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 25, 2014 LANDOVER, MARYLAND

The following Trustees were present:

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

Also present were:

C. Allebach – Group Vision Services
H. Burton – Morgan, Lewis & Bockius, LLP
A. Cochran – Associated Administrators, LLC
M. DeLancey – Dickstein Shapiro, LLP
L. DuVall – Associated Administrators, LLC
M. Herwig – PNC Bank, NA
R. Sichel – Investment Performance Services, LLC
B. Spivey – Segal Company
J. Timm – Segal Company
M. Walters – Voya Financial

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 5, 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 June 5, 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 June 30, 2014. Such report indicated a beginning market value of $15,220,707. Contribution income totaled $2,767,950, disbursements totaled $3,671,401, and investment earnings totaled $431,685, producing an ending market value of $14,748,941.

B. Investment Performance Services

1. Investment Performance

Mr. Sichel distributed his report titled, "Investment Performance Analysis – June 30, 2014." Mr. Sichel reported that the total market value of assets as of June 30, 2014 was $14,748,941.

2. Asset Allocation

Mr. Sichel reported that as of June 30, 2014 the Fund held 49.3% in domestic fixed income, 7.8% in domestic equities, 11.8% in domestic fixed high yield, 22.7% in short duration high yield, 6.2% in real estate, and 2.3% in cash equivalents. He noted the SSGA S&P Index Fund held $1,147,467; Atlanta Capital held $7,274,698; American Realty Advisors held $907,655; Penn Core held $1,736,092; Chartwell held $3,345,296; there was $337,733 in the cash account. Mr. Sichel recommended using the Penn Core (High Yield) manager for ongoing cash needs.

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

Mr. Sichel reiterated his comment from that last meeting that Chartwell had several senior portfolio managers retire in the fourth quarter 2013. He said IPS recommends continuing to monitor the manager due to changes in personnel.

4. **Atlanta Capital – Fixed Income**

Mr. Sichel stated that at the June 5, 2014 meeting IPS was asked to provide an updated fixed income performance comparison between Atlanta Capital, Columbia Partners, Wedge Capital and two new additional candidates. He stated that there are a limited number of managers on the IPS approved list who will manage a separate account of this size. Based on the limited number of managers, Mr. Sichel sent an email requesting interim action in which IPS recommended termination of Atlanta Capital and to hire Wedge Capital for an approximate $7.0 million in the intermediate fixed income asset allocation. He said that Wedge Capital's fee would be 25 basis points and that a sample contract would be provided to Fund Counsel.

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

> **RESOLVED to approve the recommendation of IPS to terminate Atlanta Capital and hire Wedge at a fee of 25 basis points, pending Fund Counsel's review of the contract.**

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

IV. COUNSEL REPORT

A. Subrogation Report

Mr. DeLancey reviewed the status of subrogation matters currently under collection as of September 25, 2014. He reported that there were one open case, two closed cases, and no new cases opened since the last Board of Trustees meeting on June 5, 2014. He stated that there were no cases requiring Trustee action at this time.

B. Adams Burch Payroll Audit

Mr. DeLancey reported an issue with the recent payroll audit for employer Adams Burch. He stated the employer has been uncooperative in providing certain payroll records for 2010. Mr. DeLancey said he has been working with the employer's attorney and the Fund auditor to obtain the necessary paperwork to complete the audit.

Ms. Cochran said that the Fund auditor sent an email requesting approval to bill at their standard billing rates for all hours going forward, as they have accumulated over $4,000 in work in progress. Mr. DeLancey said the Fund auditor will no longer communicate regarding the audit until an arrangement is made for payment of hours going forward.

In order to avoid immense legal fees, Mr. DeLancey recommended that the Trustees accept Adams Burch's partial 2010 payroll records on a non-precedent setting basis and notify the employer that going forward full payroll records must be submitted in order to participate in the Fund. He said he would prepare a non-disclosure agreement for execution by the employer. Mr. DeLancey also suggested that the Trustees approve an additional five hours for the Fund auditor to complete the payroll audit.

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

RESOLVED to approve the recommendation of Fund Counsel to approve an additional five hours for the Fund auditor to complete the Adams Burch payroll audit and to accept partial payroll records for the year 2010 on a non-precedent setting basis and to have Fund Counsel prepare a non-disclosure agreement for the employer regarding compliance with the auditor for ongoing payroll audits.

Mr. Burton and Mr. DeLancey reported that there were no other legal matters pending before the Board of Trustees at this time.

