Industry And Local 338
Welfare Fund
911 Ridgebrook Road
Sparks, MD 21152-9451
Telephone No. (855) 412-3797 (toll free)
www.associated-admin.com

Minutes of the Meeting of the Board of Trustees

Held on April 3, 2019
Via
Conference Call

The following Trustees were present:

UNION TRUSTEES	**EMPLOYER TRUSTEE**
Lori Polesel	Chris Palmer
Barry Russell	

Also present were:

Russell Bley – The Segal Company
Pat Blizzard – SEI Institutional Group
Alicia Cochran – Associated Administrators, LLC
Peter Murray – Schultheis & Panettieri, LLP
Elizabeth O'Leary, Esq. – Kauff McGuire & Margolis LLP

I. CALL TO ORDER

The meeting was called to order at 9:02 a.m.

II. INVESTMENT CONSULTANT REPORT

Mr. Patrick Blizzard of SEI referred the Trustees to the SEI report which was distributed electronically prior to the conference call.

Mr. Blizzard discussed SEI's investment outlook and provided an overview of the capital markets.

Mr. Blizzard reported that the Fund's market value of assets was $7,512,430 as of February 28, 2019, and its fiscal year-to-date rate of return was 2.12%, compared to the 2.26% return for the index. Since inception with SEI (01/31/11), the rate of return was 4.73%, compared to the 3.89% return for the index. The asset allocation is 1.00% Small Cap Fund, 5.70% World Equity Ex-US Fund, 5.10% US Equity Factor Allocation Fund, 4.10% Large Cap Index Fund, 3.00% Dynamic Asset Allocation Fund, 30.20% Core Fixed Income Fund, 15.00% Limited Duration Fund, 2.00% High Yield Bond Fund, 15.00% Ultra Short Duration, 15.00% Opportunistic Income Fund, 2.00% Emerging Markets Debt Fund, 1.90% Emerging Markets Equity Fund, and 0% cash and equivalents.

The Trustees thanked Mr. Blizzard for his report.

III. AUDITOR REPORT

Mr. Peter Murray of Schultheis & Panettieri, LLP ("S&P") referred the Trustees to the Financial Statements for the Plan Years ended June 30, 2018 and 2017 which were distributed electronically prior to the conference call and are attached hereto as Exhibit "A." He confirmed that the Financial Statements present fairly, in all material respects, the financial status of the Fund. Mr. Murray reviewed the audit report, Form 5500, and Form 990 in detail. He reported that the Form 5500, Form 990 and Financial Statements would be timely filed. He noted S&P's satisfaction with Associated's internal controls. He also stated that, given the size of the Fund, its administrative expenses compare favorably to industry norms. Mr. Murray noted that there was a significant spike in medical claims from 2017 to 2018. It was noted that the increase may partially be due to the benefit improvements effective January 1, 2018.

Mr. Murray noted that the current annual fee for the audit is $36,000, and he is proposing the fee remain at $36,000 for the audit of the 2018 Plan Year. The Trustees agreed to this proposal.

The Trustees thanked Mr. Murray for his report.

IV. APPROVAL OF MINUTES

The minutes of the meeting held on December 6, 2018, which were previously distributed, were reviewed.

MOTION was made, seconded and unanimously adopted to approve the minutes of the meeting held on December 6, 2018.

V. ASSOCIATED ADMINISTRATORS, LLC REPORT

A. Cash Operating Statement

Ms. Cochran submitted the Cash Operating Statement from July 1, 2018 through December 31, 2018. The report is attached hereto as Exhibit "B."

B. Claims Paid Detail Report

Ms. Cochran reviewed a report that provided the detail of medical claims paid by benefit from July 1, 2018 through September 30, 2018 and October 1, 2018 through December 31, 2018. The report showed paid claims by the following categories: anesthesia, hospital, in-patient substance abuse, laboratory and x-ray, medical and surgery. The report also indicated claims paid in-network and out-of-network. The report is attached hereto as "Exhibit C."

