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 JANUARY 25, 2013 LANDOVER, MARYLAND

The following Trustees were present:

UNION TRUSTEES	EMPLOYER TRUSTEES
R. Brooks	J. Paradis – Secretary
R. Essex	L. Johnson
R. Johnson	F. Stegman
T. Richardson – Alternate	

Also present were:

H. Burton – Morgan, Lewis & Bockius, LLP
A. Cochran – Associated Administrators, LLC
M. DeLancey – Dickstein Shapiro, LLP
M. Herwig – PNC Bank, NA
R. Sichel – Investment Performance Services, LLC
R. Tierney – Associated Administrators, LLC
J. Timm – The Segal Company

I. CALL TO ORDER

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

II. TRUSTEE RESIGNATION AND APPOINTMENT

Mr. Tierney reported receipt of an undated letter on November 20, 2012 from Trustee Joseph Navin announcing his resignation effective immediately. Trustee Paradis said that under the provisions of the Trust Agreement, the remaining Employer Trustees were responsible for appointing a Trustee to replace Mr. Navin. As a result, Trustees Paradis and Stegman have appointed Ms. Lynell Johnson from Eight O'clock Coffee to replace Mr. Navin as an Employer Trustee effective immediately.

The Trustees welcomed Ms. Johnson and directed the Administrative Manager to have her added to the Fiduciary Liability Insurance policy, replacing Mr. Navin, and to provide the standard new trustee materials such as, but not limited to, the Trust Agreement, Plan Document, Summary Plan Description and Trustee Expense Policy.

III. MINUTES

The Trustees read the minutes of the last regular meeting held on September 6, 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 September 6, 2012 are approved as written.**

IV. FINANCIAL REPORT

The Trustees welcomed Mr. Michael Herwig of PNC, Bank, NA and Mr. Rich Sichel 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 December 31, 2012. Beginning market value was $19,394,994. Contribution income totaled $6,432,878, disbursements totaled $9,547,678, and investment earnings totaled $1,064,490, producing an ending market value of $17,344,684.

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

B. Investment Performance Services

1. Investment Performance

Mr. Sichel distributed his report entitled, "Investment Performance Analysis – December 31, 2012." Mr. Sichel reported that the total market value of assets as of December 31, 2012 was $17,344,684.

2. Asset Allocation

Mr. Sichel reported that as of December 31, 2012 the Fund held 68.5% in domestic fixed income, 12.5% in domestic equities, 11.2% in domestic fixed high yield, 5.8% in real estate, and 2.0% in cash equivalents. He noted the SSGA S&P Index Fund held $2,161,235; Atlanta Capital held $11,873,470; American Realty Advisors held $1,013,800; Penn Core held $1,941,652; and there was $354,527 in the cash account.

3. Investment Consulting Contract Renewal

Based on approval by the Board at the September 6, 2012 meeting, the Chairman and Secretary executed the IPS contract renewal for the period October 1, 2012 through September 30, 2015.

V. COUNSEL REPORT

Mr. DeLancey reviewed the status of subrogation matters currently under collection as of January 25, 2013. He reported that there were four open cases, three closed cases, and one case opened since the last Board of Trustees meeting on September 6, 2012. He said there were no cases requiring Trustee action at this time.

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 third quarter 2012. Such report showed Employer contributions of $1,317,978, interest and dividend income of $120,671, and miscellaneous income of $107, producing a total income of $1,438,756 for the quarter. Expenses included $2,336,765 of benefit expenses and $88,532 of operating expenses, producing a total expense of $2,425,297. This produced a total deficit of $986,541 for the quarter ended September 30, 2012. Mr. Tierney noted that contributions were made on behalf of 532 Plan participants. He noted there were no contribution delinquencies to report.

VII. INVOICES

Mr. Tierney presented a list of invoices dated January 25, 2013 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 January 25, 2013 be approved for payment as presented.**

VIII. PARTICIPANT APPEALS

Appeal Number	***Issue***	***Board Decision***
E12/134-0191	*Dependent Coverage*	*Denied*
E12/130-7142	*Open Enrollment*	*Denied*
E12/133-3089	*COBRA*	*Denied*
Rx12/129-4854	*Brand Name Rx*	*Approved*
M12/131-8808	*Late Response to Requests for Information*	*Denied*
M12/135-9644	*Late Response/Late Appeal*	*Denied*

IX. HEALTHCARE CONSULTANT – THE SEGAL COMPANY

The Trustees welcomed Mr. Joshua Timm 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 January 25, 2013. The memorandum detailed the results of the modified PBM RFP conducted by the Segal Company at the request of the Trustees. Mr. Timm reported that CIGNARx was willing to make improvements to its original contract with the Fund resulting in savings of 5.7%, or $199,000. The original proposal from CIGNARx resulted in savings of 2.3%, or $81,000. 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 $282,000, according to the Segal analysis. Segal also evaluated the financial terms available under the Delaware Valley HealthCare Coalition (DVHC) agreement with Express Scripts and the International Brotherhood of Teamsters (IBT) coalition with OptumRx. The DVHC arrangement would yield 4.1% savings and the IBT arrangement would result in zero savings.

The Trustees discussed the amount of savings, $83,000 in moving to CVS/Caremark compared to remaining with CIGNARx, under their most recent proposal. The Trustees noted the issues and costs related to a PBM transition, such as potential member disruption, formulary changes, and the costs of programming changes required by Associated. Mr. Timm said that Segal recommended the Fund accept the revised CIGNARx financial proposal with the understanding that the Fund will have the right to terminate the agreement upon 90-days notice after the first year.

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

RESOLVED, based on the recommendation of the

Segal Company, to accept the contract renewal offer from CIGNARx for a three-year agreement, with the right to terminate upon 90-days notice after the first year.

