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 SEPTEMBER 29, 2017 LANDOVER, MARYLAND

The following Trustees were present:

UNION TRUSTEES
R. Brooks – Chairman
J. Lacy
F. Myers
T. Richardson – Alternate

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

Also present were:

C. Allebach – Group Vision Services
H. Burton – Morgan, Lewis & Bockius, LLP
A. Cochran – Associated Administrators, LLC
B. Davis – Associated Administrators, LLC
C. Davis-Alpis – Cigna
M. DeLancey – Blank Rome LLP
K. Foster - Cigna
R. Foxman – Group Vision Services
B. Hicks – Investment Performance Services, 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 June 28, 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 June 28, 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 noted a copy of the PNC Summary of Activity report for the period January 1, 2017 through June 30, 2017 as contained in the meeting booklet.

B. Investment Performance Services

1. Investment Performance

Mr. Hicks distributed his report titled, "Master Consulting Services Report – June 30, 2017." Mr. Hicks reported that the total market value of assets as of June 30, 2017 was $6,909,739.

2. **Asset Allocation**

Mr. Hicks reported that as of June 30, 2017 the Fund held 43.6% in Investment Grade Fixed Income, 38.3% in short duration high yield, 11.5% in real estate, and 6.6% in cash equivalents. He noted Wedge Capital held $3,011,567; American Realty Advisors held $795,357; Chartwell held $2,645,341; there was $457,474 in the cash account.

Mr. Hicks reiterated the Trustees' decision at the June 28, 2017 meeting to submit a redemption request to American Core Realty Fund and to discuss the cash flow needs of the Fund at the September meeting. The Trustees asked if the redemption request could be withdrawn and Mr. Hicks said he would check with the advisor but did not think that was an option due to timing. He then discussed the four different asset allocation scenarios in order to distribute the proceeds from the American Core Realty Fund. Mr. Hicks said that IPS recommended Scenario 3-E which would increase the intermediate fixed income asset allocation and reduce the cash allocation. He recommended $385,000 to Wedge Capital and $50,000 to Chartwell and noted that should the Fund need cash to pay for benefit expenses, liquidity would not be an issue.

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

> **RESOLVED if the redemption request to American Core Realty Fund cannot be withdrawn, to approve the recommendation of IPS of Scenario 3-E to distribute the American Realty proceeds of $435,000 to Wedge Capital in the amount of $385,000 and Chartwell in the amount of $50,000 and to update the Investment Policy Statement accordingly.**

The Trustees thanked Mr. Hicks 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 September 29, 2017. He reported that there were three open cases, one closed case, and no new cases opened since the last Board of Trustees meeting on June 28, 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.

V. ADMINISTRATIVE MANAGER'S REPORT

A. Second Quarter 2017

Ms. Cochran presented the Administrative Manager's Report for the second quarter 2017. Such report showed employer contributions of $1,124,726, interest and dividend income of $68,618, and no miscellaneous income, producing a total income of $1,193,344 for the quarter. Expenses included $1,216,821 of benefit expenses and $45,471 of operating expenses, producing a total expense of $1,262,292. This produced a total deficit of $68,948 for the quarter ended June 30, 2017. Ms. Cochran noted that contributions were made on behalf of 381 Plan participants.

B. Administrative Services Contract Renewal

Ms. Cochran distributed and reviewed her letter dated September 29, 2017 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 for action at the next regularly scheduled Board meeting.

VI. INVOICES

Ms. Cochran presented a list of invoices dated September 29, 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 September 29, 2017 are approved for payment as presented.**

VII. PROVIDER REPORT – GROUP VISION SERVICES (GVS)

The Trustees welcomed Mr. Craig Allebach and Mr. Ralph Foxman of Group Vision Services to the meeting. Mr. Allebach distributed reports for the period August 1, 2016 through June 30, 2017. He reviewed these reports in detail.

Per the request of Trustee Johnson, Mr. Allebach reviewed a safety glasses program offered by GVS that would allow participants to purchase prescription safety glasses at wholesale cost. He said there is no fee associated with this program and it would be added to the current plan design for both benefit plans. Mr. Allebach also discussed a new online program for participants to order eye glasses and contact lenses.

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

VIII. CIGNA

The Trustees welcomed Mr. Jason Webb, Ms. Caroline Davis-Alpis and Ms. Foster of Cigna to the meeting. Mr. Webb distributed his report titled, "Web Tools Enhancement/Savings Summary/Pharmacy Follow up and Savings Opportunity." Ms.

Davis-Alpis reviewed the web enhancement tools that would be available to participants January 1, 2018.

A. PPO Savings Report

Mr. Webb reviewed the CIGNA PPO savings report for the period January 1, 2017 through August 31, 2017. The PPO network savings, meaning the billed amount less the network allowed amount, equaled $1,943,018.08. This represented an overall PPO savings of 47.6% for the period January 1, 2017 through August 31, 2017. Mr. Webb reviewed the out-of-network savings results for the period January 1, 2017 through August 31, 2017 noting a savings of 35.1%.

