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

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MINUTES OF THE MEETING OF THE BOARD OF TRUSTEES OF THE WAREHOUSE EMPLOYEES UNION LOCAL NO. 730 HEALTH AND WELFARE TRUST FUND DECEMBER 12, 2017 LANDOVER, MARYLAND

The following Trustees were present:

UNION TRUSTEES
R. Brooks – Chairman
J. Lacy
F. Myers

EMPLOYER TRUSTEES
J. Paradis – Secretary
L. Johnson
F. Stegman
B. Pounds – Alternate

Also present were:

H. Burton – Morgan, Lewis & Bockius, LLP
A. Cochran – Associated Administrators, LLC
K. Cyphers – Voya Financial
M. DeLancey – Blank Rome LLP
E. Foxman – The Meltzer Group
B. Robertson – The Meltzer Group
R. Sichel – Investment Performance Services, 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 September 29, 2017.

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

> **RESOLVED that the minutes of the last regular meeting held on September 29, 2017 are approved as written.**

III. FINANCIAL REPORT

The Trustees welcomed Mr. Rich Sichel of Investment Performance Services (IPS) to the meeting.

A. Custodian Bank – PNC Bank, NA

Ms. Cochran noted a copy of the PNC Summary of Activity report for the period January 1, 2017 through September 30, 2017 as contained in the meeting booklet.

B. Investment Performance Services

1. Investment Performance

Mr. Sichel distributed his report titled, "Master Consulting Services Report – September 30, 2017." Mr. Sichel reported that the total market value of assets as of September 30, 2017 was $6,791,875.

2. Asset Allocation

Mr. Sichel reported that as of September 30, 2017 the Fund held 43.2% in Investment Grade Fixed Income, 38.0% in short duration high yield, 5.5% in real estate, and 13.3% in cash equivalents. He noted Wedge Capital held $2,934,584; American Realty Advisors held $373,104; Chartwell held

$2,583,464; there was $900,723 in the cash account.

3. Commission Recapture Provider

Mr. Sichel said that the Fund's commission recapture provider ConvergEx Group was recently purchased by Cowen, Inc. As a result of this transaction, ConvergEx's Plan Sponsor Division, renamed Cowen Execution Services, LLC, was moved into Cowen and Company, LLC. He said that IPS recommended that the Fund agree to the assignment to Cowen and Company. Mr. Sichel said that the notice sent by Cowen is structured as a negative consent; therefore, agreeing to the assignment requires no action. Mr. Sichel said that given the continued reduction of trading costs, IPS is evaluating the benefits of ongoing participation in a commission recapture program. He stated he would provide a recommendation regarding the continuation of the program once IPS' analysis is complete.

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

IV. COUNSEL REPORT

Mr. DeLancey reviewed the status of subrogation matters under collection as of December 12, 2017. He reported that there were three open cases and no closed or new cases opened since the last Board of Trustees meeting on September 29, 2017.

Mr. DeLancey stated that there were no cases requiring Trustee action at this time. Mr. DeLancey said that it may be in the best interest of the Fund to pursue collection of the current open cases through a debt collector rather than having his firm charge by the hourly rates.

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

RESOLVED to give Blank Rome the authority to investigate if a collector will pursue collecting the amounts owed related to the open cases and if not, then make a decision on whether or not to write off the amounts related to the open cases.

Mr. DeLancey and Mr. Burton reported that there were no other legal matters pending before the Board of Trustees at this time.

V. ADMINISTRATIVE MANAGER'S REPORT

A. Third Quarter 2017

Ms. Cochran presented the Administrative Manager's Report for the third quarter 2017. Such report showed employer contributions of $1,196,414, interest and dividend income of $59,061, and miscellaneous income of $127,518, producing a total income of $1,382,993 for the quarter. Expenses included $1,261,003 of benefit expenses and $82,319 of operating expenses, producing a total expense of $1,343,322. This produced a total surplus of $39,671 for the quarter ended September 30, 2017. Ms. Cochran noted that contributions were made on behalf of 377 Plan participants.

B. Supplement to Workers' Compensation

The Trustees discussed the benefit which is payable for up to 52 weeks for any period of continuous disability due to a work-related accident or sickness which prevents a participant from performing any and every duty pertaining to employment, providing the participant is working for a contributing employer and eligible on the date the accident occurred or sickness began. Ms. Cochran said the supplement is a maximum of $70.00 a week.

