Warehouse Employees Union Local No. 730
Health and Welfare Trust Fund

911 Ridgebrook Road
Sparks, Maryland 21152-9451
Telephone: (800) 730-2241
www.associated-admin.com

4301 Garden City Drive, Suite 201
Landover, Maryland 20785-6102
Telephone: (800) 730-2241
www.associated-admin.com

MINUTES OF THE MEETING OF THE BOARD OF TRUSTEES OF THE WAREHOUSE EMPLOYEES UNION LOCAL NO. 730 HEALTH AND WELFARE TRUST FUND SEPTEMBER 6, 2012 LANDOVER, MARYLAND

The following Trustees were present:

UNION TRUSTEES	EMPLOYER TRUSTEES
R. Brooks	J. Paradis – Secretary
R. Essex	J. Navin
R. Johnson	F. Stegman

Also present were:

C. Allebach – Group Vision Services
H. Burton – Morgan, Lewis & Bockius, LLP
A. Cochran – Associated Administrators, LLC
M. DeLancey – Dickstein Shapiro, LLP
R. Foxman – Group Vision Services
M. Herwig – PNC Bank, NA
E. Odell – Calibre CPA Group, PLLC
S. Raeder – Calibre CPA Group, PLLC
D. Russell – Investment Performance Services, LLC
R. Tierney – Associated Administrators, LLC

I. CALL TO ORDER

A quorum being present, the meeting was called to order.

II. MINUTES

The Trustees read the minutes of the last regular meeting held on June 8, 2012.

On MOTION made and seconded, the Trustees present voted unanimous approval of the following resolution:

> **RESOLVED that the minutes of the last regular meeting held on June 8, 2012 are approved as written.**

III. FINANCIAL REPORT

The Trustees welcomed Mr. Michael Herwig of PNC, Bank, NA and Mr. David Russell of Investment Performance Services (IPS) to the meeting.

A. Custodian Bank – PNC Bank, NA

Mr. Herwig distributed the Summary of Activity report for the period January 1, 2012 through June 30, 2012. Beginning market value was $19,394,994. Contribution income totaled $3,461,773, disbursements totaled $4,743,084, and investment earnings totaled $619,089, producing an ending market value of $18,732,772.

B. Investment Performance Services

1. Investment Performance

Mr. Russell distributed his report entitled, "Investment Performance Analysis – June 30, 2012." Mr. Russell reported that the total market value of assets as of June 30, 2012 was $18,732,772.

2. Asset Allocation

Mr. Russell reported that as of June 30, 2012 the Fund held 73.1% in domestic fixed income, 10.9% in domestic equities, 9.7% in domestic fixed high yield, 5.3% in real estate, and 1.0% in cash equivalents. He noted the SSGA S&P Index Fund held $2,041,915; Atlanta Capital held $13,688,097; American Realty Advisors held $990,953; Penn Core held $1,823,808; and there was $187,999 in the cash account.

3. **Investment Consulting Contract Renewal**

Mr. Russell reviewed a memorandum from Mr. Rich Sichel to Mr. Tierney dated July 16, 2012 in which Investment Performance Services modified its previous request for an increase in the annual fee. The modification offered a three-year contract with an annual fee of $22,500. This was an improvement over the previous offer, by extending the agreement to a third year with no fee increase in the third year.

The Trustees thanked Mr. Russell for his report and he was excused from the meeting.

The Trustees discussed the contract renewal proposal from IPS. On MOTION made and seconded, the Trustees voted unanimous approval of the following:

RESOLVED to accept the proposal of IPS to provide Master Consulting services. Annual fees, beginning on October 1, 2012, will be $22,500 under a three-year agreement ending on September 30, 2015.

IV. AUDITOR REPORT

The Trustees welcomed Ms. Ellen Odell and Mr. Steve Raeder of Calibre CPA Group, PLLC to the meeting.

Ms. Odell reviewed the payroll audit status report, which was distributed to the Trustees. She noted the payroll audit of Washington Food & Supply for the period January 2009 to December 2011, was completed. Findings included underpayments for omitting worked hours. The employer owed $88.57 and has paid the Fund, closing this audit.

Ms. Odell then provided an update on the payroll audits of Giant Warehouse and Giant Recycling (Giant). She noted the original period under audit was January 2009 to December 2011. While conducting this audit, two issues arose. The first was notification from the Trustees to evaluate the timeliness of contributions when an employee moves from Vacation Relief to Regular status. Calibre was asked to review a self-report from Giant indicating underpayments across the Legal, Pension and Welfare Funds of approximately $140,000, and compare it to actual payroll records to confirm the amount. Ms. Odell said her firm is working on this project but is currently waiting on additional information from Giant and the Administrative Manager. Mr. Tierney reported that the files from Associated Administrators would be available by the end of the week. Ms. Odell reported a review of the 2009-2011 records indicated that the employer did properly make contributions on these employees during this period.

