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 5, 2014 LANDOVER, MARYLAND

The following Trustees were present:

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

Also present were:

K. Bray – United Healthcare
D. Burton – CIGNA Healthcare
H. Burton – Morgan, Lewis & Bockius, LLP
W. Chambers – Associated Administrators, LLC
K. Cicero – CIGNA Healthcare
A. Cochran – Associated Administrators, LLC
M. DeLancey – Dickstein Shapiro, LLP
M. Herwig – PNC Bank, NA
S. Raeder – Calibre CPA Group, PLLC
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 March 14, 2014.

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 March 14, 2014 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, 2014 through March 31, 2014. Such report indicated a beginning market value of $15,220,707. Contribution income totaled $1,271,324, disbursements totaled $1,690,574, and investment earnings totaled $173,925, producing an ending market value of $14,975,382.

B. Investment Performance Services

1. Investment Performance

Mr. Sichel distributed his report titled, "Investment Performance Analysis – March 31, 2014." Mr. Sichel reported that the total market value of assets as of March 31, 2014 was $14,975,382.

2. Asset Allocation

Mr. Sichel reported that as of March 31, 2014 the Fund held 47.8% in domestic fixed income, 7.3% in domestic equities, 11.4% in domestic fixed high yield, 22.1% in short duration high yield, 7.9% in real estate, and 3.5% in cash equivalents. He noted the SSGA S&P Index Fund held $1,072,028; Atlanta Capital held $7,164,791; American Realty Advisors held $1,185,383; Penn Core held $1,703,573; Chartwell held $3,308,635; there was $521,925 in the cash account. Mr. Sichel said he recommends using the High Yield managers for ongoing cash needs.

3. **Chartwell Investment Partners – Short Duration High Yield**

Mr. Sichel said Chartwell had several senior portfolio managers retire in the fourth quarter 2013. He said IPS recommends monitoring the manager due to the changes in personnel.

4. **Atlanta Capital – Fixed Income**

The Trustees noted that Atlanta Capital continues to perform below its benchmark. Mr. Sichel stated the manager's portfolio holds high quality bonds. Low quality bonds continue to drive performance, so this is resulting in below-the-benchmark performance. He also confirmed that the manager is no longer on IPS' approved list in this asset class. The Trustees directed Mr. Sichel to provide two additional candidates to be interviewed at the September 2014 meeting. The Trustees directed Mr. Sichel to also invite WEDGE Capital Management (WEDGE) to give a presentation. WEDGE was interviewed at the August 29, 2013 meeting. The Trustees asked Mr. Sichel to prepare a manager comparison report and to request a sample template contact from each of the candidates.

C. Investment Policy – Wal-Mart Exclusion

Mr. Sichel reported that an updated Investment Policy Statement with guidelines that prohibit investments in Wal-Mart was approved by Fund Counsel and executed by the Trustees. He said the updated Investment Policy Statement would be distributed to the Fund's managers. Mr. Sichel noted that certain investment styles do not allow the investor to dictate the investment, such as a commingled fund.

The Trustees thanked Mr. Herwig and Mr. Sichel for their reports and they were excused from the meeting.

IV. AUDITOR REPORT

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

Mr. Raeder reviewed the draft Financial Statements for the year ended December 31, 2013. He said this audit reflects an unqualified opinion, in all material respects, of the financial status of the Fund. The total assets as of December 31, 2013 were $15,618,811, accounts payable were $32,406, and benefit obligations totaled $3,542,093. He noted total additions for the year ended December 31, 2013 were $6,298,236, and total deductions were $8,454,060, resulting in Net Assets Available for Benefits of $15,586,405 as of December 31, 2013. 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 June 5, 2014. He reported that there were three open cases, zero closed cases, and no new cases opened since the last Board of Trustees meeting on March 14, 2014. He stated that there were no cases requiring Trustee action at this time.

B. Lien Request (1)

Mr. DeLancey reported interim action that was taken regarding a lien reduction request from a participant's attorney. A letter was received requesting a 50% reduction in the amount owed to the Fund. Fund Counsel recommended the request be denied as the offer is not in the best interests of the Fund. Based on the recommendation of Fund Counsel, the Trustees were polled by electronic mail and voted to deny the lien reduction request.

C. Lien Request (2)

Mr. DeLancey reported interim action that was taken regarding a lien reduction request from a participant's attorney. A letter was received requesting a reduction in the amount owed to the Fund. Fund Counsel recommended the request be denied as the offer is not in the best interests of the Fund. Based on the recommendation of Fund Counsel, the Trustees were polled by electronic mail and voted to deny the lien reduction request.

