Industry And Local 338
Welfare Fund

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Minutes of the Meeting of the Board of Trustees

Held on November 20, 2019
Via
Conference Call

The following Trustees were present:

UNION TRUSTEES	EMPLOYER TRUSTEE
Lori Polesel	Chris Palmer
Barry Russell	

Also present were:

Kristen Barshinger – Associated Administrators, LLC
Pat Blizzard – SEI Institutional Group
Alicia Cochran – Associated Administrators, LLC
Dan Geiger – Express Scripts
Elizabeth O'Leary, Esq. – Kauff McGuire & Margolis LLP
Beth Robinson – Express Scripts
Jill Rodriguez – Express Scripts
John Urbank – The Segal Company
John Waite – SEI Institutional Group

I. CALL TO ORDER

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

II. INVESTMENT CONSULTANT REPORT

Mr. Pat Blizzard and Mr. John Waite 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 $7,912,084 as of October 31, 2019, and its fiscal year-to-date rate of return is 1.89%, compared to the 1.81% return for the index. Since inception with SEI (01/31/11), the rate of return is 4.99%, compared to the 4.21% return for the index. The current asset allocation is 0.90% Small Cap Fund, 5.70% World Equity Ex-US Fund, 5.20% US Equity Factor Allocation Fund, 4.30% Large Cap Index Fund, 3.10% Dynamic Asset Allocation Fund, 30.90% Core Fixed Income Fund, 14.70% Limited Duration Fund, 2.00% High Yield Bond Fund, 14.60% Ultra Short Duration, 14.60% Opportunistic Income Fund, 2.10% Emerging Markets Debt Fund, 1.90% Emerging Markets Equity Fund, and 0.00% cash and equivalents.

Mr. Waite discussed the Fund's current portfolio along with the underperformance of the US Small Cap Equity, Word Equity, and Dynamic Asset allocations. He presented three options to rebalance the portfolio (Portfolios A, B, and C), and provided an in-depth review of the Total Return Enhancement Exposure and Total Risk Management Exposure for each of the three portfolios. Mr. Waite indicated that SEI recommends Portfolio A which includes the following changes: (1) increasing the Russell 1000 US Large Cap Index allocation from 4% to 6%, (2) eliminating the current 1% allocation to US Small Cap Equity, (3) increasing the Word Equity ex-US allocation from 6% to 9%, (4) eliminating the current 2% allocation to Emerging Markets Equity (+ Frontier), (5) increasing the US Equity Factor allocation from 5% to 6%, (6) eliminating the current 3% Dynamic Asset Allocation, (7) decreasing the Diversified Short Term Fixed Income allocation from 15% to 5%, (8) decreasing the Short Term Corporate Fixed Income allocation from 15% to 10%, (9) increasing the Limited Duration Fixed Income allocation from 15% to 25%, and (10) increasing the Core Fixed Income allocation from 30% to 35%. He noted that implementation of Portfolio A will result in a fee reduction of 2 bps and stated that the changes will likely be implemented in or around the end of December 2019.

After discussion and extensive questions and answers,

> **MOTION was made, seconded and unanimously adopted to approve the recommendation by SEI of Portfolio A as outlined in SEI's report.**

The Trustees thanked Messrs. Blizzard and Waite for their report and they were excused from the meeting.

III. <u>APPROVAL OF MINUTES</u>

The minutes of the meeting held on June 21, 2019, which were previously distributed, were reviewed.

> **MOTION was made, seconded and unanimously adopted to approve the minutes of the meeting held on June 21, 2019.**

IV. <u>ASSOCIATED ADMINISTRATORS, LLC REPORT</u>

A. <u>Cash Operating Statement</u>

Ms. Cochran submitted the Cash Operating Statement from July 1, 2018 through June 30, 2019. The report is attached hereto as Exhibit "A."

B. <u>Claims Paid Detail Report</u>

Ms. Cochran reviewed a report detailing medical claims paid by benefit from July 1, 2018 through September 30, 2018, October 1, 2018 through December 31, 2018, January 1, 2019 through March 31, 2019, and April 1, 2019 through June 30, 2019. 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 B."

C. Disbursement Report

Ms. Cochran referred to the Authorization for Disbursements reports for April, May, and June 2019. The reports are attached hereto as Exhibit "C."

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

D. Active Members and COBRA Participants Receiving Benefits

Ms. Cochran referred to the report for the period from January 2019 through December 2019. The report is attached hereto as Exhibit "D."

