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 AUGUST 29, 2013 LANDOVER, MARYLAND

The following Trustees were present:

UNION TRUSTEES
T. Richardson - Chairman
R. Brooks
R. Essex
R. Johnson – Alternate

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

Also present were:

C. Allebach – Group Vision Services
A. Cochran – Associated Administrators, LLC
M. DeLancey – Dickstein Shapiro, LLP
L. DuVall – Associated Administrators, LLC
R. Foxman – Group Vision Services
D. Havermann – Morgan, Lewis & Bockius, LLP
M. Herwig – PNC Bank, NA
A. Hutchins – CIGNA Healthcare
S. Raeder – Calibre CPA Group, PLLC
M. Sacca – United Healthcare
R. Sichel – Investment Performance Services, LLC
J. Timm – Segal Company
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 May 2, 2013.

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 May 2, 2013 are approved as amended.**

The Trustees read the minutes of the teleconference meeting held on May 15, 2013.

After discussion, the Trustees voted -- with Trustee Stegman, Trustee Lynell Johnson and Trustee Richard Johnson abstaining -- approval of the following resolution:

> **RESOLVED that the minutes of the teleconference meeting held on May 15, 2013 are approved as written.**

III. 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, 2013 through June 30, 2013. Such report indicated a beginning market value of $17,344,684. Contribution income totaled $2,894,058, disbursements totaled $4,193,550, and investment earnings totaled $130,732, producing an ending market value of $16,175,924.

B. Investment Performance Services

1. Investment Performance

Mr. Sichel distributed his report titled, "Investment Performance Analysis – June 30, 2013." Mr. Sichel reported that the total market value of assets as of June 30, 2013 was $16,175,924.

2. Asset Allocation

Mr. Sichel reported that as of June 30, 2013 the Fund held 70.3% in domestic fixed income, 7.5% in domestic equities, 12.0% in domestic fixed high yield, 6.7% in real estate, and 3.4% in cash equivalents. He noted the SSGA S&P Index Fund held $1,206,455; Atlanta Capital held $11,378,655; American Realty Advisors held $1,091,761; Penn Core held $1,943,998; and that there was $555,054 in the cash account.

Mr. Sichel recommended utilizing investment grade fixed income as a source for the Fund's cash needs to rebalance closer to targets.

3. **Atlanta Capital – Fixed Income**

Mr. Sichel noted that Atlanta Capital continues to perform below its benchmark. He reiterated his comments from the last meeting that low quality bonds continue to drive higher performance than high quality bonds. The manager's portfolio holds high quality bonds, resulting in the below-the-benchmark performance. Mr. Sichel recommended the Trustees interview Atlanta Capital and two additional US Fixed Income Managers.

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

RESOLVED to approve the recommendation of IPS and invite Atlanta Capital and two other US Fixed Income Managers to the next meeting to be interviewed.

IV. AUDITOR REPORT

The Trustees welcomed Mr. Steve Raeder of Calibre CPA Group, PLLC to the meeting.

Mr. Raeder reviewed the draft Communication With Those Charged With Governance letter for the year ended December 31, 2012. He reported there were no difficulties in dealing with management in performing and completing the audit.

Mr. Raeder reviewed the draft Financial Statements for the year ended December 31, 2012. He said this audit reflects an unqualified opinion, in all material respects, of the financial status of the Fund. The Net Assets Available for Benefits were $17,742,229 on December 31, 2012. The total assets as of December 31, 2012 were $17,800,969, accounts payable were $58,740, and benefit obligations totaled $4,471,739. He noted total additions for the year ended December 31, 2012 were $7,229,950, and total deductions were $9,453,067, resulting in Net Assets Available for Benefits of $17,742,229 as of December 31, 2012. He 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. Raeder for his report and he was excused from the meeting.

