Warehouse Employees Union Local No. 730
Health and Welfare Trust Fund

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DRAFT

MINUTES OF THE MEETING OF THE BOARD OF TRUSTEES OF THE WAREHOUSE EMPLOYEES UNION LOCAL NO. 730 HEALTH AND WELFARE TRUST FUND OCTOBER 6, 2016 LANDOVER, MARYLAND

The following Trustees were present:

UNION TRUSTEES
R. Brooks – Chairman
F. Myers
T. Richardson
R. Essex – 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
R. Foxman – Group Vision Services
T. Geiman – Novak Francella LLC
M. Pascal – Novak Francella LLC
R. Sichel – Investment Performance Services, LLC
J. Webb – Cigna

I. CALL TO ORDER

A quorum being present, the meeting was called to order.

II. TRUSTEE APPOINTMENT

Ms. Cochran reported receipt of a letter from Giant nominating Billye Pounds as an alternate Employer Trustee. Ms. Cochran said in accordance with the Trust Agreement the Administrative Manager will send a letter to all Participating Employers for a vote regarding the nomination of Ms. Pounds.

III. MINUTES

The Trustees read the minutes of the last regular meeting held on July 7, 2016 and the special meeting held on May 13, 2016.

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 July 7, 2016 and the special meeting held on May 13, 2016 are approved as presented.**

IV. FINANCIAL REPORT

The Trustees welcomed Mr. Rich Sichel 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, 2016 through June 30, 2016 as contained in the meeting booklet.

B. Investment Performance Services

1. Investment Performance

Mr. Sichel distributed his report titled, “Investment Performance Analysis – June 30, 2016.” Mr. Sichel reported that the total market value of assets as of June 30, 2016 was $7,932,858.

2. Asset Allocation

Mr. Sichel reported that as of June 30, 2016 the Fund held 46.1% in Investment Grade Fixed Income, 38.5% in short duration high yield, 9.4% in real estate, and 5.9% in cash equivalents. He noted Wedge Capital held $3,660,095; American Realty Advisors held $748,311; Chartwell held $3,055,554; there was $468,898 in the cash account.

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

V. AUDITOR REPORT

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, 2015. 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, 2015 were $10,420,476, accounts payable were $538,845 and benefit obligations totaled $3,915,845. She noted total additions for the year ended December 31, 2015 were $5,138,288, and total deductions were $8,614,210, resulting in Net Assets Available for Benefits of $10,314,812 as of December 31, 2015. 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.

VI. COUNSEL REPORT

Mr. DeLancey reviewed the status of subrogation matters under collection as of October 6, 2016. He reported that there were four open cases, no closed cases, and no new cases opened since the last Board of Trustees meeting on July 7, 2016.

Mr. DeLancey stated that there were no other 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.

VII. ADMINISTRATIVE MANAGER'S REPORT

Ms. Cochran presented the Administrative Manager's Report for the second quarter 2016. Such report showed employer contributions of $1,217,771, interest and dividend income of $74,693, and no miscellaneous income, producing a total income of $1,292,464 for the quarter. Expenses included $2,125,784 of benefit expenses and $120,425 of operating expenses, producing a total expense of $2,246,209. This produced a total deficit of $953,745 for the quarter ended June 30, 2016. Ms. Cochran noted that contributions were made on behalf of 432 Plan participants.

VIII. INVOICES

Ms. Cochran presented a list of invoices dated October 6, 2016 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 October 6, 2016 are approved for payment as presented.**

IX. 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 of both the fully-insured and self-insured vision benefit plans for the period August 1, 2015 through June 30, 2016. He reviewed these reports in detail.

Mr. Allebach reviewed the renewal of both plans effective January 1, 2017. Mr. Allebach reported that there would be no increase in the rate premium for both plans and that the current rates would be guaranteed for two years.

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

Trustee Paradis asked the Administrative Manager to request a financial report from GVS that would support the renewal proposal.

X. CIGNA

The Trustees welcomed Mr. Jason Webb and Ms. Caroline Davis-Alpis of Cigna to the meeting. Mr. Webb distributed his report titled, "Year-to-Date 2016 Savings Results, January 1, 2016 through September 31, 2016." He reviewed the CIGNA PPO savings report for the period January 1, 2016 through September 30, 2016. The PPO network savings, meaning the billed amount less the network allowed amount, equaled $1,839,728.57. This represented an overall PPO savings of 47.1% for the period January 1, 2016 through September 30, 2016. Mr. Webb reviewed the out-of-network savings results for the period January 1, 2016 through September 30, 2016 noting a savings of 38.1%.