Ms. Odell said the second issue regarding the Giant payroll audit was found by Calibre during the normal course of the audit. They noted that Giant was truncating hours. Meaning, for example, when an employee worked 34.2 or 34.7 hours, the employer's computer program was rounding down in all cases and only reporting and contributing on 34 hours for that employee. Over the period of a three-year audit cycle, this amounts to findings of over $372,000 owed by Giant to the Legal, Pension, and Welfare Funds combined. The report was filed with the Fund Office this week. Mr. Tierney noted receipt and said that a copy of the audit and the demand for payment letter will be sent to Giant next week in accordance with the Fund's collection policy. Ms. Odell said that Giant has admitted to the practice of truncating hours through their computer system programming.

The Trustees then discussed expanding the Giant audit to look at the truncating of hours in years prior to 2009. They asked Counsel to review and report on the statute of limitations for collection of contributions owed to the Fund. They asked Calibre to consider options for conducting sample audits and extrapolating results, and to estimate for the Trustees the cost of performing this additional work, once the statute of limitations is determined. Additionally, the Trustees considered the question of why the Fund's previous payroll auditor, Salter & Company, had not reported the truncating of hours by Giant as it seems to be an issue that should have been discovered in the course of normal payroll auditing. Mr. Tierney said that Salter & Company had conducted a payroll audit of Giant for the January 2005 to June 2008 period and reported no discrepancies. The Trustees recalled that Salter & Company had been terminated in part for conducting a payroll audit of McKesson and missing a key issue that resulted in McKesson owing the Legal, Pension and Welfare Funds over $350,000. The Trustees directed the Administrative Manager to work with Counsel on drafting a letter to Joe Herishen at Salter & Company asking for a response on the truncating of hours issue in the previous audit of Giant.

Ms. Odell reported that her firm is also currently working on the exit audit of Jessup Logistics. The truncating of hours issue is also present with this employer, as it purchased the facility from Giant and continued with the contribution policy in place, truncating hours reported to the Funds. This audit is not yet complete.

Trustee Paradis abstained from participation in the discussion regarding the payroll audits of Giant.

The Trustees thanked Ms. Odell and Mr. Raeder for their report and they were excused from the meeting.

V. COUNSEL REPORT

A. Subrogation Report

Mr. DeLancey reviewed the status of subrogation matters currently under collection as of September 6, 2012. He reported that there were six open cases, no closed cases, and no cases opened since the last Board of Trustees meeting on June 8, 2012.

Mr. DeLancey noted that he required Trustee action on a lien reduction request from the attorney for Mr. Matthew Smith. The attorney is requesting a lien reduction of half of the amount owed, $7,925.66. After discussion, the Trustees told Mr. DeLancey that the lien reduction was denied.

B. Fund Counsel – Morgan, Lewis, & Bockius, LLP: Rate Increase

Mr. Tierney reported that the Employer Trustees had approved a fee increase from Mr. Burton's firm, Morgan, Lewis, & Bockius, effective January 1, 2012. Mr. DeLancey and Mr. Burton reported that there were no other legal matters pending before the Board of Trustees at this time.

VI. ADMINISTRATIVE MANAGER REPORT

Mr. Tierney presented the Administrative Manager Report for the second quarter 2012. Such report showed employer contributions of $1,418,737, interest and dividend income of $126,763, and miscellaneous income of $997, producing a total income of $1,546,497 for the quarter. Expenses included $2,222,968 of benefit expenses and $70,280 of operating expenses, producing a total expense of $2,293,248. This produced a total deficit of $746,751 for the quarter ended June 30, 2012. Mr. Tierney noted that contributions were made on behalf of 645 Plan participants. He noted there were no contribution delinquencies to report.

VII. INVOICES

Mr. Tierney presented a list of invoices dated September 6, 2012 for Trustee review. It was noted that there were no deletions or changes to the list.

On MOTION made and seconded, the Trustees present voted unanimous approval of the following resolution:

> **RESOLVED that the list of invoices dated September 6, 2012 be approved for payment as presented.**

VIII. PARTICIPANT APPEALS

Appeal Number	*Issue*	*Board Decision*
E12/120-4613	*Dependent Coverage*	*Denied*

IX. HEALTHCARE CONSULTANT – THE SEGAL COMPANY

The Trustees welcomed Mr. Joshua Timm and Mr. George Bognar of the Segal Company to the meeting.

