. Royal State
Written reports submitted.
7. Standard Insurance
Written report submitted.
8. VSP
Written report submitted.

IV. OLD BUSINESS

A. Legislative Proposals - 2012

Overview by Ms. Coriell regarding 2012 Legislative Proposals for item nos. 1, 2, and 6. The Attorney General's office is drafting legislation for item nos. 3 -5. (see "Legislative Issues for EUTF 2012 Legislative Session"). Discussion held by Trustees and staff regarding legislative issues for EUTF 2012 legislative session, item nos. 1, 2, and 6.

There being no objections by the Trustees, the Trustees will agree or disagree on legislative issues related to the EUTF and when bills are finalized, the Board may review and approve at that time.

There being no objections by the Trustees, the Trustees agreed on legislative issues item no. 1 - create an irrevocable Trust for OPEB contributions and no. 2 - change the date the base monthly contribution is adjusted annually from July 1 to January 1 to correspond to the retiree plan year.

There being no objections by the Trustees, the Trustees disagreed and deleted item no. 6 – change the quorum and voting requirements of the EUTF Board of Trustees to a simple majority of 6 Trustees.

Overview by Ms. Coriell regarding research to change part of the procurement code that the EUTF operates under to be the same as the Health and Human services which would have an impact on the protest and hearing procedures that the EUTF is subjected to after an RFP is awarded. Discussion held by Trustees and staff regarding concerns that an Administrative Committee should have been established to review

EUTF Administrative Rules and the Sunshine Law but now it is due September 30, 2011 and the change to delete the definition on a per diem employee.

B. ERRP

1. Update

Overview by Ms. Coriell regarding the update on ERRP. Discussion held by Trustees and staff regarding when Aon will be submitting Kaiser data. Ms. Sandra Benevides stated that Kaiser submitted a file in mid August and Kaiser resubmitted another file to Aon. The EUTF staff will monitor to make sure Aon submits a file to the federal government. Further discussion held by Trustees, staff and Kaiser regarding the timing of the Kaiser submittals. Trustee Hidano requested that the administrator call her when the files are submitted. Discussion held by Trustees and staff regarding the quarters that files were submitted. Trustee Mossman expressed her concerns that she shares Trustee Hidano's frustration. It seems that the Board should be provided a timeline/plan of issues that are known ahead of time because the Board keeps on being asked to vote on issues last minute that should have been projected months ahead, such as the ERRP contract and legislative issues.

2. Contract Extension

Overview by Ms. Coriell regarding the ERRP contract extension. The administrator will provide additional information at the next Board meeting. This item is deferred until the next Board meeting.

C. Update on Two Medicare Part B Projects

Overview by Ms. Coriell regarding the update on the two Medicare Part B projects. Ms. Coriell stated that she has delegated these projects to Ms. Bonny Kahalewai. More specific information should be provided at the next Board meeting. Trustee Hidano expressed her concern that these projects were discussed and addressed in prior Board meetings and thought these projects were already in motion and there may be more delays in stopping payments. Ms. Yahiro explained the issues that were the cause of the delays.

V. NEW BUSINESS

A. FY09 Additional Audit Expense

Discussion held by Trustees and staff regarding the additional Grant Thornton audit expense and if a bill was submitted. Chair Kahooohanohano expressed his concern that the prior Board did not approve this additional audit expense and this item should not be prolonged. A bill has not been submitted. Trustee Hidano stated that Ms. Tonaki knows about it. Ms. Tonaki stated she recently asked them what the amount they agreed to pay. Trustee Hidano stated that the EUTF will get the bill and requested to leave it on agenda. Discussion held by Trustees and staff regarding the procedures for agenda items requested by Trustees.

B. OPEB Valuation Supplemental Contract

Overview by Ms. Coriell regarding the OPEB Valuation Supplemental Contract. The administrator recommends that the Board approve to extend Aon's contract to conduct the OPEB Valuation as of July 1, 2011. Discussion held by Trustees and staff regarding the extension date and SPOs understanding of the extension.

MOTION was made for the Board to approve to extend Aon's contract to conduct the OPEB Valuation as of July 1, 2011. (Fuddy/Mossman) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-4)

C. SPO Request for Contract Exemption for Vitech Project Oversight

This item is deferred until the next Board meeting.

D. Contract Extension for Pharmacy Benefit Management Services

Ms. Yahiro stated that the EUTF submitted incorrect forms and will resubmit the correct forms to SPO tomorrow. This item is deferred until the next Board meeting.

E. Pharmacy Benefit Management Services Rates During Temporary Contracts
Effective 1/1/2012

There is no information at this time. This item is deferred until the next Board meeting.

Mr. Greg Buscetto stated without the approval of the annual notice of change it would be very challenging to meet the deadline of September 30, 2011. Ms. Sarah Hiramami stated if the EUTF gets SPOs approval, a Special meeting may be called.

VI. FUTURE AGENDA ITEMS AND NEXT MEETING DATE

A. October 11, 2011, 9:00 a.m. – Regular Board Meeting.

Due to lack of quorum, the regular Board meeting scheduled for October 11, 2011 will be rescheduled. The EUTF secretary will poll Trustees on available dates.

VII. EXECUTIVE SESSION

MOTION was made for the Board to move into Executive Session at 11:20 a.m. for the reasons stated on the agenda. (Topping/Fuddy) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-4)

Executive Session adjourned at 11:48 a.m.

VIII. ADJOURNMENT

There being no objections, the meeting adjourned at 11:54 a.m.

Respectfully submitted,

/s/

Dean Hirata, Secretary-Treasurer

APPROVED on October 18, 2011.

Documents Distributed:

1. Memorandum to BOT from MSB Manager Regarding MSB Operations Report dated 9/7/11. (1 page)
2. Memorandum to BOT from IS Analyst Regarding September IT Operations Report dated 9/8/11. (2 pages)
3. Memorandum to BOT from Financial Management Officer Regarding Accounting Operations Report- September 2011 dated 9/8/11. (2 pages)
4. EUTF Statement of Net Assets (Unaudited) dated 9/6/11. (2 pages)
5. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison 12 Months Ended 6/30/11 (Unaudited) dated 9/6/11. (2 pages)
6. EUTF Statement of Cash Flows 12 Months Ended June 30, 2011 (Unaudited) dated 9/6/11. (1 page)
7. EUTF Unrestricted Gain (loss) Analysis 12 Months Ended June 30, 2011. (1 page)
8. Capital Checkup – Segal dated 8/26/11. (4 pages)
9. informedRx EUTF Traditional Formulary Changes – 1/1/2012. (2 pages)
10. Formulary Coverage Differences between EUTF Medicare Rx Plan 2011 and EUTF Medicare Rx Plan 2012. (14 pages)
11. Memorandum to BOT from Aon Hewitt Regarding ERRP Update dated 9/9/11. (2 pages)