Industry And Local 338
Welfare Fund

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Minutes of the Meeting of the Board of Trustees

Held on June 7, 2018
at
Teamsters Local 445 Union Office
Rock Tavern, New York

The following Trustees were present:

UNION TRUSTEES
Lori Polesel
Barry Russell

EMPLOYER TRUSTEE
Chris Palmer

Also present were:

Russell Bley – The Segal Company
Alicia Cochran – Associated Administrators, LLC
Deborah Dubbs – Associated Administrators, LLC
Elizabeth O'Leary, Esq. – Kauff McGuire & Margolis LLP
John Urbank – The Segal Company

Also present for a portion of the meeting were:

Patrick Blizzard – SEI Institutional Group
Joseph Bruzzo – Empire BlueCross BlueShield
Peter Murray – Schultheis & Panettieri, LLP

I. CALL TO ORDER

The meeting was called to order at 12:36 p.m.

II. INVESTMENT CONSULTANT REPORT

Mr. Patrick Blizzard distributed and reviewed the SEI report for the period ending April 30, 2018.

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

Mr. Blizzard reported that the Welfare Fund's market value of assets was $7,338,545 as of April 30, 2018, and its fiscal year-to-date rate of return was 3.14%, compared to the 2.49% return for the index. Since inception with SEI (01/31/11), the rate of return was 4.94%, compared to the 3.98% return for the index. The asset allocation is 2.10% Small Cap Fund, 8.60% Large Cap Index Fund, 2.00% High Yield Bond Fund, 3.10% Dynamic Asset Allocation Fund, 29.10% Core Fixed Income Fund, 14.60% Limited Duration Fund, 6.50% World Equity Ex-US Fund, 2.20% Emerging Markets Equity Fund, 14.80% Ultra Short Duration, 15.00% Opportunistic Income Fund, 2.00% Emerging Markets Debt Fund, 0% cash and equivalents.

Mr. Blizzard discussed adding the US Factor Based asset allocation. After providing a detailed presentation on factor based investing, Mr. Blizzard directed the Trustees to the report titled "Modeled Welfare Portfolios" which contained the recommended portfolio modifications. He said Portfolio A would decrease the US Small Cap Equity and the Russell 1000 Large Cap Index allocations while adding the US Factor Based allocation. Mr. Blizzard also noted this modification to the policy would increase the short-term, equilibrium, and poor scenario return.

After a question and answer session,

MOTION was made, seconded and unanimously adopted to accept SEI's recommendation for Portfolio A as contained in the Asset Allocation Review report.

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

III. AUDITOR REPORT

Mr. Peter Murray of Schultheis & Panettieri, LLP ("S&P") reviewed his e-mail dated April 5, 2018 which was contained in the meeting booklet. Mr. Murray discussed S&P's request, which was tabled at the January 25, 2018 meeting, that the current hourly payroll audit rates of $75, $110, and $185 be increased to $85, $125, and $210. He noted that the current rates are intended to result in a blended hourly rate of $85 and that the proposed rates are intended to result in a blended hourly rate of $95.

Per the Trustees' request, Mr. Murray presented a payroll audit program analysis to improve audit efficiency and reduce costs associated with the audit program.

After a discussion,

MOTION was made, seconded and unanimously adopted to approve the proposed hourly payroll audit rates of $85, $125, and $210 and to update the administrative procedure of payroll audits to audit an employer that had zero findings in the previous audit on a 3-year cycle and to audit an employer with findings of 5% or more on a 2-year cycle.

Mr. Murray was thanked for his presentation and excused from the remainder of the meeting.

IV. CONSULTANT REPORT

A. COBRA Rates

Mr. Urbank referred to the Trustees' approval of the new COBRA Rates, effective April 1, 2018, via e-mail poll in between meetings. He noted that the rates reflect the benefit improvements, effective January 1, 2018.