C. Disbursement Report

Ms. Cochran referred to the Authorization for Disbursements reports for October, November and December 2018. The reports are attached hereto as Exhibit "D."

MOTION was made, seconded and unanimously adopted authorizing the disbursements listed in Exhibit "D."

D. Active Members and COBRA Participants Receiving Benefits

Ms. Cochran referred to the report for the period from January 2018 through December 2018. The report is attached hereto as Exhibit "E."

E. Employer Contribution Rate Report

Ms. Cochran reviewed the report in detail. The report is attached hereto as Exhibit "F."

F. Delinquency Report

Ms. Cochran reviewed the report in detail. The report is attached hereto as Exhibit "G."

G. Withdrawal Liability

Ms. Cochran reviewed the report showing the Welfare Fund's withdrawal liability payments to the Pension Fund, noting that 58 out of 240 payments of $1,479.58 have been made as of December 31, 2018. The report is included at the bottom of Exhibit "G."

H. Administrative Manager's Report

Ms. Cochran reviewed the report in detail. The report is attached hereto as Exhibit "H."

I. Administrative Services Agreement Renewal

Ms. Cochran distributed and reviewed her letter dated March 7, 2019 regarding the March 31, 2019 expiration of the administrative services contract between the Fund and Associated Administrators, LLC ("Associated") and proposed renewal terms. She provided detailed information in support of the request for a three-year renewal with increased fees. A copy of the renewal letter is annexed hereto as Exhibit "I." She explained that Associated is proposing a 5% increase to the monthly fee in the total yearly amounts of $3,569 for Year One (4/1/19 to 3/31/20), $3,748 for Year Two (4/1/20 to 3/31/21), and $3,935 for Year Three (4/1/21 to 3/31/22). She noted that the current monthly fee is $5,949, and that, with these increases, the monthly fee in Year One would be $6,246, the monthly fee in Year Two would be $6,558, and the monthly fee in Year Three would be $6,886. She also reviewed the hourly rates for regulatory changes and new vendor implementation, as described in the proposal.

The Trustees, Messrs. Murray and Bley, and Ms. O'Leary convened via conference call immediately following the end of the meeting to review the proposal. They discussed Associated's performance and the general market conditions for TPA services. After discussion, the Trustees directed Ms. O'Leary to respond to Associated's renewal by offering a 3% increase each year for the next three years rather than the proposed 5% increase each year. Subsequent to the meeting, Ms. Cochran advised by e-mail that Associated agreed to a three-year renewal with 3% rate increases each year.

J. Summary of Benefits and Coverage ("SBC")

Ms. Cochran reported that the 2019 SBC was mailed to Plan participants and beneficiaries on December 11, 2018.

K. Form 1099MISC

Ms. Cochran reported that Form1099MISC was mailed on January 22, 2019.

L. Patient Protection and Affordable Care Act (ACA) of 2010: Reporting Requirements

Ms. Cochran reported that ACA Sections 6055 and 6056 require self-insured multiemployer plans and applicable large employers to report information related to health care coverage of covered individuals by filing Form 1094 or 1095-B, or Form 1094 or 1095-C, with the IRS, and to furnish a statement to each responsible individual for health coverage provided in 2018. She said the Form 1095-B was mailed to participants on February 26, 2019.

M. First Student, Kingston CBA

Ms. Cochran reported on the CBA between First Student, Kingston and Teamsters Local Union 445 for the period from September 1, 2018 through August 31, 2021. Ms. Cochran explained that there was a retroactive contribution decrease effective September 1, 2018, resulting in a $182.40 overpayment to the Fund. The Trustees directed the Administrative Manager to advise the employer of the overpayment and provide a contribution credit of $182.40.

MOTION was made, seconded and unanimously adopted to provide a contribution credit of $182.40 to First Student, Kingston for the overpayment.