After a discussion, On MOTION made and seconded, the Trustees voted unanimous approval of the following resolution:

RESOLVED to eliminate the supplement to the Workers' Compensation benefit effective January 1, 2018.

C. Administrative Services Contract Renewal

Ms. Cochran reviewed the letter that was distributed at the September 29, 2017 meeting which noted that the administrative services contract between the Fund and Associated Administrators, LLC will expire on December 31, 2017 and provides detailed information in support of the request for a three-year renewal. The Trustees tabled the request at the last Board meeting.

Upon MOTION made and seconded, the Trustees voted unanimous approval of the following:

RESOLVED to approve an extension of the administrative services contract with Associated Administrators, LLC, for the period January 1, 2018 through December 31, 2020, with 3% annual fee increases.

Ms. Cochran thanked the Board of Trustees for the contract renewal and said a contractual amendment would be prepared and sent to Co-Counsel for review.

VI. INVOICES

Ms. Cochran presented a list of invoices dated December 12, 2017 for Trustee review. It was noted that there were no additions, deletions or changes to the list.

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

RESOLVED that the invoices on the list dated December 12, 2017 are approved for payment as presented.

VII. PROVIDER REPORT – VOYA FINANCIAL (VOYA)

The Trustees welcomed Mr. Keith Cyphers of Voya to the meeting.

Mr. Cyphers distributed his reports titled "Life Insurance Renewal Offer" and "Life Client Experience Report – Paid Claims by Incurred Date." He reviewed the Fund's accidental death and dismemberment and life insurance claim experience since January 2016. He indicated that for the period January 2016 through December 2017, the Fund paid $76,265.22 in premiums while Voya incurred $45,035.06 in claims.

Mr. Cyphers then reviewed the proposal for the period effective January 1, 2018. He indicated the proposal was for a two year period with a 17% increase in premium in the first year. The Trustees requested that Mr. Cyphers provide the following information, 1) premiums paid versus claims incurred to include the prior renewal period, 2) average age of participants at this renewal and at prior renewal, 3) number of covered lives at this renewal and at prior renewal, and 4) percentage of manual versus experience rating at this renewal and at prior renewal.

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

The Trustees tabled this decision pending the requested information from Voya and the results of the Request For Proposal (RFP) prepared by the Meltzer Group.

VIII. MELTZER GROUP

The Trustees welcomed Ms. Beth Robertson and Mr. Ethan Foxman of the Meltzer Group to the meeting. They distributed a copy of their report titled, "The Warehouse Employees Union Local 730."

A. Class C Plan

Ms. Robertson discussed the Trustees' request to review whether it would be financially favorable to the Fund to move the Class C participants from the current fully-insured arrangement to a self-insured arrangement. She said based on the Meltzer Group's self-funded analysis models and the current plan design, moving from a fully-insured arrangement to a self-insured arrangement would result in cost savings of between approximately $30,000 and $64,000 for a one-year period. Ms. Robertson said that it would not be the Meltzer Group's recommendation to move the Class C plan into a self-funded arrangement at this time.

B. Stop Loss

Ms. Robertson said that the current stop loss policy runs on a policy year effective August 1st through July 31st and that the Trustees had requested information on moving to a calendar year policy. She said that if the policy is based on a calendar year, there would be less concern over the impact on the medical deductible and out-of-pocket maximum. Ms. Robertson recommended that upon the stop loss contract renewal for August 1, 2018, the Trustees renew with a short plan year, August 1, 2018 through December 31, 2018, with the intention to begin a calendar year policy effective January 1, 2019. Ms. Robertson also recommended that at the next renewal, the Trustees reduce the current specific deductible, to an amount more appropriate for the claim experience and size of the Fund.

C. Life Insurance

Ms. Robertson said that a RFP was sent to several different carriers based on the proposed 17% increase from the current carrier, Voya Financial. Ms. Robertson said several carriers did not respond, however those that did were uncompetitive and could not match the current or proposed renewal rate from Voya. She said that Cigna provided an incorrect proposal and indicated a corrected proposal would be submitted.