E. Employer Contribution Rate Report

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

F. Delinquency Report

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

G. Withdrawal Liability

Ms. Cochran reviewed the report showing the Welfare Fund's withdrawal liability payments to the Pension Fund, noting that 64 of 240 payments of $1,479.58 have been made as of June 30, 2019. The report is included at the bottom of Exhibit "F."

H. Administrative Manager's Report

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

I. Bargaining Contribution Rates – INTERIM ACTION

Ms. Cochran reported that the Trustees, via conference call on July 22, 2019, discussed the contribution rates for the bargaining parties. Per the recommendation of Segal, it was agreed that the contribution rate should reach $7.40 per hour by the third year for employers who have upcoming bargaining.

J. Segal Consulting Services Agreement – INTERIM ACTION

Ms. Cochran reported that the Trustees, via conference call on July 22, 2019, approved entering into an updated Consulting Services Agreement with Segal Consulting with no increase in the annual fee of $50,000.

K. Mondelez Global, LLC, Collective Bargaining Agreement ("CBA")

Ms. Cochran reported on the CBA between Mondelez Global, LLC and Teamsters Local Union 445 ("Local 445") for the period September 1, 2019 through August 31, 2024. She said the CBA reduces the contribution rate from $308.00 to $294.80 per week, and that, as a result of the reduction, there is an overpayment of $3,762.00 for September of 2019. The Trustees approved allowing the employer to take a credit of $3,762.00 on its next monthly remittance report.

L. Notice of Creditable Coverage

Ms. Cochran reported that the Notice of Creditable Coverage was mailed on October 8, 2019 to participants and/or spouses regarding their prescription drug coverage.

M. Payroll Audit

Ms. Cochran reported that the auditor, Schultheis & Panettieri, LLP, had conducted a payroll audit on Precast Concrete Sales Company ("Precast") for the period January 1, 2016 through December 31, 2018. A check in the amount of $2,611.81 representing the audit findings was received from Precast on October 7, 2019.

N. Cyber Liability Policy – INTERIM ACTION

Ms. Cochran reported that the Trustees approved the policy renewal on October 15, 2019. She noted that, per the recommendation of Segal Select, the renewal is with Travelers at the $1 million aggregate for the period October 4, 2019 through October 4, 2020.

O. Culinart, Inc. Participant Eligibility – INTERIM ACTION

Ms. Cochran noted that, as the Trustees are aware, Culinart, Inc. ceased operations on May 10, 2019. However, the employer paid contributions for the full month of May 2019. Based on the contribution payment, the Trustees approved, via electronic poll on August 7, 2019, extending coverage for eligible employees until May 31, 2019. Ms. Cochran said that updated COBRA Notices were mailed to the affected participants.

P. College of New Rochelle ("CNR")

Ms. Cochran reported that, as the Trustees are aware, CNR ceased operations on August 10, 2019. She stated that CNR paid two weeks of contributions and that, in accordance with the Summary Plan Description, coverage was terminated for employees on that day. Ms. Cochran said that COBRA Notices were mailed to the affected participants.

Q. Patient-Centered Outcomes Research Institute ("PCORI") Fee

Ms. Cochran said the Trustees approved the snapshot method for the July 31, 2019 filing to determine the average number of lives covered under the Plan. She said the fee is $2.39 multiplied by the average number of lives covered under the Plan. Ms. Cochran said the auditor prepared the Form 720 and that payment in the amount of $963.17 was mailed to the IRS on July 30, 2019.

V. PROVIDER REPORT – EXPRESS SCRIPTS

A. Safeguard Programs – INTERIM ACTION

Ms. Cochran reported that the Trustees, via electronic poll on November 12, 2019, approved the implementation of Safeguard Programs (Inflammatory Conditions Care Value, Multiple Sclerosis Care Value, and Market Events Protection Program). These programs require no benefit changes or fees, and will be effective February 1, 2020.

B. SaveOn Program

Ms. Jill Rodriguez, Ms. Beth Robinson, and Mr. Dan Geiger of Express Scripts joined the call to discuss the SaveOn Program which helps reduce specialty drug cost. Mr. Geiger explained that the program offers savings to both participants and the Fund by using money set aside to assist with payment of specialty medications, reducing the patient's responsibility to zero, and they described how the program works and explained the communication strategy that will be used to notify participants of this program, including letters to affected participants as well as a Summary of Material Modification ("SMM") to all participants. Ms. Rodriguez said that she would send suggested language for review to the Administrative Manager and Segal. After extensive questions and answers about the program, the ESI representatives were excused from the conference call. Mr. Urbank answered additional questions regarded the program and stated that Segal recommends the implementation of this program.

