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 MAY 2, 2013 LANDOVER, MARYLAND

The following Trustees were present:

UNION TRUSTEES
T. Richardson - Chairman
R. Brooks
R. Essex

EMPLOYER TRUSTEES
J. Paradis – Secretary
L. Johnson
F. Stegman

Also present were:

H. Burton – Morgan, Lewis & Bockius, LLP
A. Cochran – Associated Administrators, LLC
R. Cohen – Dental Health Centers and Associates, LLC
M. DeLancey – Dickstein Shapiro, LLP
L. DuVall – Associated Administrators, LLC
A. Hutchins – CIGNA Healthcare
R. Sichel – Investment Performance Services, LLC
J. Webb – CIGNA Healthcare

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 January 25, 2013.

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 January 25, 2013 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 distributed the Summary of Activity report for the period January 1, 2013 through March 31, 2013. Such report indicated a beginning market value was $17,344,684. Contribution income totaled $1,315,501, disbursements totaled $2,348,015, and investment earnings totaled $292,399, producing an ending market value of $16,604,569.

B. Investment Performance Services

1. Investment Performance

Mr. Sichel distributed his report titled, "Investment Performance Analysis – March 31, 2013." Mr. Sichel reported that the total market value of assets as of March 31, 2013 was $16,604,569.

2. Asset Allocation

Mr. Sichel reported that as of March 31, 2013 the Fund held 69.7% in domestic fixed income, 10.6% in domestic equities, 11.9% in domestic fixed high yield, 6.4% in real estate, and 1.3% in cash equivalents. He noted the SSGA S&P Index Fund held $1,760,302; Atlanta Capital held $11,581,171; American Realty Advisors held $1,059,172; Penn Core held $1,981,901; and that there was $222,023 in the cash account.

Mr. Sichel recommended utilizing equities as a source for the Fund's cash needs to rebalance closer to targets, and to consider allocating a portion of assets to the short duration high yield asset class.

3. **<u>High Quality Short Duration High Yield Asset Class</u>**

Mr. Sichel reviewed an asset allocation assumptions chart titled, "10-Year Annualized Expectations." The chart represents an annualized return forecast for the different asset classes using index returns (net of fees). Mr. Sichel directed the Trustees to the asset class, Bond – High Quality Short Duration High Yield section of the chart which listed a projected return of 6.00% and a risk of 5.75%. He then reviewed the different asset allocation options which he described for the Trustees. He stated that IPS recommended Option 1-C which would reduce the Intermediate Fixed Income allocation with Atlanta Capital, with approximately three to four million dollars to be drawn from Atlanta Capital to fund the new manager.

Mr. Sichel then reviewed a list of four qualified candidates for the High Quality Short Duration High Yield asset class: 1) ABOC/Bradford & Marzec, LLC, 2) Chartwell Investment Partners, 3) PENN Capital Management, and 4) Post Advisory Group, LLC. He reviewed each manager and years of experience, portfolio duration, credit quality and fees. He also noted the managers that maintained a separate versus commingled account.

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

> **RESOLVED to engage a High Quality Short Duration High Yield asset allocation as the Option 1-C asset allocation at recommended by IPS and for Chairman and Secretary to interview by telephone the following managers: 1) Chartwell Investment Partners and 2) Post Advisory Group, LLC for a finalist presentation and to give Chairman and Secretary authority to select a new manager and negotiate the best fee available.**

IV. COUNSEL REPORT

A. Co – Counsel Rates

1. Dickstein Shapiro LLP

Ms. Cochran reported that Dickstein Shaprio's rate increase effective January 1, 2013 was approved by the Trustees as interim action.

2. Morgan Lewis Bockius LLP

Ms. Cochran reported that Morgan Lewis Bockius's rate increase effective January 1, 2013 was pending Trustee approval.

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

RESOLVED to approve the Morgan Lewis Bockius rate increase as presented effective January 1, 2013.

B. Adams Burch, Inc. Collective Bargaining Agreement (CBA)

Co-Counsel indicated they had reviewed the CBA between the Union and Adams Burch, Inc., for the period of June 30, 2013 through June 30, 2018 and recommended the Trustees adopt the CBA. The CBA contains new language which allows the current contribution rate to remain unchanged during the life of the CBA, unless the Fund reserve declines to fifteen months, at which time the Employer would be required to increase the contribution rate by $0.50 per hour. The Trustees noted the interpretation of the Adams Burch language applies to all participating Employers in the Fund.

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

RESOLVED to adopt the Collective Bargaining Agreement between the Union and Adams Burch, Inc., for the period June 30, 2013 through June 30, 2018.

C. **Subrogation Report**

Mr. DeLancey reviewed the status of subrogation matters currently under collection as of May 2, 2013. He reported that there were three open cases, zero closed cases, and zero cases opened since the last Board of Trustees meeting on January 25, 2013. He stated that there were no cases requiring Trustee action at this time.