V. COUNSEL REPORT

A. Subrogation Report

Mr. DeLancey reviewed the status of subrogation matters currently under collection as of August 29, 2013. He reported that there were four open cases, zero closed cases, and one new case opened since the last Board of Trustees meeting on May 2, 2013. He stated that there were no cases requiring Trustee action at this time.

B. HIPAA 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. Ms. Cochran requested approval from the Trustees to issue new BAAs to all Fund providers prior to the September 23rd requirement. The Trustees found this acceptable and approved mailing the new BAAs.

C. Updated Subrogation Notice

Ms. Cochran reported on interim action taken by the Board of Trustees since the last meeting. On June 17, 2013 an electronic poll of the Trustees related to an updated Subrogation Agreement per the recommendation of Fund Co-Counsel was approved.

D. Updated COBRA Notice

Ms. Cochran reported that the Department of Labor (DOL) recently released an updated COBRA Notice model for single-employer plans to help make qualified beneficiaries aware of other coverage options available in the Marketplace under the Affordable Care Act. She stated the DOL did not address an effective date for the updated notice nor are there mandates requiring the notice to be updated. A copy of the updated COBRA Notice was contained in the meeting booklet for Trustee review.

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

RESOLVED to adopt the updated COBRA Notice with language regarding the Marketplace under the Affordable Care Act effective November 1, 2013.

VI. ADMINISTRATIVE MANAGER REPORT

A. First Quarter 2013

Ms. Cochran presented the Administrative Manager Report for the first quarter 2013. Such report showed Employer contributions of $1,303,610, interest and dividend income of $135,812, and miscellaneous income of $789, producing a total income of $1,440,211 for the quarter. Expenses included $2,267,229 of benefit expenses and $67,363 of operating expenses, producing a total expense of $2,334,592. This produced a total deficit of $894,381 for the quarter ended March 31, 2013. Ms. Cochran noted that contributions were made on behalf of 520 Plan participants. She noted there were no contribution delinquencies to report.

B. Second Quarter 2013

Ms. Cochran presented the Administrative Manager Report for the second quarter 2013. Such report showed Employer contributions of $1,377,390, interest and dividend income of $76,019, and miscellaneous income of $0, producing a total income of $1,453,409 for the quarter. Expenses included $1,539,217 of benefit expenses and $87,709 of operating expenses, producing a total expense of $1,626,926. This produced a total deficit of $173,517 for the quarter ended June 30, 2013. Ms. Cochran noted that contributions were made on behalf of 509 Plan participants. She noted there were no contribution delinquencies to report.

C. PPACA Invoice

Ms. Cochran reviewed an invoice for administrative services provided as the result of PPACA changes dated August 29, 2013 for Trustee approval. The invoice contained a list of the Administrative Manager's employees and their hours spent working specifically on healthcare reform for the Warehouse Employees Union Local No. 730 Health and Welfare Trust Fund, in accordance with the contractual addendum for these services. The Trustees tabled action on the request pending review of the contract addendum by Fund Counsel.

VII. INVOICES

Ms. Cochran presented a list of invoices dated August 29, 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 August 29, 2013 be approved for payment as presented.**

VIII. PROVIDER REPORTS

A. Group Vision Services (GVS)

The Trustees welcomed Mr. Craig Allebach and Mr. Ralph Foxman of Group Vision Services to the meeting. Mr. Allebach distributed detailed reports on the Fund's utilization and costs of both the fully-insured and self-insured vision benefits for the period August 2008 through July 2013. He reviewed these reports in detail.

Mr. Allebach distributed a renewal financial impact sheet and presented a request for an increase in premiums. Mr. Allebach said based on the 2% Affordable Care Act fee imposed on GVS effective January 1, 2014 a 2% increase for the fully-insured plan for the period January 1, 2014 – December 31, 2015 is being requested. Mr. Allebach stated GVS is requesting a 50% increase for the period January 1, 2014 – December 31, 2015 in the administration fee for the self-funded plan and for an increase in the claim cost for benefits. He said GVS is requesting an increase in the claim cost to match GVS' current claim cost.

