Bakers Union and FELRA
Health and Welfare Fund

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DRAFT

MINUTES OF THE MEETING OF THE BOARD OF TRUSTEES OF THE BAKERS UNION AND FELRA HEALTH AND WELFARE FUND

APRIL 16, 2018
IN LANDOVER, MARYLAND

The following Trustees were present:

UNION TRUSTEE	EMPLOYER TRUSTEES
L. Jones	M. Goble - Secretary
G. Oskoian - Chairman	

Also present were:

H. Burton - Morgan, Lewis & Bockius, LLP
M. DeLancey - Blank Rome, LLP
J. Herishen - Salter & Company, LLC
K. Phillips - Associated Administrators, LLC
C. Little - PNC Capital Advisors
D. Welch - Associated Administrators, LLC

I. CALL TO ORDER

Ms. Welch reported that due to the resignation of Trustee Brown any motions passed by the Trustees at this meeting are subject to the replacement Trustees approval. The Chairman called the meeting to order.

II. TRUSTEE RESIGNATION AND APPOINTMENT

The Trustees reviewed a letter from Trustee Haight indicating his resignation as a Union Trustee effective April 12, 2018. The Trustees also reviewed a letter from Local 118 appointing Leslie Jones as a Union Trustee effective April 13, 2018. Mr. Jone’s written acceptance of his appointment was also reviewed. The Trustees welcomed Mr. Jones to the Board.

III. APPOINTMENT OF CHAIRMAN AND SECRETARY

Ms. Welch reported that, due to the resignation of Trustee Brown and Trustee Haight the Trustees needed to designate a new Chairman and Secretary. She noted that Article IV: Section 2 of the Bakers Union and FELRA Health and Welfare Fund Agreement and Declaration of Trust states, "The Trustees shall designate one of their number to act as Chairman and one to act as Secretary. If the Chairman is an Employer Trustee, the Secretary shall be a Union Trustee and vice versa."

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

> **RESOLVED, that Trustee Oskioan be appointed to act as Chairman and Trustee Goble be appointed to act as Secretary.**

IV. MINUTES

The Trustees reviewed the minutes of the regular Board meeting held on November 17, 2017, which were circulated in advance of the meeting.

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

> **RESOLVED, that the minutes of the regular Board meeting held on November 17, 2017 were approved as presented.**

V. FINANCIAL REPORT – PNC BANK, NA – Summary of Activity

Mr. Little presented the Summary of Activity Report for the period ending March 31, 2018, a copy of which is attached to and made a part of these minutes as Exhibit A. The report showed a beginning market value of $1,760,631, contributions of $1,172,563, disbursements of $1,924,172, market value decrease of $9,613, investment return of $5,251, producing an ending market value of $1,004,661.

Mr. Little presented the asset allocation as of March 31, 2018. The Fund holds 97.6% in limited maturity bonds and 2.4% in cash. The estimated annual income is $5,271 with an estimated 0.5% yield.

The Trustees discussed the current financial market and the potential impact of proposed interest rate increases. Mr. Little discussed moving assets to an Ultra Short Bond Fund. He noted that the shorter duration fund would have less impact on its net return from rising interest rates. The Trustees requested that Mr. Little provide a performance summary of the total returns and duration for the Limited Maturity Bond Fund and the Ultra Short Bond Fund.

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

> **RESOLVED to accept the PNC Summary of Activity Report for the period ending March 31, 2018.**

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

VI. AUDITOR REPORT

The Trustees welcomed Mr. Joseph Herishen of Salter & Company, LLC., to the meeting.

A. Financial Statements for the Years Ended December 31, 2016 and 2015

Mr. Herishen reviewed the Independent Auditors' Report and Financial Statements for years ended December 31, 2016 and 2015, a copy of which is attached to and made part of these minutes as Exhibit B. He stated that his firm expressed an unqualified opinion on the Fund's financial statements, meaning that in the firm's opinion the financial statements presented fairly, in all material respects, the financial status of the Plan as of December 31, 2016. He reported that an unqualified opinion was the best result that could be achieved.