D. **HIPAA BAA**

Co-Counsel reported that on January 25, 2013 the Department of Health and Human Services ("HHS") published the Final Rule to the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"). Mr. DeLancey stated the new legislation would require the Fund to revisit certain provisions of the HIPAA privacy policy, including the privacy notice and business associate agreements (BAA). Mr. DeLancey presented a draft copy of the new BAA which will be revised by September 23, 2013. He noted that the BAA's in place as of January 25, 2013 which are not renewed or amended thereafter, are grandfathered for an extra year and must be revised by September 23, 2014.

V. **ADMINISTRATIVE MANAGER REPORT**

Ms. Cochran presented the Administrative Manager Report for the fourth quarter 2012. Such report showed Employer contributions of $1,300,264, interest and dividend income of $80,103, and miscellaneous income of $17,842, producing a total income of $1,398,209 for the quarter. Expenses included $2,001,552 of benefit expenses and $51,925 of operating expenses, producing a total expense of $2,053,477. This produced a total deficit of $655,268 for the quarter ended December 31, 2012. Ms. Cochran noted that contributions were made on behalf of 461 Plan participants. She noted there were no contribution delinquencies to report.

VI. **INVOICES**

Ms. Cochran presented a list of invoices dated May 2, 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 May 2, 2013 be approved for payment as presented.

VII. PARTICIPANT APPEALS

Appeal Number	*Issue*	*Board Decision*
E13/110-3710	*Dependent Coverage*	*Approved*
M13/108-8476	*Excess of UCR, Late Appeal*	*Denied*
M13/107-5864	*Late Response, Late Appeal*	*Denied*

VIII. PROVIDER REPORTS

A. Dental Health Centers and Associates, LLC

The Trustees welcomed Dr. Robert Cohen from Dental Health Centers and Associates, LLC (DHC) to the meeting. Dr. Cohen distributed his 2012 annual dental services report. The report indicated the total yearly premium paid for dental coverage was $209,883.28. The dollar value of dentistry performed at the average "usual and customary" fees in 2012 was $412,660.00. Dr. Cohen said the report indicates that for each $1.00 in premiums paid, the members are receiving $1.97 of dental services based on "usual and customary" values.

Dr. Cohen presented a request for an increase in premiums based on his summary of 2012 Cost of Care report which indicated overall profit for 2012 was 5.29%. Dr. Cohen said based on the latest data through December 2012, he would like to request a 3% increase during the first year of this agreement beginning January 1, 2014, and a 3% increase in the following year through December 2015.

The Trustees thanked Dr. Cohen for his report and he was excused from the meeting.

After a discussion, the Trustees advised the Administrative Manager to counter offer the requested contractual renewal with a 2.5% fee increase effective January 1, 2014 through December 31, 2014 and a 3% fee increase effective January 1, 2015 through June 30, 2016.

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

> **RESOLVED to authorize the Administrative Manager to counter offer the proposed fee request for DHC as follows, a 2.5% increase effective January 1, 2014 through December 31, 2014 and a 3% increase effective January 1, 2015 through June 30, 2016.**

B. <u>CIGNA PPO</u>

The Trustees welcomed Mr. Hutchins and Mr. Webb to the meeting. Mr. Webb first reviewed the CIGNA savings report for the period January 1, 2013 through March 31, 2013. The PPO network savings, meaning the billed amount less than the network allowed amount, equaled $343,273. This represented an overall PPO savings of 46.3% for the period of January 1, 2013 through March 31, 2013.

Mr. Webb then reviewed the CIGNA savings report for the period January 1, 2012 through December 31, 2012. The PPO network savings equaled $2,992,978. This represented an overall PPO savings of 38.5% for the period of January 1, 2012 through December 31, 2012. Mr. Hutchins noted the savings were less than the proposed discount guarantee of 43.2%. Mr. Hutchins said he believes one or two large hospital claims are driving less of a discount than in previous Plan years. He stated CIGNA will be preparing a reconciliation report to determine if money is owed back to the Fund for the 2012 Plan year.

The Trustees thanked Mr. Hutchins and Mr. Webb for their report and they were excused from the meeting.

C. United Healthcare

Ms. Cochran reported a renewal from United Healthcare (UHC) was received on April 25, 2013. She stated UHC's proposed rate increase was 25.92%. Ms. Cochran stated the renewal was sent to Co-Counsel and the Segal Company for review per Trustee direction.

The Trustees asked the Administrative Manager to request a two month extension from UHC, extending the policy through September 30, 2013. Due to the short period available to review the proposed renewal prior to the meeting, the Trustees advised the Administrative Manager to bring UHC to the next scheduled Board of Trustees meeting to distribute the proposed renewal as well as to answer any questions.

The Trustees asked Mr. Hutchins and Mr. Webb to re-join the meeting for a discussion on the Plan participants in the fully insured, HMO benefit plan. Mr. Hutchins stated CIGNA is in the process of releasing a new HMO product, Healthspring. The Trustees asked the Administrative Manager to provide census data to CIGNA in order for a proposal to be submitted regarding the fully insured book of business.