VI. CONSULTANT REPORT

A. Stop Loss

Mr. Bley reviewed a memorandum detailing the Fund's stop-loss insurance renewal, effective April 1, 2019. He reported that the Fund is currently paying a rate of $59.94 per participant per month ("PPPM") for stop-loss coverage with an attachment point of $160,000, through HCC Life. Mr. Bley reported that effective April 1, 2019, HCC Life proposed increasing the Fund's specific stop loss rate by 15.0% from $59.94 to $68.93 PPPM, resulting in an annual premium increase of $15,900. As an alternative, if the specific stop loss attachment point was increased from $160,000 to $175,000 per individual, HCC Life would reduce the rate increase from 15.0% to 6.2%, thereby decreasing the proposed annual premium by $9,300. However, with the higher deductible, the Fund would assume an additional risk of $15,000 per claimant. Mr. Bley noted that it is common for specific stop loss renewals to receive "leveraged trend" increases in the range of 13.5% - 24.5%. Therefore, based on historical large claims experience, premium savings and the Fund's reserve level, he stated that Segal recommends the Board consider increasing to the $175,000 specific stop-loss level. Following discussion,

MOTION was made, seconded and unanimously adopted approving the specific stop loss insurance renewal proposal of HCC Life at the $175,000 attachment point with a 6.2% premium increase.

B. <u>Pharmacy Benefit Manager Request For Proposal (“RFP”)</u>

Mr. Bley reported that Segal’s National Pharmacy Practice was asked whether the Optum Rx program offers better pricing than the current ESI arrangement under the NYLHCA coalition and whether it made sense for the Trustees to entertain a RFP. He stated that it is the opinion of Segal’s National Pharmacy Practice that, in light of the small size of the Fund and assuming that there are no service problems with ESI, there is unlikely to be a significant savings or benefit to changing PBMs at this time which would justify the expense of an RFP and the disruption to participants caused by a change in PBM. He concluded that Segal does not recommend an RFP at this time for PBM services.

C. <u>Claims Audit</u>

The Trustees discussed the possibility of having a claims audit performed and requested that Segal provide a proposal to perform a claims audit of Empire/Associated Administrators. Ms. O’Leary inquired whether S&P performs claims auditing services. Mr. Murray responded that S&P does sample claims audits for the annual audit but does not provide more extensive claims auditing services.

Mr. Bley noted that, given the high claim activity in 2018, the Trustees may also want to consider SHAPE, a data mining service offered by Segal which helps identify high cost claimants and ways to address certain disease states in an effort to reduce spend. The Trustees requested that Mr. Bley obtain a proposal for consideration.

D. Consulting Services Agreement

Mr. Bley reported that the Consulting Services Agreement between the Fund and Segal Consulting reflects an annual fee of $50,000 which has been in place since 2015. He noted that, if acceptable to the Trustees, Segal will continue at the annual fee of $50,000 for 2019 and 2020 and provide an updated retainer agreement for the Trustees' signature.

The Trustees and Ms. O'Leary convened via conference call immediately following the end of the meeting to review Segal's proposal. They discussed Segal's performance and its multiemployer consulting expertise. After discussion, the Trustees directed Ms. O'Leary to advise Segal that the renewal terms are acceptable.

VII. NEXT MEETING DATE/ADJOURNMENT

The next regular meeting of the Board of Trustees is scheduled for Friday, June 21, 2019 by conference call. With no further business to come before the Board, the meeting was adjourned at 10:20 a.m.

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Union Trustee Employer Trustee

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Union Trustee

Exhibits

A – Financial Statement

B – Cash Operating Statement

C – Claims Paid Detail Report

D – Authorization for Disbursements

E – Active Members Report

F – Employer Contribution Report

G – Delinquency and Withdrawal Liability Report

H – Administrative Manager’s Report

I – Administrative Services Contract Renewal