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 JUNE 28, 2017 LANDOVER, MARYLAND

The following Trustees were present:

UNION TRUSTEES	EMPLOYER TRUSTEES
R. Brooks – Chairman	L. Johnson
J. Lacy	F. Stegman
F. Myers	B. Pounds – Alternate
T. Richardson – Alternate	

Also present were:

D. Burton – Morgan, Lewis & Bockius, LLP
H. Burton – Morgan, Lewis & Bockius, LLP
A. Cochran – Associated Administrators, LLC
B. Davis– Associated Administrators, LLC
M. DeLancey – Blank Rome LLP
T. Geiman – Novak Francella LLC
B. Hicks – Investment Performance Services, LLC
M. Pascal – Novak Francella LLC
J. Webb – Cigna

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 March 27, 2017.

Trustee Stegman noted a typo in the Summary of Benefits and Coverage section.

On MOTION made and seconded, the Trustees voted, with the typo to be corrected, unanimous approval of the following resolution:

> **RESOLVED that the minutes of the last regular meeting held on March 27, 2017 are approved as written.**

III. FINANCIAL REPORT

The Trustees welcomed Mr. Brian Hicks of Investment Performance Services (IPS) to the meeting.

A. Custodian Bank – PNC Bank, NA

Ms. Cochran said a copy of the PNC Summary of Activity report for the period January 1, 2017 through March 31, 2017 is contained in the meeting booklet.

B. Investment Performance Services

Mr. Hicks distributed his report titled, "Investment Performance Analysis – March 31, 2017." Mr. Hicks reported that the total market value of assets as of March 31, 2017 was $6,775,712.

Mr. Hicks reported that as of March 31, 2017, the Fund held 46.2% in domestic fixed income, 40.9% in short duration high yield, 11.5% in real estate, and 1.4% in cash equivalents. Wedge Capital held $3,129,295; American Realty Advisors held $782,143; Chartwell held $2,768,734; there was $95,541 in the cash account. He noted that the amount in the real estate allocation was increasing and recommended rebalancing the domestic fixed income and short duration high yield asset allocations closer to targets with the remaining money into the cash account for future expenses. He discussed the current cash flows needs with the Trustees. Ms. Cochran said that additional money in excess of the monthly contributions was needed for March, however employer contributions have covered expenses for the months of April and May. Mr. Hicks said that the real estate allocation has quarterly redemptions and recommended that the Trustees submit a request at this time and then re-visit this decision at the September meeting.

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

> **RESOLVED to accept the recommendation of IPS to submit a redemption request to American Core Realty Fund and to discuss the redemption request at the September meeting to assess the cash flow needs of the Fund and if money is needed for cash flow prior to September to authorize Chairman and Secretary to make a decision in the interim.**

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

IV. <u>AUDITOR REPORT</u>

The Trustees welcomed Mr. Tyler Geiman and Ms. Marcella Pascal of Novak Francella LLC to the meeting.

Ms. Pascal reviewed the draft Financial Statements for the year ended December 31, 2016. She said this audit reflects an unmodified opinion, in all material respects, of the financial status of the Fund. The total assets as of December 31, 2016 were $7,462,703, accounts payable were $164,288 and benefit obligations totaled $3,534,708. She noted total additions for the year ended December 31, 2016 were $5,016,470, and total deductions were $7,991,492, resulting in Net Assets Available for Benefits of $7,276,707 as of December 31, 2016. She also reviewed the notes to the financial statements, the schedule of administrative expenses, the schedule of employer contributions, the schedule of assets held for investment purposes, and the schedule of reportable (5%) transactions.

The Trustees thanked Mr. Geiman and Ms. Pascal for their report and were excused from the meeting.

V. <u>COUNSEL REPORT</u>

Mr. DeLancey reviewed the status of subrogation matters under collection as of June 28, 2017. He reported that there were four open cases, no closed cases, and no new cases opened since the last Board of Trustees meeting on March 27, 2017.

Mr. DeLancey stated that 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

Ms. Cochran presented the Administrative Manager Report for the first quarter 2017. Such report showed employer contributions of $1,184,962, interest and dividend income of $75,925, and no miscellaneous income, producing a total income of $1,260,887 for the quarter. Expenses included $1,250,709 of benefit expenses and $83,563 of operating expenses, producing a total expense of $1,334,272. This produced a total deficit of $73,385 for the quarter ended March 31, 2017. Ms. Cochran noted that contributions were made on behalf of 388 Plan participants.

VII. INVOICES

Ms. Cochran presented a list of invoices dated June 28, 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 June 28, 2017 are approved for payment as presented.**

VIII. PROVIDER REPORT – MELTZER GROUP

The Trustees welcomed Mr. Aaron Goldberg from The Meltzer Group (Meltzer) to the meeting. Mr. Goldberg distributed his meeting materials which included the 2017 – 2018 United Healthcare (UHC) renewal.

Ms. Cochran said that the UHC renewal for Class C active participants reflected a 31.5% increase and was distributed to the Trustees by email. She said that Cigna also provided a proposal for the Class C plan which reflected a 10% increase in premium over the 31.5% proposed increase by UHC. Ms. Cochran said that by interim action, the Trustees approved engaging Meltzer to 1) request additional proposals from other carriers and 2) work with UHC to make benefit changes in order to reduce the increase in premium.