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

The Trustees discussed the reports and renewals. Trustee Paradis asked the Administrative Manager to have GVS clarify the information on the fully-insured report. The Trustees also asked the Administrative Manager to compare the current claim cost to optical providers if the information is available and to make a list of other optical vendors used by other clientele and to provide that information to Chairman and Secretary for review.

B. <u>CIGNA PPO and Rx</u>

The Trustees welcomed Mr. Amos Hutchins and Mr. Jason Webb to the meeting. Mr. Webb distributed a report titled, "Year-to-Date Savings Results, Performance Guarantee Review & Pharmacy Utilization Performance."

1. <u>PPO Savings Report</u>

Mr. Webb reviewed the CIGNA PPO savings report for the period January 1, 2013 through July 31, 2013. The PPO network savings, meaning the billed amount less than the network allowed amount, equaled $1,312,532. This represented an overall PPO savings of 45.2% for the period of January 1, 2013 through July 31, 2013.

Mr. Webb then reviewed the performance guarantee results for the period January 1, 2012 through December 31, 2012. The overall PPO savings was 41.7% 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%, however were within 3.3% corridor.

2. <u>Pharmacy Review</u>

Mr. Webb presented a review of the pharmacy benefit for the period of January 1, 2012 through December 31, 2012. He reviewed the "Key Indicator" report, therapeutic class trends, top drug by plan spend and by volume, high cost prescriptions and generic utilization.

Mr. Webb reviewed the results of the new Narcotic Therapy Management Program for the period January 1, 2012 through December 31, 2012. He stated the program identifies individuals with multiple narcotic and controlled substance prescriptions written by multiple physicians. These physicians are sent a patient profile showing medical utilization patterns over the past 3 months. The report indicated a decline in narcotic scripts for the active plan from 7.3 pre-intervention to 5.7 post-intervention and for the retiree plan from 7.8 pre-intervention to 5.2 post-intervention.

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

C. United Healthcare

The Trustees welcomed Mr. Michael Sacca, of United Healthcare (UHC), to the meeting. Mr. Sacca distributed a report detailing the August 1, 2013 renewal for the Class C and pre-Medicare Retiree Health Maintenance Organization (HMO).

Mr. Sacca reviewed UHC's rate increase of 25.5% for the policy year August 1, 2013 – July 31, 2014. He said the small size of this group resulted in UHC's underwriters giving only 30% credit to the Fund's actual experience, with the remaining 70% manual, or community-based. Mr. Sacca noted the medical incurred claim cost for the 2012 – 2013 policy year was $1,423,180 while the cost for the 2011 – 2012 policy year was $454,904. He said the medical incurred claims greatly contributed to the large renewal increase.

Mr. Sacca also reviewed a Healthcare Reform timeline regarding the upcoming changes effective in 2014. He stated regulations that are effective in 2014 will not affect the HMO plans until the date of renewal, August 1, 2014.

The Trustees thanked Mr. Sacca for his presentation and he was excused from the meeting.

D. **Segal – ACA Compliance Report**

The Trustees welcomed Mr. Josh Timm of the Segal Company to the meeting. He distributed his reports titled, "Affordable Care Act Compliance – Current Status and Update on Pending Issues for 2013 and 2014" and "Affordable Care Act Compliance – Key Action Items."

1. **Minimum Value and Affordability**

Mr. Timm directed the Trustees to the Key Action Items report which listed items that needed Trustee approval. Mr. Timm discussed the need for the Plan to calculate minimum value and affordability stating this information is required for upcoming notices 1) notice to employers so that they can send notices to employees about the health insurance Exchanges which needs to be mailed to employees no later than October 1, 2013 and 2) to update the Summaries of Benefits and Coverage (SBC) for the Plan year 2014 which need to be mailed no later than December 1, 2013.