Mr. Burton and Mr. DeLancey 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 2014. Such report showed Employer contributions of $1,292,687, interest and dividend income of $90,194, and miscellaneous income of $2,000, producing a total income of $1,384,881 for the quarter. Expenses included $1,586,986 of benefit expenses and $51,512 of operating expenses, producing a total expense of $1,638,498. This produced a total deficit of $253,617 for the quarter ended March 31, 2014. Ms. Cochran noted that contributions were made on behalf of 486 Plan participants. She noted there were no contribution delinquencies to report.

VII. INVOICES

Ms. Cochran presented a list of invoices dated June 5, 2014 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 June 5, 2014 be approved for payment as presented.**

VIII. PROVIDER REPORT – CIGNA HEALTHCARE

The Trustees welcomed Ms. Kim Cicero, Mr. David Burton and Mr. Jason Webb of CIGNA Healthcare to the meeting.

Mr. Webb distributed a report titled, "Year-to-Date Savings Results (January 1, 2013 through December 31, 2013) & 1st Quarter 2014 Savings Results (January 1, 2014 through March 31, 2014)." He reviewed the CIGNA PPO savings report for the period January 1, 2013 through December 31, 2013. The PPO network savings, meaning the billed amount less the network allowed amount, equaled $2,095,872.77. This represented an overall PPO savings of 42.1% for the period January 1, 2013 through December 31, 2013. He noted that the savings were less than the discount guarantee of 43.2%, however were within the 3.3% corridor. Mr. Webb reviewed the out-of-network savings results for the period January 1, 2013 through December 31, 2013 noting a savings of 21.2%.

Mr. Webb then reviewed the CIGNA PPO savings report for the period January 1, 2014 through March 31, 2014. The PPO network savings, meaning the billed amount less the network allowed amount, equaled $674,698.89. This represented an overall PPO savings of 32.2% for the first quarter 2014. Mr. Webb stated the below average savings are due to the inpatient hospital discounts. He said Maryland facilities are regulated by the State and prompt pay discounts are low.

Mr. Burton distributed his report and presented a review of the pharmacy benefit for the period January 1, 2013 through December 31, 2013. He reviewed the "Key Indicator" report, therapeutic class trends, top drugs by plan spent and by volume, high cost prescriptions, generic utilization, and generics on the horizon.

Mr. Burton then discussed a new narcotic medication Zohydro ER used to treat pain. He said the FDA issued a statement regarding the positive and negative effects of this medication. Mr. Burton also noted the approximate cost of the medication is $1,000 per day.

After a discussion, on MOTION made and seconded, the Employer Trustees voted to exclude Zohydro ER with a commitment to revisit utilization in one year. If the medication has been utilized during that period participants using the medication are to be grandfathered.

MOTION failed.

The Trustees asked CIGNA to explain the prior authorization process. Mr. Burton said a pre-authorization form would be submitted to CIGNA by the participant's physician. CIGNA's team would then approve or deny the request based on its prior authorization criteria list.

After a discussion, on MOTION made and seconded, the Union Trustees voted to require a prior authorization in order to obtain the medication.

MOTION failed.

The Trustees asked CIGNA to run an initial utilization report to identify any members currently using Zohydro ER. They also asked a quarterly utilization report on this medication going forward.

Mr. Burton discussed the Narcotic Management Therapy Program. He reviewed how the program works for the plan and for participants. He stated members that meet the prescription criteria for risks associated with potential narcotic drug-induced adverse events or unmet clinical need were identified for the period January 1, 2013 through December 31, 2013. Mr. Burton stated there was a total savings of $3,804 on behalf of four members for the plan year.

IX. PROVIDER REPORT – UNITED HEATHCARE

The Trustees welcomed Ms. Katrina Bray, of United Healthcare (UHC), to the meeting. Ms. Bray distributed a report detailing the proposed monthly rate increase for the active Class C participants and pre-Medicare retirees Health Maintenance Organization (HMO).

Ms. Bray reviewed UHC's proposed rate increase of 14.97%. She 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. She indicated this offer included the Trustees certification that the Plan remains "grandfathered" under the Affordable Care Act.

The Trustees thanked Ms. Bray for her presentation and she was excused from the meeting.

The Trustees discussed the proposed rate increase and alternatives. It was noted that a Request for Proposal for HMO benefit plans was conducted by Mercer Consulting within the past five years and resulted in no recommended alternatives. The Trustees asked the Administrative Manager to review the RFP and summarize the providers and information found. The Trustees discussed moving the pre-Medicare retirees to an ASO agreement with CIGNA. They directed the Administrative Manager to give CIGNA the data needed to produce a quote for the active Class C and pre-Medicare retiree groups. The Trustees also directed the Administrative Manager to contact UHC to work on reducing the proposed renewal.