A. Pharmacy Benefit Manager (PBM) – Request for Proposal (RFP)

Mr. Timm distributed copies and reviewed his memorandum to the Board dated September 5, 2012. The memorandum detailed the results of the modified PBM RFP conducted by the Segal Company at the request of the Trustees. Mr. Tierney noted interim meeting action by the Trustees, conducted via an electronic poll, reducing from a full RFP to a modified review of the current PBM against the preferred PBM of the Health Care Cost Containment Corporation (HCCCC), CVS/Caremark. Mr. Timm reported that CIGNARx was willing to make improvements to its current contract with the Fund resulting in savings of 2.3%, or $80,261. The CVS/Caremark agreement with the HCCCC, to which the Fund could become a party through their master agreement, would result in savings of 8.1%, or $282,041, according to the Segal analysis.

The Trustees discussed these and other options with Mr. Timm and Mr. Bognar. After consideration, the Trustees asked the Segal Company to do the following: (1) Approach CIGNARx about matching the level of savings generated by moving to CVS/Caremark, 8.1%, and (2) expand the RFP to include pricing and savings with the Delaware Valley Health Care Coalition and the TeamsterRx program with OptumRx. Mr. Timm is to provide proposed costs for the expanded RFP to Mr. Tierney, who will conduct a poll of the Trustees for approval.

B. Summaries of Benefit Coverage (SBC)

Mr. Timm reported that he was working with the Fund Office on finalizing some issues related to the SBC. He expects to have a draft completed shortly for Trustee and Counsel review. He noted the Fund must begin supplying this document to Plan participants by January 1, 2013. Mr. Timm said that United Healthcare will supply the SBC for the HMO plans.

The Trustees thanked Mr. Timm and Mr. Bognar for their reports and they were excused from the meeting.

X. PROVIDER REPORTS

A. Group Vision Services

The Trustees welcomed Mr. Craig Allebach and Mr. Ralph Foxman of Group Vision Services to the meeting. Mr. Allebach distributed detailed reports on the Fund's utilization and costs of both the fully-insured and self-insured vision benefits for the period August 2011 through July 2012. He reviewed these reports in detail.

The Trustees thanked Dr. Foxman and Mr. Allebach for their presentation and they were excused from the meeting.

B. CIGNA PPO

Mr. Tierney reviewed the CIGNA savings report for the period January 1, 2012 through June 30, 2012. The PPO network savings, meaning the billed amount less the network allowed amount, equaled $1,486,660. This represented an overall PPO savings of 39.7% for the period of period January 1, 2012 through June 30, 2012.

XI. OTHER FUND BUSINESS

A. Fiduciary Liability Insurance Renewal and Waiver of Recourse Premiums

Mr. Tierney noted renewal of the Fiduciary Liability policy with CHUBB, through the broker, the McLaughlin Company. He said the annual premium increased by 0% and was approved by the Trustees in an electronic poll conducted in August, 2012.

Ms. Cochran advised the Trustees that letters regarding their required payment of the Waiver of Recourse premium of $25 would be mailed to them in the upcoming weeks. Payment should be made directly to the broker, not the Fund Office.

B. Accident and Sickness Overpayments

Mr. Tierney said that two participants from Jessup Logistics received Accident and Sickness payments after the employer stopped participating in the Fund on December 31, 2011. He said the Fund Office has sent three letters to each participant requesting repayment, in the amounts of $370 and $120. The Trustees directed that one more attempt be made, by mail, to collect the overpayments. If unsuccessful, the amounts will be written off as uncollectable, as the expense of additional attempts at recovery would outweigh the amounts of recovery.

C. Web Analytics

Mr. Tierney reported that during the period January 1, 2012 to May 31, 2012, 173 participants had visited the Fund’s webpage on the Associated Administrators website.

D. United HealthCare (UHC) – Medical Loss Ratio Rebate

Mr. Tierney reported receipt of a letter from UHC, dated July 5, 2012, indicating that the Fund would not be receiving a rebate under the new Medical Loss Ratio regulations.

E. *For Your Benefit* Newsletter

Mr. Tierney noted the April 2012 *For Your Benefit* newsletter was mailed to participants. It contained the required Medicare Creditable Coverage Notice and Open Enrollment information for Class C participants in the HMO benefit.

F. **2012 Retiree Drug Subsidy Payment**

Mr. Tierney reported receipt of a retiree drug subsidy payment in the amount of $59,373.29 for the 2012 plan year.

XII. NEXT MEETING DATE AND LOCATION

After discussion the Trustees elected December 14, 2012 as their next regular meeting at a location to be determined.

XIII. ADJOURNMENT

There being no further business to come before the Trustees, the meeting was adjourned.

Respectfully submitted,

Jason Paradis
Secretary