D. Cyber Liability

Ms. Robertson reported that the Meltzer Group is in the process of putting cyber liability proposals together and will provide that information to the Administrative Manager as soon as it is available.

XI. OTHER FUND BUSINESS

A. COBRA Rates

Ms. Cochran reported the 2018 COBRA rates were calculated and reviewed by Fund Counsel. She said a copy of the updated rates was contained in the meeting booklet for Trustee review.

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

> **RESOLVED to approve the 2018 COBRA rates as contained in the meeting booklet.**

B. Washington Food and Supply Contribution Increase Letter

Ms. Cochran said a contribution rate increase letter was mailed to the employer for a rate change effective November 1, 2017.

C. Cyber Liability Policy

Ms. Cochran reported that proposals had been provided by Union Insurance Group (UIG) from carriers, BCS and Chubb. The Trustees requested that the Administrative Manager ask UIG for background information regarding BCS and the company's rating. The Trustees tabled the discussion until the additional information is provided along with the proposals from the Meltzer Group.

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

> **RESOLVED to provide all cyber liability proposals once available to Chairman and Secretary and for Chairman and Secretary to make a recommendation regarding the selection of a cyber liability policy to the Board of Trustees.**

D. Segal Pharmacy Pricing Report

Ms. Cochran said that the Trustees had approved as interim action to have Segal review the pricing terms of the current Pharmacy Benefit Manager (PBM), Cigna, and compare the pricing to its book of business and best-in-class pricing at a fee of $5,000. Ms. Cochran provided an overview of Segal's report, a copy which was contained in the meeting booklet. The report indicated that Cigna is performing better than the minimum contract guarantees for brand and generic discounts, however is underperforming when compared to market benchmarks for pharmacy coalitions and clients for whom Segal has negotiated new contracts or performed market checks for 2018. The report also showed an annual estimated ingredient cost and rebate savings of three other carriers, HCCCC, Benchmark B (coalition) and Benchmark C (standalone PBM). Ms. Cochran said that Segal is recommending that the Fund request improved pricing from Cigna for the last year of the current agreement and/or issue a RFP for a new pharmacy program effective January 1, 2019. Ms. Cochran reminded the Trustees that the Cigna medical Shared Administration fee would increase $10.00 per member per month if the Fund moved to a different pharmacy program. The Trustees requested that the Administrative Manager notify Segal to request improved pricing from Cigna as soon as possible.

E. **Cigna Medical Renewal**

Ms. Cochran directed the Trustees to a copy of Cigna's medical Shared Administration renewal, which was contained in the meeting booklet. She said that the current agreement expires on December 31, 2017 and that the Trustees tabled this decision at the last meeting pending information related to the prescription program. The Trustees tabled the medical renewal until the final pharmacy pricing is provided by Cigna.

F. **2018 Out-of-Pocket Maximums**

Ms. Cochran reported interim action that the Trustees, based on Segal's recommendation, approved increasing the annual out-of-pocket maximum limits. She said the new limits effective January 1, 2018 are $6,250 medical/$1,100 prescription per individual and $12,500 medical/ $2,200 prescription per family.

G. **Health Care Cost Containment Corporation (HCCCC) – Annual Renewal**

Ms. Cochran reported receipt of the annual renewal for the Fund's participation in the HCCCC for the 2018 calendar year. The 2018 annual fee is $700.

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

> **RESOLVED to approve the 2018 renewal for the Fund's participation in the HCCCC for the 2018 calendar year at an annual fee of $700.00.**

H. Transitional Reinsurance Program Fee (TRP)

Ms. Cochran said that the second installment of the TRP fee for the 2016 Plan year was paid on November 8, 2017 in the amount of $4,341.60.

I. 2018 Annual Out-of-Pocket Limits

Ms. Cochran reported interim action in accordance with Segal's recommendation that the out-of-pocket maximums for the 2018 Plan year will increase to $6,250 medical and $1,100 prescription for individual coverage and $12,500 medical and $2,200 prescription for family coverage effective January 1, 2018.

XII. NEXT MEETING DATE AND LOCATION

After discussion, the Trustees selected March 5, 2018 as their next regular meeting in Landover, Maryland.

XIII. ADJOURNMENT

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

Respectfully submitted,

Jason Paradis
Secretary