Industry And Local 338
Welfare Fund

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Minutes of the Meeting of the Board of Trustees

Held on June 21, 2019
Via
Conference Call

The following Trustees were present:

Also present were:

Russell Bley – The Segal Company
Kristen Barshinger – Associated Administrators, LLC
Alicia Cochran – Associated Administrators, LLC
Terry Gerlich – SEI Institutional Group
Elizabeth O'Leary, Esq. – Kauff McGuire & Margolis LLP
John Urbank – The Segal Company

I. CALL TO ORDER

The meeting was called to order at 9:31 a.m.

II. INVESTMENT CONSULTANT REPORT

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

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

Mr. Gerlich reported that the Fund's market value of assets was $7,616,201 as of May 31, 2019, and its fiscal year-to-date rate of return is 2.12%, compared to the 2.26% return for the index. Since inception with SEI (01/31/11), the rate of return is 4.76%, compared to the 3.94% return for the index. The asset allocation is 0.90% Small Cap Fund, 5.50% World Equity Ex-US Fund, 4.90% US Equity Factor Allocation Fund, 4.00% Large Cap Index Fund, 2.90% Dynamic Asset Allocation Fund, 31.10% Core Fixed Income Fund, 15.00% Limited Duration Fund, 2.00% High Yield Bond Fund, 14.90% Ultra Short Duration, 15.00% Opportunistic Income Fund, 2.00% Emerging Markets Debt Fund, 1.80% Emerging Markets Equity Fund, and 0.00% cash and equivalents.

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

III. APPROVAL OF MINUTES

The minutes of the meeting held on April 3, 2019, which were previously distributed, were reviewed.

MOTION was made, seconded and unanimously adopted to approve the minutes of the meeting held on April 3, 2019.

IV. ASSOCIATED ADMINISTRATORS, LLC REPORT

A. Cash Operating Statement

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

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, October 1, 2018 through December 31, 2018, and January 1, 2019 through March 31, 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 January, February, and March 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." Ms. Cochran referred to the late fee balances by several employers which are reflected in the report. It was agreed that the Administrative Manager would review the status of these liabilities and provide a further update, including whether any amounts should be written off. Ms. O'Leary noted that any amounts that were due more than six (6) years ago are uncollectable.

> **MOTION was made, seconded and unanimously adopted to write off the following late payments as uncollectable: Suburban Propane ($34.00; 2/13 to 3/13); Paraco Gas Corp. ($5.62; 3/13).**

G. Withdrawal Liability

Ms. Cochran reviewed the report showing the Welfare Fund's withdrawal liability payments to the Pension Fund, noting that 61 out of 240 payments of $1,479.58 have been made as of March 31, 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. Summary Annual Report

Ms. Cochran reported that the Summary Annual Report for Plan Year Ending June 30, 2018 was mailed to participants, participating employers, and unions on May 9, 2019.

J. Culinart

Ms. Cochran reported that Culinart ceased operations on May 10, 2019 and that, in accordance with the Summary Plan Description, benefits for employees were terminated as of that date, and COBRA Notices were mailed to participants.

K. Stop Loss Reimbursement

Ms. Cochran reported that the Fund submitted a stop loss claim to HCC Life Insurance Company for the April 1, 2018 – March 31, 2019 policy year. She noted that the specific deductible for this policy period is $160,000, and that the total claims paid were $167,939.96, resulting in a reimbursement of $7,939.96 to the Fund.

V. CONSULTANT'S REPORT

A. Empire BlueCross BlueShield Joint Administered Arrangement (JAA) Administrative Fee Effective May 1, 2019

Mr. Bley referred to the Trustees' approval of the Empire JAA renewal, effective May 1, 2019, via email poll in between meetings. He stated that the annual fees of $75,400, reflects a savings of $18,000 or 19.3 percent prior to the loss of Culinart, Inc. and the College of New Rochelle.

Following discussion,

MOTION was made, seconded and unanimously adopted to ratify the Trustees' decision via e-mail poll to approve the JAA renewal with Empire, effective May 1, 2019.