MOTION was made, seconded and unanimously adopted to approve the SaveOn Program presented by Express Scripts with an implementation date of March 1, 2020.

VI. CONSULTANT'S REPORT

A. Life Insurance, AD&D, DBL and Paid Family Leave Renewal

Mr. Urbank reviewed the Segal memorandum regarding the Amalgamated Life Renewal, effective January 1, 2020, which includes Life Insurance, AD&D, Short-Term

Disability (enhanced DBL) and New York State Paid Family Leave (NYS PFL). The memorandum is attached hereto as Exhibit "H." He noted that Amalgamated Life originally proposed to maintain the current rates for the Enhanced DBL coverages. However, based on the experience report, Segal appealed the renewal rate action and was successful in having Amalgamated agree to reduce the current Enhanced DBL rate from $7.00 to $6.805 per person per month, which amounts to $262 in annual savings. He stated that this rate is for a one-year period, January 1, 2020 through December 31, 2020. He said that Amalgamated agreed to hold the current rates for Life Insurance and AD&D for a two-year period, effective January 1, 2020 through December 31, 2021. Mr. Urbank reported that Amalgamated also proposed to increase the NYS PFL from 0.126% to 0.270% of covered payroll. He noted that, although there have been no claims for this coverage to date, Amalgamated Life was not able to reduce the renewal rate since it is the NYS-mandated rate. Ms. O'Leary noted that the Trustees were not required to provide coverage for NYS PFL but had previously agreed to do so, subject to annual review of whether to continue to provide NYS PFL. Following discussion,

MOTION was made, seconded and unanimously adopted approving the Amalgamated Life revised renewal as presented and agreeing to continue to provide the NYS PFL benefit.

B. <u>Gene Therapy Exclusion</u>

Mr. Urbank said that the Trustees had approved the exclusion of a new gene therapy medication, Zolgensma, at the June 21, 2019 meeting and should now decide whether to limit the exclusion to Zolgensma or exclude all gene therapy charges. The Trustees discussed the high cost of gene therapy and the negative impact that such exposure could have on the Fund. Mr. Urbank reviewed a draft Summary of Material Modification ("SMM") prepared by Segal which states all charges related to gene therapy, including but not limited to Zolgensma, will be excluded from the Plan effective July 1, 2019. Following discussion,

MOTION was made, seconded and unanimously adopted approving the exclusion of all gene therapy effective July 1, 2019.

VII. COUNSEL'S REPORT

A. College of New Rochelle ("CNR")

Ms. O'Leary reported that, as the Trustees are aware, CNR filed for Chapter 11 bankruptcy in the United States Bankruptcy Court for the Southern District of New York on September 20, 2019. She stated that she will file a proof of claim on behalf of the Fund. She noted that Associated has advised that CNR owes $3,154.40 in contributions for the period from September 1, 2013 through June 1, 2019 based on the retroactive increase agreed to by the bargaining parties earlier in the year, and a minimal amount of late fees. Ms. O'Leary stated that, based on the information available to date, it does not appear that there will be any significant recovery available to CNR's creditors. She noted that the Trustees of the Pension Fund had retained special counsel to explore whether are any potential avenues of collection other than filing a proof of claim form. The Trustees determined that, given the relatively small amount of the Welfare Fund's claim, it was not necessary for the Welfare Fund to retain special counsel. She stated that she will keep the Trustees advised of any developments.

VIII. TRUSTEE DISCUSSION

Mr. Urbank was excused from the meeting for the discussion of the medical claims audit proposals. Ms. Cochran referred the Trustees to the two proposals that were distributed electronically prior to the conference call for a claims audit, one proposal from Segal for $27,000 and one from Novak Francella/Seneca for $37,500. Ms. Cochran said that, based on past experience with a prior claims audit, and the additional time that would be spent by Associated's staff to prepare and assist the auditors during the audit, Associated would request reimbursement for staff hours spent supporting the audit.

Ms. O'Leary suggested that the Trustees review the audited financial statement for the 2018 Plan year before making a decision regarding a medical claims audit. The Trustees agreed and tabled discussion regarding the proposals.

IX. NEXT MEETING DATE/ADJOURNMENT

The next regular meeting of the Board of Trustees will be determined at a later date by email poll. With no further business to come before the Board, the meeting was adjourned at 10:57 a.m.

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Union Trustee Employer Trustee

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Union Trustee

Exhibits

A – Cash Operating Statement

B – Claims Paid Detail Report

C – Authorization for Disbursements

D – Active Members Report

E – Employer Contribution Report

F – Delinquency and Withdrawal Liability Report

G – Administrative Manager's Report

H – Segal Memorandum