B. Pharmacy Report

Mr. Webb reviewed the updated pharmacy utilization for the period January 1, 2017 through August 31, 2017. The updated report contained only the utilization for the active participants as requested by the Trustees. Mr. Webb then discussed Cigna's Drug Utilization Management Program, Essential Protection, which offers three different levels of protection: quantity limits, prior authorizations, and step therapy. He verified that the levels of protection could be separated and that there is no fee to add this program. Mr. Webb stated that if the Trustees approve the program, a general letter will be sent to all Plan participants as well as a separate letter to those Plan participants, whose medications may be impacted by the program.

C. Fee Proposals

Mr. Webb distributed Cigna's renewal offer for a three-year period for the medical Shared Administration repricing program and said that the current agreement with the Fund expires December 31, 2017. He said Cigna was requesting a 2.5% increase for each of the next three years. Mr. Webb noted that the rates presented in the renewal letter are contingent on Cigna remaining the Fund's Pharmacy Benefit Manager (PBM). Trustee Paradis asked Mr. Webb to review the Fund's current pharmacy pricing and report back to the Trustees if the pricing is competitive relative to other Taft-Hartley clients of similar size.

The Trustees thanked Mr. Webb, Ms. Davis-Alpis and Ms. Foster for their presentation and they were excused from the meeting.

D. <u>Trustee Discussion</u>

The Trustees discussed the fee proposal for the medical Shared Administration program and the correlation between the medical fees and the pharmacy services.

The Trustees requested that the Administrative Manager contact Segal for an estimate to conduct a Request for Proposal (RFP) for Pharmacy Benefit Manager services. Given the timing of the medical renewal, the Trustees also requested that the Administrative Manager ask Segal for the cost to perform an analysis of the pricing without conducting a full RFP.

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

> **RESOLVED to obtain a proposal and quote from Segal to review the current Cigna PBM arrangement and prepare a RFP for PBM services.**

After a discussion and based on the estimated savings from the implementation of the Essential Protection Utilization Management program, on MOTION made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED to approve the implementation of the Essential Protection Utilization Management Program effective December 1, 2017.**

XI. OTHER FUND BUSINESS

A. 2016 Summary Annual Report.

Ms. Cochran reported the 2016 Summary Annual Report was mailed to Plan participants on September 26, 2017.

B. Stop Loss Renewal

Ms. Cochran reported interim action that the Trustees approved the renewal of stop loss insurance with Ullico for the period August 1, 2017 through July 31, 2018. She said that the renewal included a 7.4% premium increase from the prior policy year.

C. Stop Loss Dividend Payment

Ms. Cochran reported that the Fund had received a check from Ullico for a dividend premium rebate of $3,304 for the August 1, 2016 policy year. She said the check is calculated as 5% of the Plan's specific gross stop loss premium.

D. Medical Loss Ratio (MLR) Rebate

Ms. Cochran reported that a MLR rebate was received in the amount of $124,214.12 from United Healthcare for the August 1, 2016 policy year. She said the rebate is calculated for each policy as part of a pool which is a combination of policies grouped by insurance license, state and market group size. The rebate is based on premiums and if the MLR target is not met for a particular pool, a rebate is issued. Ms. Cochran said United Healthcare provides benefits for the active Class C participants. Fund Counsel said the rebate is considered a Plan asset and that assets can only be used in the Plan participants' interest and treated equally. After a discussion, the Trustees agreed, in the interest of the Plan participants not to issue individual rebates but instead to leave the rebate in the Fund for later use in the Plan participants' interest.

E. **<u>Cyber Liability Policy</u>**

Ms. Cochran noted that an application for Cyber Liability proposals was submitted on June 20, 2017 to the broker, Union Insurance Group. Ms. Cochran reported no proposals have been received at this time. The Trustees directed the Administrative Manager to request that the Meltzer Group solicit proposals for cyber liability insurance.

F. **<u>Patient-Centered Outcomes Research Institute (PCORI) Fee</u>**

Ms. Cochran stated the Administrative Manger provided the information to the Fund auditor needed to prepare and file the Form 720 associated with the ACA PCORI fee. The form was filed on July 28, 2017 for the 2016 Plan Year. The total amount paid on behalf of the Fund was $2,373.

G. **<u>International Foundation of Employee Benefit Plans – Annual Membership</u>**

Ms. Cochran reported receipt of the Fund's 2018 membership renewal invoice for the International Foundation of Employee Benefit Plans. The renewal fee is $1,205.00.

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

RESOLVED to approve the Fund's 2018 renewal with the

International Foundation of Employee Benefits Plans at a fee of $1,205.00.

H. **Form 5500 – Plan Year Ended December 31, 2016**

Ms. Cochran reported that the Form 5500 for the Plan year ended December 31, 2017 was filed on July 28, 2017.

I. **Form 990 – Plan Year Ended December 31, 2016**

Ms. Cochran reported that the Form 990 for the Plan year ended December 31, 2017 was filed on July 28, 2017.

J. **Adams Burch Contribution Increase Letter**

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

K. **International Brotherhood of Teamsters Data Request**

Ms. Cochran reported receipt of the annual data request. The Trustees approved sending the requested information normally sent on an annual basis and publically available.

L. **For Your Benefit Newsletter**

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

XII. NEXT MEETING DATE AND LOCATION

After discussion, the Trustees selected December 12, 2017 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