Mr. Webb reviewed the pharmacy utilization for the period January 1, 2016 through December 31, 2016. He reviewed the key indicator summary, pharmacy snapshot and top drugs by plan spend and by volume. He then discussed the step therapy program noting the participant impact as well as the projected savings to the Fund.

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

XI. OTHER FUND BUSINESS

A. Payroll Audit Status Report – Giant Recycling and Warehouse

Ms. Cochran reported that the auditor had found a truncating hours issue during the payroll audit performed for the period January 1, 2012 through December 31, 2014. She stated the discrepancy related to truncating hours was identified for the period January 1, 2012 through June 30, 2013. Ms. Cochran said that the Trustees had accepted a Memorandum of Agreement (MOA) between the Bargaining Parties and the Union as a result of a truncating hours issue that was noted in the prior payroll audit. The MOA called for the truncating hours issue to be corrected with contributions effective January 1, 2013. The Trustees discussed using the findings in the prior audit to determine an estimated amount due for the truncated hours for the period January 1, 2013 through June 30, 2013 rather than having the auditor complete a full audit of the payroll records for that period, noting the expense of the auditor to review full payroll records charged at the firms' hourly rates.

The Trustees directed the Administrative Manager and Fund Counsel to review the prior audit to determine an estimated amount due for the period January 1, 2013 through June 30, 2013.

B. <u>Benefit Changes – Class E Participants and Retirees</u>

Ms. Cochran reiterated the benefit changes effective September 1, 2016 for Class E participants and the elimination of retiree coverage. Ms. Cochran said that eligibility for retirees was terminated as of August 31, 2016 and that Cigna and United Healthcare were notified of the termination date. She said that an error occurred with the eligibility file sent to Cigna and that the retirees received a new prescription ID card. Ms. Cochran stated that the Administrative Manager became aware of this error on September 2, 2016 and a corrected eligibility file was immediately sent to Cigna and coverage for the retirees was terminated as of August 31, 2016 as well as a letter sent to retirees advising of the error with the mailing of the new ID card. She said that a utilization report was requested from Cigna to determine if there was any retiree utilization after August 31, 2016. Ms. Cochran noted that thirty retirees received prescriptions between September 1, 2016 and September 2, 2016 totaling $2,044.16 and that the Administrative Manager reimbursed the Fund for utilization in the amount of $2,044.16 and paid for the costs associated with the mailing to the retirees.

Ms. Cochran stated that the out-of-pocket maximums of $7,150 for individual coverage and $14,300 for family coverage as well as the $800 deductible will be effective January 1, 2017 in accordance with the Trustees' approval.

C. <u>Medical Loss Ratio (MLR) Rebate</u>

Ms. Cochran reported that a MLR rebate was received in the amount of $80,305.63 from United Healthcare for the August 1, 2015 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 participants' interest and treated equally. After a discussion the Trustees agreed in the interest of the participants, to not issue individual rebates but to leave the rebate in the Fund for later use in the participants' interest.

D. <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 29, 2016 for the 2015 Plan Year. The total amount paid on behalf of the Fund was $2,334.92.

E. <u>Open Enrollment Active Class C Participants</u>

Ms. Cochran reported that open enrollment documents were mailed June 26, 2016 for the open enrollment period of July 1, 2016 through July 31, 2016, for benefits effective August 1, 2016.

F. Adams Burch Contribution Increase Letter

Ms. Cochran said a contribution rate increase letter was mailed to the employer for rate changes effective August 1, 2016.

G. Fiduciary Liability Insurance Renewal and Waiver of Recourse Premiums

Ms. Cochran noted interim action regarding the renewal of the Fiduciary Liability policy with CHUBB, through the broker The McLaughlin Company. She said the annual premium was approved by the Trustees with an increase of $237.00 in an electronic poll conducted in July 2016.

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

H. Compufacts

Ms. Cochran stated the Trustees had asked the Administrative Manager to suggest vendors which could replace Compufacts, the firm that reviews hospital bills in excess of $18,500 for erroneous charges. She reported SHPS/Carewise and Cigna could do so. The Trustees directed the Administrative Manager to send a Request For Proposal to both vendors.

I. 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.

J. For Your Benefit Newsletter

Ms. Cochran stated that the Fund Office mailed the July 2016 *For Your Benefit* newsletter to Plan participants.

XII. NEXT MEETING DATE AND LOCATION

After discussion, the Trustees selected December 14, 2016 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