V. ADMINISTRATIVE MANAGER REPORT

A. Second Quarter 2014

Ms. Cochran presented the Administrative Manager Report for the second quarter 2014. Such report showed employer contributions of $1,346,727, interest and dividend income of $90,885, and miscellaneous income of $2,880, producing a total income of $1,440,492 for the quarter. Expenses included $1,822,501 of benefit expenses and $67,391 of operating expenses, producing a total expense of $1,889,892. This produced a total deficit of $449,400 for the quarter ended June 30, 2014. Ms. Cochran noted that contributions were made on behalf of 482 Plan participants.

B. Administrative Services Contract Renewal

Ms. Cochran distributed and reviewed her letter dated September 25, 2014 which noted that the administrative services contract between the Fund and Associated Administrators, LLC will expire on December 31, 2014 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 25, 2014 for Trustee review. It was noted that there were no deletions or changes to the list.

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

> **RESOLVED that the list of invoices dated September 25, 2014 be approved for payment as presented.**

VII. PARTICIPANT APPEALS

Appeal Number	***Issue***	***Board Decision***
D14/133-6436	*Dental Benefit – Excluded Services*	*Denied*
M14/127-6021	*Medical – Excluded Services*	*Denied*
M14/130-6058a	*Medical – Late Response to Requests for Additional Information*	*Denied*
M14/130-6058b	*Medical – Late Response to Requests for Additional Information*	*Denied*
M14-126-9084	*Medical – Emergency Room Services*	*Denied*

VIII. CONSULTANT – THE SEGAL COMPANY

The Trustees welcomed Mr. Josh Timm and Mr. Bryan Spivey of the Segal Company (Segal) to the meeting. Mr. Timm distributed a report titled, "Best and Final Summary of Findings, Medical Administration (RFP) September 16, 2014."

Mr. Timm said that Segal solicited proposals from CIGNA (current provider), Carefirst and Aetna to provide shared administrative services for the active Class E participants of the Fund. He stated that Segal's preliminary report distributed at the June 5, 2014 meeting showed a savings of approximately $120,000 with Aetna. Based on the Trustees' directive, Segal worked with CIGNA to obtain a best and final offer. Mr. Timm said CIGNA reduced its administration fees from $26.40 per member per month (pmpm) to $24.99 pmpm. The fees are effective January 1, 2015 through December 31, 2015.

Trustee Brooks recommended that the Trustees engage the Meltzer Group to contact CIGNA regarding the fee proposal. After a discussion, the Trustees agreed to engage the Meltzer Group, at no fee to the Fund, to discuss the current fee proposal with CIGNA.

The Trustees thanked Mr. Timm and Mr. Spivey for their presentation and they were excused from the meeting.

IX. PROVIDER REPORT – GROUP VISION SERIVCES

The Trustees welcomed Mr. Craig Allebach 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 periods August 1, 2013 through July 31, 2014 and August 1, 2012 through July 31, 2013. He reviewed these reports in detail.

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

X. PROVIDER REPORT – VOYA FINANCIAL (VOYA)

The Trustees welcomed Mr. Mark Walter of Voya to the meeting.

Mr. Walter distributed his report titled "Life Insurance Renewal Offer" and reviewed the Fund's experience since December 2010. He indicated that for the period December 2010 through July 2014, the Fund paid $255,852 in premiums while Voya incurred $300,234 in claims.

Mr. Walter then reviewed the proposal for the period effective January 1, 2015. He indicated the proposal was for a two year period with no fee increase.

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

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

> **RESOLVED to approve a two-year agreement with Voya to provide life insurance benefits, under a pooled contract, at $0.179 per $1,000 in life insurance coverage and $0.03 for $1,000 in AD&D coverage, effective January 1, 2015.**

XI. OTHER FUND BUSINESS

A. 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 $1,495 in an electronic poll conducted in July 2014.

Ms. Cochran advised the Trustees that letters regarding their required payment of the Waiver of Recourse premium of $25 had been mailed and that several premiums remained outstanding. Ms. Cochran said she would follow up with those Trustees individually.

B. Auditor (Calibre) Contract Renewal

Ms. Cochran distributed a letter dated September 19, 2014 from Calibre which stated the fee proposal for the annual reporting for the Plan Year 2014. Calibre is requesting a fee of $17,000 for the audit and preparation of the Form 5500 and Form 990.

Due to the significant increase in the fee proposal, the Trustees tabled the request. The Trustees directed the Administrative Manager to ask the auditors who submitted proposals during the 2011 Request For Proposal for updated fees for the 2014 Plan Year. They also requested that fee proposals be obtained from Salter and Company and Legacy Professionals LLC.