B. <u>Summary of Benefits and Coverage (SBC)</u>

Mr. Timm presented the final draft SBC for the Class E benefits as prepared by his firm. He noted the Fund must begin supplying this document to Plan participants as soon as possible, once approved. Mr. Timm reminded the Trustees that United Healthcare will supply the SBC for the HMO plan, Class C and the Pre-Medicare Retiree plans.

Fund Counsel indicated they had reviewed the SBC and found it be acceptable.

The Trustees approved the final version on the SBC as prepared by the Segal Company and directed the Administrative Manager to have it printed and mailed to the applicable plan participants as soon as possible.

The Trustees thanked Mr. Timm for his reports and he was excused from the meeting.

X. <u>CIGNA – PPO and Prescription Drug Reports</u>

Mr. Tierney reviewed the CIGNA PPO savings report for the period January 1, 2012 through September 30, 2012, as contained in the meeting booklet. The PPO network savings, meaning the billed amount less the network allowed amount, net of fees, equaled $2,328,863. This represented an overall PPO savings of 35.4% for the period of January 1, 2012 through September 30, 2012.

Mr. Tierney reported that CIGNA had provided a 2012 Performance Guarantee Agreement for review by Fund Counsel, but had not yet provided the guarantees for

2013. The matter was therefore tabled until the 2013 performance guarantees were available from CIGNA.

Also included in the meeting booklet for Trustee review was the CIGNARx Pharmacy Utilization Performance report for the period January 1, 2012 through September 30, 2012.

XI. OTHER FUND BUSINESS

A. Payroll Audit Status Update

Mr. Tierney reviewed the Payroll Audit Status Report as supplied by Calibre.

1. Jessup Logistics – Credit Request

Mr. Tierney reported that the payroll exit audit of Jessup Logistics resulted in underpayments and overpayments to the Fund. The Employer was notified and paid the total amount of underpayments, less the amount of the overpayments. He notified the Employer that proper procedure required payment of the underpayments in full and a request for credit for the amount of overpayments.

Mr. Tierney then reviewed the credit request submitted by Jessup Logistics for the amount of overpayments discovered in the payroll audit, $372.68.

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

> **RESOLVED to approve the credit request in the amount of $372.68 from Jessup Logistics for overpayments discovered by Calibre in the payroll audit.**

2. Giant Vacation Relief Review

Mr. Tierney reported that Calibre had completed its review of the Giant Vacation Relief payroll records for the period 2001 to 2004, and found no reportable issues. However, Giant had failed to provide the payroll auditor with the payroll records for 2005, despite numerous requests. Trustee Paradis said he would attempt to discover why the 2005 payroll records were not provided to Calibre.

The Trustees tabled further action on this matter pending Trustees Paradis' inquiry.

3. <u>Giant Warehouse and Recycling Random Audit</u>

The Trustees advised the Administrative Manager that discussions regarding this payroll audit remain on-going with the bargaining parties, due to the question of truncating hours, and as such is tabled at this time. They said the demand for payment should not be sent to the employer at this time.

B. <u>Accident and Sickness Overpayments</u>

Mr. Tierney provided an update on the two participants from Jessup Logistics who received Accident and Sickness payments after the Employer stopped participating in the Fund on December 31, 2011. He said, in accordance with Trustee direction, the Fund Office made one more final attempt by mail to collect the overpayments. One payment of $120 was recovered, but the other attempt was unsuccessful. Therefore, this amount of $320 will be written off as uncollectable as the expense of additional attempts at recovery would outweigh the amount of recovery.

C. <u>Form 990, Form 5500, and Summary Annual Report (SAR) – 2011 Plan Year</u>

Mr. Tierney reported that Calibre had filed the Forms 990 and 5500 for the 2011 plan year prior to the extended deadline. The SAR was mailed to the plan participants.

D. Life and Accidental Death & Dismemberment Insurance

Mr. Tierney reported the premium rates for the life and accidental death & dismemberment insurance effective January 1, 2013 were received in the Fund Office. This is the second year of a three-year agreement with ING Employee Benefits.

E. 2013 COBRA Rates

Mr. Tierney reported the 2013 COBRA rates were calculated and reviewed by Fund Counsel. Participants currently on COBRA and those in active offering status were notified of the rate change in December 2012.

F. Retiree FASB ASC 965 Actuarial Valuation (Retiree Benefits)

Mr. Tierney noted receipt of the Actuarial Valuation of retiree benefit liability prepared by Cheiron. The report was provided to the Fund's auditor for preparation of the financial statements and Form 5500. A copy of the Valuation is filed in the Fund's records.

G. Affordable Care Act (ACA): Comparative Effectiveness Research (CER) and Transitional Reinsurance Program (TRP) Fees

Mr. Tierney reviewed two new fees the Fund must pay under the ACA, the CER and TRP. He discussed the amounts due, the reasons for the fees, and the due dates.

The CER fee will be first due in mid-2013. The Trustees directed the Administrative Manager to contact the Auditor and confirm it is willing to complete and file the forms required to pay the CER fees and at what cost.

H. *For Your Benefit* Newsletter

Mr. Tierney noted the October 2012 *For Your Benefit* newsletter was mailed to participants. It contained the required annual Newborns' and Mothers' Health Protection Act Notice.

I. **Class Action Settlement Payment – Pediatric Paxil**

Mr. Tierney said the Fund received a class action settlement check in the amount of $789.15 for pediatric Paxil utilization by Fund members.

J. **2012 Retiree Drug Subsidy Payment**

Mr. Tierney reported receipt of a retiree drug subsidy payment in the amount of $37,698.72 for the 2012 plan year.

XII. NEXT MEETING DATE AND LOCATION

After discussion the Trustees elected May 2, 2013 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