The net assets available for benefits on December 31, 2015 were $2,488,908. He noted total additions for the year ended December 31, 2016 of $3,876,566 and total deductions of $4,182,556, resulting in a decrease of net assets available for benefits of

$305,990 and producing net assets available for benefits on December 31, 2016 of $2,182,918. He also reviewed the notes to the financial statements, the schedule of administrative expenses, the schedule of employer contributions, and the schedule of benefits. As of December 31, 2016, total assets were $2,249,771 and accounts payable were $66,853. Mr. Herishen reported that the Form 5500 and the Form 990 were filed timely.

B. Audit Engagement Letter

Mr. Herishen distributed a copy of the Salter & Company's proposal to provide auditing services for the 2017 Plan Year, a copy of which is attached and made part of these minutes as Exhibit C. The proposed fee increase was $350 from the prior year to $11,100.

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

> **RESOLVED, to approve Salter & Company, LLC. proposal to provide auditing services, with a proposed annual fee of $11,100 for the Plan year ending 2017**.

Mr. Herishen discussed providing payroll audit services to the Fund. He noted that the provisions of the Audit Engagement Letter did not provide for payroll audit services and that he would provide a Payroll Compliance Review Agreement for Trustee consideration.

The Trustees thanked Mr. Herishen for his presentation and he was excused from the remainder of the meeting.

After discussion,

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

RESOLVED to engage Salter & Company, LLC to perform payroll audit services in accordance with the Fund's Payroll Audit Policy.

VII. CO-COUNSEL REPORT

Co-Counsel reported that there were no legal matters for Board action at this time.

VIII. ADMINISTRATIVE MANAGER REPORT

A. Fourth Quarter 2017

Ms. Welch presented the Administrative Manager Report for the fourth quarter of 2017. The report showed employer contribution income of $881,776, employee payroll deductions of $40,537, employee contributions of $667, interest and dividend income of $5,526, and miscellaneous income of $6,500 producing a total income of $935,006. Expenses included $759,225 for medical benefits, $29,782 for CIGNA premiums, $60,200 for dental premiums, $17,285 for disability benefits, $299,261 for prescription drug benefits, $4,695 for life insurance benefits, $33,765 for stop loss insurance, $8,145 for optical benefits, and $53,706 in operating expenses, producing total expenses of $1,266,064 and resulting in a deficit of $331,058 for the fourth quarter of 2017. Ms. Welch reported that contributions were made on behalf of 487 active participants and that there were no delinquencies. The Fund reserve was $1,758,726 as of December 31, 2017, which was projected to provide benefits for 5.3 months.

Ms. Welch reported that the medical expenses in the first quarter of 2018 were $1,128,711.30. She distributed a report that listed high dollar claims that have been paid since January 1, 2018. The report listed five participants that had incurred seventy percent of the total medical expenses paid in the first quarter. Ms. Welch noted at this time no participants had reached the $350,000 stop loss individual annual deductible however three participants had reached the 50% trigger notification amount and ULLICO had been notified.

IX. INVOICES

Ms. Welch reviewed a list of invoices dated April 16, 2018. She stated that there were no additions, deletions or changes to the list. The Trustees reviewed the list and determined that all invoices represented proper Fund expenses.

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

> **RESOLVED, to approve payment of the list of invoices dated April 16, 2018 as presented.**

X. PARTICIPANT APPEALS

Appeal Number	*Issue*	*Board Decision*
M18/106-3120	Hospital/Medical Non-participating provider	Approve
M18/105-5996	Hospital/Medical Non-participating provider	Approve
M18/101-4348	Hospital/Medical Excess of Usual and Customary Rate	Denied
M18/100-2548	Hospital/Medical Non-participating provider	Approve
M16/144-1297	Hospital/Medical Excluded services request	Denied

XI. OTHER FUND BUSINESS

A. Fiduciary Liability Insurance Renewal

Ms. Welch reported that the Fund's fiduciary liability insurance was renewed for the period January 1, 2018 through January 1, 2019. She noted the annual premium $3,393 had not increased from the previous year.