Mr. Goldberg said that Meltzer was able to negotiate the UHC renewal to a 29.5% premium increase but due to the reduction in enrollment, UHC was not able to reduce the increase further. He reviewed five different benefit options which included various changes to the benefit. Mr. Goldberg noted that any reduction in benefits would result in the loss of Grandfathered Status under the Affordable Care Act. The Trustees requested that Meltzer provide an analysis on the impact of moving the Class C plan of benefits into a self-insured arrangement.

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

> **RESOLVED to approve the UHC renewal for the period August 1, 2017 through July 31, 2018 with a premium increase of 29.5%.**

Mr. Goldberg discussed Meltzer's services related to Stop Loss insurance and his firm may be able to provide other competitive quotes that may result in additional savings of premium for the Fund. Ms. Cochran said that the requested data was sent to Ullico for the August 1, 2017 renewal. The Trustees agreed to have Meltzer review the renewal and request additional proposals from other carriers.

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

IX. PROVIDER REPORT – CIGNA

The Trustees welcomed Mr. Jason Webb and Mr. David Burton of Cigna to the meeting. Mr. Webb distributed his report titled, "Savings Summary/Member Engagement/Pharmacy Utilization and Savings Opportunities."

A. PPO Savings Report

Mr. Webb reviewed the Cigna PPO savings report for the period January 1, 2017 through May 31, 2017. The PPO network savings, meaning the billed amount less the network allowed amount, equaled $1,149,923.44. This represented an overall PPO savings of 47.3% for the period January 1, 2017 through May 31, 2017. Mr. Webb reviewed the out-of-network savings results for the period January 1, 2017 through May 31, 2017 noting a savings of 35.2%.

B. Pharmacy Report

Mr. D. Burton distributed his report and presented a review of the pharmacy benefit for the period January 1, 2016 through December 31, 2016. He reviewed the "Key Indicator" report, therapeutic class trends, top drug by plan spend and by volume, high cost prescriptions, generic utilization, and generics on the horizon. The Trustees requested an updated report to reflect the loss of the retirees in the enrollment count and the available utilization data for 2017.

Mr. D. Burton then discussed Cigna's Drug Utilization Management Program, Essential Protection, which offers three different levels of protection: quantity limits, prior authorizations and step therapy. The Trustees asked Cigna to confirm if the levels of protection can be separated or if it is one package. The Trustees tabled this discussion until more information is available regarding the program.

The Trustees thanked Mr. Webb and Mr. D. Burton for their presentation. They were excused from the meeting.

X. OTHER FUND BUSINESS

A. Fiduciary Liability Insurance Renewal and Waiver of Recourse Premiums

Ms. Cochran referred to the proposal contained in the meeting booklet regarding the renewal of the Fiduciary Liability policy, through the broker Union Insurance Group. She said there were two proposals, one from Ullico/Merkel (Ullico) and from the current carrier, Chubb. Ms. Cochran said the annual premium for Ullico is $10,968 and for Chubb is $18,376. She said that Union Insurance Group stated both carriers are excellent options and that the coverages are comparable.

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

> **RESOLVED to approve the Fiduciary Liability Policy with Ullico for the period July 26, 2017 through July 26, 2018 with an annual premium of $10,968.00.**

Ms. Cochran advised the Trustees that letters regarding their required payment of the Waiver of Recourse premium of $25 would be mailed.

B. Employer Contribution Rate Letters

Ms. Cochran said contribution rate increase letters were mailed to Giant Warehouse and the Warehouse Local 730 Union on May 1, 2017 for rate changes effective June 1, 2017.

C. Patient-Centered Outcomes Research Institute

Ms. Cochran stated the PCORI fee, imposed by the Affordable Care Act for self-insured group plans, must be filed by July 31, 2017. The fee is $2.26 multiplied by the average number of lives covered under the Plan for that Plan year. Ms. Cochran said the plan selected the snapshot method for the prior filings to determine the average number of lives covered under the Plan. The Trustees directed the Administrative Manager to engage Novak Francella to file the Form 720, which is a tax form associated with the fee.

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

> **RESOLVED to approve the snapshot method for the plan year ended December 31, 2016 and to engage Novak Francella to file the Form 720 at no additional fee.**

D. Dental Health Centers & Associates (DHC)

Ms. Cochran said that the Trustees requested verification of the rate increase presented by DHC at the last meeting of 2.1% in accordance with the 2016 CPI-U. Ms. Cochran reported that documentation was supplied by Dr. Cohen from the Bureau of Labor Statistics Data verifying the 2016 CPI-U at 2.1%. She said that in accordance with the Trustees' direction, the 2.1% per member per month rate increase became effective May 1, 2017.

E. Cyber Liability Policy

Ms. Cochran said that updated applications were submitted to the broker on June 20, 2017. She said proposals had not yet been received.

F. For Your Benefit Newsletter

Ms. Cochran stated that the Fund Office mailed the April 2017 *For Your Benefit* newsletter to the Plan participants.

G. NEXT MEETING DATE AND LOCATION

After discussion, the Trustees selected September 29, 2017 as their next regular meeting in Landover, Maryland.

H. ADJOURNMENT

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

Respectfully submitted,

Ritchie Brooks
Chairman