B. Financial Experience & Budget Projections (FEBP)

Mr. Bley distributed and reviewed the FEBP Report for the fiscal year ended June 30, 2018. He commented that the report provides three years of audited data through 2018 and three years of projected income and expenses beginning July 1, 2019. Mr. Bley reported that for fiscal year 2019 total expenses of $2.8-million exceeded total income of $2.4-million, thereby generating an operating deficit of $370,327. Taking into account the unrealized gain on investments of $40,342, the Fund experienced a total reduction to net assets of $329,985. As of June 30, 2018, net assets, excluding Incurred But Not Reported ("IBNR") claims reserves, totaled $7,967,440, for a reserve of 40.3 months. Mr. Bley then reviewed the Hospital and Medical expenses for June 2018, 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 $7.23, $8.21 and $8.90, respectively, during Fiscal years 2019 through 2021. Mr. Bley concluded that if the projections reach fruition, the Fund would incur an operating deficit in June 2020 and June 2021 of $37,300 and $200,000, respectively, and an operating surplus of $52,700 for June 2019. He noted that the Fund's net assets would increase to $8,020,140, then decrease to $7,982,840 and $7,782,840 in FYE June 30, 2019, 2020 and 2021, respectively. The Fund's reserves would be 38.4 months of expenses as of June 30, 2021.

C. COBRA Rates for the Year Beginning July 1, 2019

Mr. Bley reviewed the proposed COBRA rates for the year beginning July 1, 2019. He noted that the date was extended from April 1, 2018 to July 1, 2019 to better reflect the adoption of the April 1 stop loss rate renewal and the May 1 Empire JAA fee renewal dates. Mr. Bley stated that the Hospital, Medical, Prescription Drug, Dental and Optical claims costs are based on Segal's projections by benefit for fiscal year 2019. The claims utilization data used were through the end of December 2018 which include the benefit improvements effective January 1, 2018. Mr. Bley reported that, overall, the core, and core plus non-core individual and family rates are increasing between 21.2% and 16.5%.

After a discussion, a

MOTION was made, seconded and unanimously adopted to approve the proposed COBRA rates, effective July 1, 2019.

D. Zolgensma

Mr. Bley reported that, on May 24, 2019, the FDA approved a new gene therapy called Zolgensma, to treat Spinal Muscular Atrophy (SMA) type 1. Mr. Bley explained that SMA Type 1 has a prevalence rate of 1 in 10,000 births and without treatment, 90% of children with the condition will die before 2 years of age. He noted that babies with SMA Type 1 have difficulty breathing (most use ventilators), eating, sitting up and walking. Mr. Bley stated that Zolgensma was studied in 15 patients and, after 24 months, all 15 were free of ventilator use, passed tests on holding their head upright and sitting up. Zolgensma is a one-time infusion (not a chronic medication) and is indicated in patients who are younger than 6 months of age. It is likely that babies diagnosed with SMA Type 1 will receive the drug, once it is available, before they have been discharged from the hospital. Mr. Bley reported that Zolgensma is projected to cost $2.1million per patient. Mr. Urbank stated that some Funds have agreed to cover Zolgensma while others have taken the position to exclude it at launch. Following an extensive discussion, a

MOTION was made, seconded and unanimously adopted to exclude Zolgensma at launch and revisit as more information becomes available.

E. Consulting Services Agreement

Mr. Urbank reminded the Trustees that Segal's Consulting Services Agreement was previously circulated, reflecting an annual fee of $50,000, which has been in place since 2015. He noted that Segal will continue at the annual fee of $50,000 for 2019 and 2020 and requested the executed agreement. Ms. O'Leary stated that she is in the process of reviewing the agreement and it would be finalized in the near future.

F. Claims Audit

Mr. Urbank reminded the Trustees that the Fund Auditor previously reported on the significant increase in hospital and medical claims from 2017 to 2018. While it was mentioned that it may be partially due to the benefit improvements effective January 1, 2018, the increase seems to indicate there are other drivers. He noted that, as a result, Segal was requested to provide a proposal to perform a claims audit of Associated Administrators, the claims payer under the Empire JAA arrangement. Mr. Urbank reviewed Segal's proposal to perform a claims audit for $30,000. Mr. Urbank subsequently advised that Segal agreed to a reduction in the fee to $27,000.

VI. NEXT MEETING DATE/ADJOURNMENT

The next regular meeting of the Board of Trustees is scheduled for Monday, September 30, 2019 by conference call. With no further business to come before the Board, the meeting was adjourned at 10:42 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