B. ULLICO – Stop Loss Renwal

Ms. Welch reported that the Trustees via email poll on January 4, 2018 approved ULLICO's proposal for Stop Loss Policy Renewal. The Stop Loss Policys' individual deductible was increased to $350,000. The aggregating individual deductible of $50,000 and unlimited maximum remained in place. The premium decreased from

$30.95 to $25.53 per member per month(pmpm). The rate proposed to continue the individual deductible at $300,000 was $32.47 pmpm.

Ms. Welch presented a stop loss provider rate comparison between HM Insurance Group, AIG Benefit Solution and ULLICO showing the rate for an individual deductible of $300,000 and $350,000. ULLICO proposed the lowest premium for both deductibles

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C. <u>Optum Rx Utilization Management</u>

Ms. Welch distributed a report that compared the Fund's current prescription benefit Quantity Limits, Prior Authorization, and Step Therapy Program utilization management requirements to the clinical edits in place at OptumRx.

The Trustees discussed Prior Authorization and Step Therapy Program requirements that were not being enforced by Optum Rx. Optum Rx did not have a Prior Authorization clinical edit in place for weight loss medications or oral antifungals Lamisil and Sporanox. A Step Therapy clinical edit was not in place for Singulair which requires a member to receive steroid nasal spray plus an antihistamine for allergic rhinitis prior to being able to receive Singulair. Members who use Singulair for asthma or members less than 18 years of age are exempt from this requirement. It was also noted that Prilosec over the counter (OTC) and Claritin OTC should be covered at the generic co-pay with a valid prescription.and the price override was not in place. The Trustees directed Ms. Welch to request OptumRx to provide a report listing the cost the Fund incurred due to the utilization management requirements not being enforced.

The Trustees reviewed the following Quantity Limits, Prior Authorization and Step Therapy utiltization management requirements in place that are not noted in the Summary Plan Description: (1) Specialty Medications are limited to a thirty day supply, (2) Epinephrine quantity limit of two per year, (3) Rozerem quantity limit of fifteen every twenty three days, (4) Omeprazole Sodium Bicarbonate step therapy Prilosec

OTC and Omeprazole or Prilosec OTC and Pantoprazole required prior to approval of Omeprazole Sodium Bicarbonate.

The Trustees requested that the Administrative Manager publish an article in the next "For Your Benefit" Newsletter that includes a complete list of the medications included in the Prior Authorization, Quantity Limits and Step Therapy Program.

Ms. Welch stated that she had distributed information regarding the OptumRx Comprehensive Utilization Program that included the Utilization Program Medication List and the Comprehensive Prior Authorization and Step Therapy Medication List to the Trustees between Board meetings for their review. A report for each of the Programs that outlined the savings and potential member disruption if the programs were implemented was included. The Trustees tabled further discussion of the OptumRx Comprehensive Utilization Program until OptumRx was present at the next meeting.

D. <u>OptumRx Rebate Checks</u>

The Fund received rebate checks from Optum Rx on November 3, 2017, in the amount of $6,500 and on April 2, 2018 in the amount of $5,935.00.

XII. NEXT MEETING DATE AND LOCATION

The Trustees directed that a regular Board meeting be held on Monday, June 16, 2018 at 10:00 a.m. in Landover, Maryland.

XIII. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned.

Respectfully submitted,
Micheal Goble, Secretary

Attachments:

Exhibit A: PNC Capital Advisors Investment Review for Period Ending March 31, 2018

Exhibit B: Salter & Company, LLC Indepent Auditors' Report and Financial Statement for year ended December 31, 2016 and 2015

Exhibit C: Salter & Company Audit Engagement for 2017 Plan year