C. International Brotherhood of Teamsters (IBT) Annual Data Request

Ms. Cochran reported receipt of the annual request for Fund documents and data from the International Brotherhood of Teamsters.

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

> **RESOLVED to provide the documents and data requested by the IBT in accordance with the Fund's past practice.**

D. Trustee Expense Report

Ms. Cochran reviewed the 2013 Trustee Expense Report, a copy of which was contained in the meeting booklet.

E. Cheiron 2014 fee proposal

Ms. Cochran reviewed Cheiron's 2014 revised fee request as contained in the meeting booklet. She said after a review of the data, Cheiron reported that it would need to use a partial roll-forward methodology in order to complete the valuation. Ms. Cochran said the proposed fee is $6,600.

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

> **RESOLVED to approve the 2014 retainer agreement with Cheiron at a fee of $6,600, with approved non-retainer services to be charged at their hourly rates, which range from $85 to $460 per hour.**

F. <u>Transitional Reinsurance Fee (TRE) fee</u>

Ms. Cochran reported that the Department of Health and Human Services (HHS) had issued the final regulations regarding the TRE fee. She explained that the Patient Protection and Affordable Care Act ("ACA") established this fee, which is levied on employers and insurers to finance a temporary reinsurance fund to stabilize premiums in the individual market. Ms. Cochran said that the fee will be imposed over a three year period: 2014, 2015 and 2016. She said health insurance insurers and self-funded group health plans are required to submit an application and annual enrollment count by November 15, 2014. She reported that HHS is offering contributing entities the option to pay: (1) the entire 2014 benefit year contribution in one payment no later than January 15, 2015 reflecting $63.00 per covered life or (2) two separate payments for the 2014 benefit year, with the first remittance due by January 15, 2015 reflecting $52.50 per covered life, and the second remittance due by November 15, 2015 reflecting $10.50 per covered life. She stated the fee must be remitted online using www.pay.gov.

Ms. Cochran provided an overview of the alternative methods provided in the regulations to determine the average number of covered lives under the Plan. She said that based on how the Fund's eligibility data is recorded in the system, if approved by the Trustees, the snapshot method would be utilized to determine the average number of lives. Ms. Cochran requested Trustee authorization to submit the required form and enrollment count and remit the fee on behalf of the Fund. She further requested direction from the Trustees whether to remit a one-time fee of $63 no later than January 15, 2015 or remit the first payment by

January 15, 2015 reflecting $52.50 per covered life, and the second payment by November 15, 2015 reflecting $10.50 per covered life.

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

> **RESOLVED to approve: (1) submission of the required form and enrollment count and remittance of the fee on behalf of the Plan; (2) utilization the snapshot method for determining the average number of lives covered under the Plan, and (3) remittance of the fee in two installments.**

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

Ms. Cochran stated the Administrative Manger provided the information needed in order to prepare and file the Form 720 associated with the ACA PCORI fee to the Fund auditor. The form was filed timely on July 29, 2014 for the 2013 Plan Year. The total amount paid on behalf of the Fund was $2,190.

H. <u>United Healthcare (UHC) Renewal</u>

Ms. Cochran reported at the June 5, 2014 meeting that UHC presented its renewal for the period August 1, 2014 through July 31, 2015 with a proposed fee increase of 14.97%. She said the Trustees asked the Administrative Manager to work with UHC to reduce the fee associated with the renewal. Ms. Cochran reported by email in June 2014 that UHC reduced its request to a 9.8% increase.

Ms. Cochran said based on the recommendation of Trustee Brooks, the Trustees approved engaging the Meltzer Company to negotiate the proposed increase of 9.8%. She stated the Trustees approved engagement of the Meltzer Company via email and they were able to negotiate the UHC renewal to a 5.5% increase.

Ms. Cochran reported interim action taken on July 17, 2014 that the Trustees approved the renewal of the UHC HMOs for the Class C actives and pre-

Medicare Retirees for the period August 1, 2014 through July 30, 2015, with a premium increase of 5.5%. She reported that the rate increase letters were mailed to the affected retirees.

I. Retiree Drug Subsidy Payment

Ms. Cochran reported receipt of a retiree drug subsidy payment in the amount of $16,441.73 for the 2014 Plan year.

J. For Your Benefit Newsletter

Ms. Cochran stated that the Fund Office mailed the July 2014 *For Your Benefit* newsletter to participants. The newsletter contained the Summary of Modification Material, including the new address for Dental Health Centers and name change for the life insurance and accidental death and dismemberment provider ING to Voya Financial.

XII. NEXT MEETING DATE AND LOCATION

After discussion, the Trustees selected December 4, 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