Following discussion,

MOTION was made, seconded and unanimously adopted to ratify the Trustees' decision via e-mail poll to approve the COBRA rates, effective April 1, 2018.

B. <u>Stop Loss Insurance Policy</u>

Mr. Urbank referred to the Trustees' approval of the HCC stop loss insurance policy renewal at the $160,000 specific stop-loss level effective April 1, 2018 via e-mail poll in between meetings.

Following discussion,

MOTION was made, seconded and unanimously adopted to ratify the Trustees' decision via e-mail poll to approve the stop loss renewal with HCC Life at the $160,000 specific stop-loss level.

C. <u>Empire BCBS/Anthem Renewal – May 1, 2018</u>

Mr. Urbank introduced Mr. Joe Bruzzo from Empire BCBS to present the Empire BCBS/Anthem renewal. Mr. Bruzzo reported that Empire has requested a 3% increase to the current JAA fee. He noted that the fee was then offset by the projected 1.5% discount and that, based on historical and projected discounts, Empire is projecting discounts to be roughly $1.59 million. Mr. Urbank noted that $7,700 in savings were negotiated. A question was raised as to how Empire measures discounts from year to year. Mr. Bruzzo stated that Empire could provide reporting with backup. Mr. Bruzzo was thanked for his presentation and excused from the meeting.

The Trustees stated that they would prefer to retain a fixed administrative fee arrangement. Mr. Urbank discussed Segal's dissatisfaction with Empire's implementation of this new arrangement without more advance notice. He added, however, that Empire is insisting on this fee structure for all clients with fewer than

1,000 contracts. The Trustees and Segal noted Empire's history of deep discounts and that the discount on claims is more important to the Fund than the administrative fees and agreed to proceed with the new structure, noting that they would continue to closely monitor fees under the new arrangement and revisit it after experience under the new arrangement.

Following discussion,

MOTION was made, seconded and unanimously adopted to approve the terms of the JAA renewal, as presented.

D. <u>Fiduciary Liability Renewal</u>

For this year's renewal of the fiduciary liability insurance, effective June 10, 2018, Segal Select recommended renewing coverage with the incumbent carrier, Ullico/Markel, based on the broadened scope of coverage, competitive premium and continuity of coverage. It was noted that the increase in premium was $13.

Following discussion,

MOTION was made, seconded and unanimously adopted to approve the renewal with Ullico/Markel as recommended by Segal Select.

E. <u>Financial Experience & Budget Projections ("FEBP")</u>

Mr. Urbank distributed and reviewed the Financial Experience and Budget Projections Report for the fiscal year ended June 30, 2018. Mr. Urbank commented that the report provides three years of audited data through 2017 and three years of projected income and expenses beginning July 1, 2018. Mr. Urbank reported that for fiscal year 2017 total income of $2.4-million exceeded the total expense of $1.8-million, thereby generating an operating surplus of $614,848. Taking into account the unrealized gain on investments of $138,140, the Fund experienced a total addition to net assets of

$752,988. As of June 30, 2017, net assets, excluding Incurred but Not Reported ("IBNR") claims reserves, totaled $78,297,426 for a reserve of 40.0 months.

Mr. Urbank discussed the slight increase in enrollment (approximately 8.5%). The Fund's average participant count during fiscal 2017 was 152, up from an average enrollment of 140 participants during fiscal 2016. He then reviewed the Hospital and Medical expenses for June 2017, noting a spike in claims costs.

Mr. Urbank reported that, based on 40 hours worked per week, the projected breakeven contribution hourly rates including margin are $7.39, $7.90, and $8.57, respectively, during Fiscal years 2018 through 2020. Mr. Urbank concluded that if the projections reach fruition, the Fund would incur an operating deficit in June 2018 and June 2020 of $36,100 and $171,100, respectively, and an operating surplus of $17,900 for June 2019. He noted that the Fund's net assets would increase to $8,261,326 $8,279,226 and $8,108,126 in FYE June 30, 2018, 2019, and 2020, respectively. The Fund's reserves would be 32.8 months of expenses as of June 30, 2020.