IX. OTHER FUND BUSINESS

A. Cyber Liability Policy

Ms. Cochran stated an electronic mail was received from The McLaughlin Company regarding Cyber Liability insurance for the Fund. Ms. Cochran said the e-mail was distributed to Fund Counsel for review. She said Fund Counsel asked for a copy of the Administrative Manager's Cyber Liability Policy and it was provided. Fund Counsel asked the Administrative Manager to look into the cost of adding the Fund under the Administrative Manager's policy.

B. Fidelity Bond Renewal

Ms. Cochran stated the Fidelity Bond policy renewal for the period July 11, 2014 through July 11, 2017 was received. She said there was no change in the policy from the previous period, including the annual premium which is $609.00. Ms. Cochran said the renewal was reviewed by Fund Counsel and found to be acceptable.

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

RESOLVED that the Fidelity Bond policy for the period July 11, 2014 through July 11, 2017 at an annual premium of $609.00 was approved for renewal.

C. Fiduciary Liability Renewal

Ms. Cochran reported the Fiduciary Liability application for the 2014 – 2015 policy year was submitted by The McLaughlin Company to the market for multiple carrier quotes. The current policy will expire July 26, 2014.

D. Medical PPO Request For Proposal (RFP)

Ms. Cochran said a preliminary draft report was prepared by Segal with the results of the Medical PPO RFP for coverage of the active Class E participants. She directed the Trustees to a copy of Segal's summary page which was contained in the meeting booklet. Ms. Cochran stated the report indicated there were savings of approximately $120,000 to change to Aetna. The report indicated there would be an additional cost to implement CareFirst.

The Trustees directed the Administrative Manager to have Segal ask for a best and final offer from CIGNA. The Trustees also asked the Administrative Manager to work with Segal and CIGNA regarding the negotiation of the Class E actives proposed January 1, 2015 fee along with the bid for the active HMO Class C actives and pre-Medicare retirees in an ASO arrangement.

E. Cheiron 2014 fee proposal

Ms. Cochran reviewed Cheiron's 2014 fee request letter as contained in the meeting booklet. This represents a 1.2% increase in the fee for retainer services over the prior year in which a roll-forward valuation was needed.

The Trustees directed the Administrative Manager to ask for more information regarding the non-retainer fee, specifically for the IBNR. The Trustees wanted more detail concerning the fee of up to an additional $3,600 per year.

F. 2012 Retiree Drug Subsidy Reconciliation

Ms. Cochran reported the successful completion of the 2012 retiree drug subsidy reconciliation. The 2012 reconciliation resulted in an additional subsidy of $63,864.98.

G. Class Action Lawsuit Payment – Toprol LX

Ms. Cochran said the Fund received a class action settlement check in the amount of $102.48 for Toprol LX utilization by Fund members.

H. 2014 Retiree Drug Subsidy Reconciliation

Ms. Cochran reported receipts of retiree drug subsidy payments in the amount of $24,509.07 and $15,888.36 for the 2014 Plan year.

I. ING

Ms. Cochran reported receipt of an electronic mail from ING, the life insurance and accidental death and dismemberment provider, regarding the company's name change. She said the new name is Voya Financial and the company's representative said this change will have no impact on Fund participants.

J. Patient-Centered Outcomes Research Institute (PCORI) fee

Ms. Cochran stated the PCORI fee, imposed by the Affordable Care Act for self-insured group plans, must be filed by July 31, 2014. The fee is $2.00 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 July 31, 2013 filing to determine the average number of lives covered under the Plan. The Trustees directed the Administrative Manager to engage Calibre 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, 2014 and to engage Calibre to file the Form 720 at no additional fee.**

K. Affordable Care Act (ACA) Compliance – Pediatric Vision Coverage

Ms. Cochran reported interim action since the last meeting in which the Trustees approved the recommendation made by Segal to remove the annual limits on the self-funded plan for coverage provided to individuals under age 19. She stated the Trustees approved moving the self-funded plan to a fully-insured format effective July 1, 2014. Fund Counsel confirmed fully-insured benefits are not subject to the annual maximums because the benefit is considered excepted.

The contract addendum between Group Vision Services and the Fund was executed by Chairman and Secretary.

L. For Your Benefit Newsletter

Ms. Cochran stated that the Fund Office mailed the April 2014 *For Your Benefit* newsletter to participants.

XII. NEXT MEETING DATE AND LOCATION

After discussion, the Trustees selected September 25, 2014 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