XI. OTHER FUND BUSINESS

A. Payroll Audit Status Update

Ms. Cochran reviewed the Payroll Audit Status Report as supplied by Calibre.

1. Giant Warehouse and Recycling Random Audit

The Bargaining Parties advised the Trustees that a Memorandum of Agreement (MOA) had been made regarding the findings of the random audit cycle related to the issue of truncating hours for the period January 2009 – December 2011. The bargaining parties distributed the MOA between Giant Food LLC Recycling Warehouse and Giant Food LLC, ("Company") and the Warehouse Employees Union, Teamsters Local No. 730, ("Union") effective January 1, 2013. The Bargaining Parties agreed to base contribution payments effective January 1, 2013 to the Fund upon the full and actual hours worked by an employee without truncating or rounding down hours actually worked.

After discussion, the Trustees voted with Trustee Paradis abstaining approval of the following resolution:

> **RESOLVED that the MOA presented by the Bargaining Parties, effective January 1, 2013 between Giant Food LLC Recycling Warehouse and Giant Food LLC and the Warehouse Employees Union, Teamsters Local No. 730 is accepted as presented.**

2. Giant Vacation Relief Review

Ms. Cochran reported that after Calibre reviewed the payroll records provided by Giant, Calibre had in fact received the 2005 records. The records were mislabeled. Calibre reviewed the 2005 data provided in a timely fashion by Giant and found no reportable issues.

Ms. Cochran reported that Giant had agreed to pay the findings of the self audit totaling $34,942.45 to the Welfare Fund. Ms. Cochran received confirmation from Giant that a check was in transit to the Fund Office.

B. Form 5500 and 2012 Annual Audit

Ms. Cochran reported that Calibre had requested an extension to file the Form

990 and Form 5500 for the 2012 Plan year. Ms. Cochran stated Calibre sent an electronic mail requesting the extension due to the late scheduling of the 2012 annual audit and in order to have the Forms properly reviewed by the different levels of management.

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

> **RESOLVED to approve Calibre's request to file an extension for the Form 990 and Form 5500 on behalf of the Fund for the 2012 Plan Year.**

C. <u>Health Care Cost Containment Coalition (HCCCC) – Annual Renewal</u>

Ms. Cochran reported interim action since the last meeting in which the Trustees considered the annual renewal of participation in the HCCCC for the 2013 calendar year. The 2013 annual fee of $600 was approved via electronic poll conducted in April, 2013.

D. <u>2013 Retiree Drug Subsidy Payment</u>

Ms. Cochran reported receipt of a retiree drug subsidy payment in the amount of $12,158.11 for the 2012 plan year.

E. <u>2011 Retiree Drug Subsidy Reconciliation</u>

Ms. Cochran reported the successful completion of the 2011 retiree drug subsidy reconciliation. The 2011 reconciliation resulted in an additional subsidy of $70,502.87.

F. <u>Annual Creditable Coverage Disclosure to CMS (2013)</u>

Ms. Cochran reported the electronic filing of the Creditable Coverage Disclosure to CMS for 2013 was filed and accepted in a timely manner.

G. <u>Summary of Benefits and Coverage</u>

Ms. Cochran reported that the Summary of Benefits and Coverage Notice was mailed to Class E participants and beneficiaries on February 26, 2013.

H. <u>Life and Accidental Death & Dismemberment Insurance</u>

Ms. Cochran reported ING, provider of life and accidental death and dismemberment insurance, updated its booklet. Prior to the distribution of the updated booklet, a new disclosure statement needed to be executed by the Trustees. Co-Counsel approved the disclosure statement for Trustee signature.

I. <u>Affordable Care Act (ACA) Compliance</u>

Ms. Cochran reviewed two new fees the Fund must pay under the ACA the Comparative Effectiveness Research fee (CER) and Temporary Reinsurance fee.

The CER fee will be 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 at no cost.

Ms. DuVall discussed the different methods available to determine the participant count needed to complete the forms required for the filing. The Trustees instructed the Administrative Manager to distribute the different methods in an electronic mail for the Trustee's approval.

Regarding the other regulations that are effective January 1, 2014 and beyond, the Trustees directed the Administrative Manager to get a proposal from Segal regarding ACA compliance issues. If the proposal by Segal is found acceptable, the Trustees directed Co-Counsel and Segal to prepare a compliance report for the next regularly scheduled meeting. The Trustees asked that the report be distributed prior to the meeting for review.

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

RESOLVED to engage Segal to prepare an ACA compliance report, upon the Trustee's approval of the Segal proposal.

J. *For Your Benefit* Newsletter

Ms. Cochran noted the January 2013 *For Your Benefit* newsletter was mailed to participants.

XII. NEXT MEETING DATE AND LOCATION

After discussion the Trustees selected August 29, 2013 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