V. APPROVAL OF MINUTES

The minutes of the meeting held via conference call on January 25, 2018, which were previously distributed, were reviewed.

MOTION was made, seconded and unanimously adopted to approve the minutes of the meeting held on January 25, 2018.

VI. ASSOCIATED ADMINISTRATORS, LLC REPORT

A. Cash Operating Statement

Ms. Cochran submitted the Cash Operating Statement from July 1, 2017 through June 30, 2018. The report is attached hereto as Exhibit "A."

B. Disbursement Report

Ms. Cochran referred to the Authorization for Disbursements reports for the months of October, November and December 2017. The reports are attached hereto as Exhibit "B."

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

C. Delinquency Report

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

D. Employer Contribution Rate Report

Ms. Cochran reviewed this report in detail. The report is attached hereto as Exhibit "D."

E. Active Members & Retirees Receiving Benefits

Ms. Cochran referred to the report for the period from January 2017 through December 2017. The report is attached hereto as Exhibit "E."

F. Administrative Manager's Report

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

G. Participant Appeal

Ms. Cochran referred the Trustees to the detailed appeal memo on the following matter and, after consideration and application of the rules of the Fund to this case, the Trustees made the following decision:

Appeal Number	Issue	Board Decision
Exhibit "G."	Hospital/Medical – Benefit Maximum for Physical Therapy Benefits	Denied

H. Form 5500 – Plan Year Ended June 30, 2017

Ms. Cochran reported that the Form 5500 for the Plan year ended June 30, 2017 was filed on January 29, 2018.

I. Fidelity Bond – INTERIM ACTION

Ms. Cochran reported that the Trustees, via electronic poll on February 8, 2018, approved the revised Fidelity Bond Memorandum provided by Segal Select. The Memorandum is attached hereto as Exhibit "H." Ms. Cochran noted that the initial proposal presented at the January 25, 2018 meeting included a 24% premium increase and included social engineering coverage. The revised proposal included two policy options under incumbent Chubb: 1) policy with social engineering coverage with a premium increase from the current policy of 6%, or 2) policy without social engineering coverage with a reduction in premium from the current policy of 1.5%.

MOTION was made, seconded and unanimously adopted to ratify the interim action of the Trustees to approve the Fidelity Bond policy with social engineering coverage for the period February 11, 2018 through February 11, 2021 with a premium of $9,267.

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

Ms. Cochran stated that the PCORI fee, imposed by the Affordable Care Act for self-insured group plans, must be filed by July 31, 2018. The fee is $2.39 multiplied by the average number of lives covered under the Plan for that Plan year. Ms. Cochran said the Plan selected the snapshot method for the prior filings to determine the average

number of lives covered under the Plan. The Trustees requested that S&P file the Form 720, which is a tax form associated with the fee.

MOTION was made, seconded and unanimously adopted to approve the snapshot method and to engage the auditor to prepare the Form 720.

K. Patient Protection and Affordable Care Act of 2010 ("ACA"): 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 2016. She said the Form 1095-B was mailed to Plan participants on January 27, 2018.

VII. NEXT MEETING DATE/ADJOURNMENT

A regular meeting of the Board of Trustees is scheduled by conference call for Thursday, September 13, 2018 immediately following the Pension Fund meeting starting at 9:00 a.m. A regular meeting of the Board of Trustees is also scheduled by conference call for Thursday, January 17, 2019 immediately following the Pension Fund meeting at 9:00 a.m. With no further business to come before the Board, the meeting was adjourned at 2:10 p.m.

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Union Trustee Employer Trustee

_____

Union Trustee

Exhibits

A – Cash Operating Statement

B – Authorization for Disbursements

C – Delinquency Report

D – Employer Contribution Rate Report

E – Active Members Report

F – Administrative Manager's Report

G – Participant Appeal

H – Fidelity Bond Revised Memorandum