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

RESOLVED to engage Segal to determine the minimum value and affordability of the Plan for the Plan year 2014 at a cost not to exceed $2,000.

Once the minimum value and affordability of the Plan is determined an example letter will be sent to the Administrative Manager to distribute to participating employers.

2. **2014 Summary of Benefits and Coverage (SBC)**

Mr. Timm discussed the additional updates needed for the SBC for the 2014 Plan year. He stated the SBC is required to be updated on an annual basis and must be mailed 30 days prior to the start of the Plan year. Mr. Timm indicated the updates are minimal and the Administrative Manager should be able to update the SBC with the necessary information.

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

> **RESOLVED to have the Administrative Manager update the 2014 Plan year SBC to meet the required regulations and if Segal is needed for those updates to request a proposal. Chairman and Secretary have the authority to engage Segal if appropriate.**

3. **Elimination of Annual Maximum**

Mr. Timm said that the Trustees would need to remove the Fund's annual dollar limit of $2,000,000 on the Class E level of benefits effective January 1, 2014.

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

> **RESOLVED to eliminate the annual dollar limit on the Class E level of benefits.**

4. **Elimination of Pre-Existing Condition Rule**

Mr. Timm reported that the Plan must be amended to discontinue imposing pre-existing condition exclusions for adults effective January 1, 2014. He noted the pre-existing condition exclusion for dependents age 19 and under was removed January 1, 2011.

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

> **RESOLVED to discontinue imposing pre-existing condition exclusions for members and dependents over the age of 19 effective January 1, 2014.**

Mr. Timm noted that the Summary Plan Description and applicable plan documents will need to be updated to reflect the approved modifications.

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

IX. OTHER FUND BUSINESS

A. Fiduciary Liability Insurance Renewal and Waiver of Recourse Premiums

Ms. Cochran noted renewal of the Fiduciary Liability policy with CHUBB, through the broker, the McLaughlin Company. She said the annual premium was approved with an increase of $450 by the Trustees in an electronic poll conducted in July 2013.

Ms. Cochran advised the Trustees that letters regarding their required payment of the Waiver of Recourse premium of $25 had been mailed and that one premium remains outstanding. Mr. Paradis stated his premium is in processing.

B. Comparative Effectiveness Research fee (CER)

Ms. Cochran stated the Administrative Manger provided the information needed in order to prepare and file the Form 720 associated with the ACA CER to the Fund auditor. The form was filed timely on July 30, 2013 for the 2012 Plan Year. The total amount paid on behalf of the Fund was $1,308.00.

C. Dental Health Centers 2014 Renewal

Ms. Cochran reported interim action since the last meeting in which Dental Health Centers accepted the Trustees' counter offer for a 2.5% increase effective January 1, 2014 through December 31, 2014 and a 3% increase effective January 1, 2015 through June 30, 2016. Ms. Cochran said a contract addendum was approved by Fund Counsel and was executed by Chairman and Secretary.

D. Cheiron Fee Request

Ms. Cochran reviewed Cheiron's 2013 fee request letter as contained in the meeting booklet. This represents a 4.5% increase in the fee for retainer services over the prior year in which a full valuation was needed.

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

> **RESOLVED to approve the 2013 retainer agreement with Cheiron at a fee of $11,500, with approved non-retainer services to be charged at their hourly rates, which range from $85 -$460 per hour.**

E. Life and Accidental Death & Dismemberment Insurance

Ms. Cochran reported ING, provider of life and accidental death and dismemberment insurance, updated its booklet. The new booklets were posted on the website and mailed to participants in June 2013.

F. 2013 Retiree Drug Subsidy Reconciliation

Ms. Cochran reported receipt of retiree drug subsidy payments in the amount of $39,824.76 and $40,998.13 for the 2013 plan year.

G. For Your Benefit Newsletter

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

XII. NEXT MEETING DATE AND LOCATION

After discussion the Trustees selected December 20, 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