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Local 487 Health & Welfare Fund
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MINUTES OF THE MEETING OF THE BOARD OF TRUSTEES OF THE INTERNATIONAL UNION OF OPERATING ENGINEERS HEALTH & WELFARE FUND THURSDAY, FEBRUARY 14, 2019 MIAMI LAKES, FLORIDA

The following Trustees were present:

LABOR TRUSTEES	**MANAGEMENT TRUSTEES**
M. Schaunaman, Chairman	M. Harrison
J. Mullen	
W. Utreras	

Also present were:

G. Ciccia – United Healthcare
D. Clutts – Associated Administrators, LLC
D. Bellows-Levine – Bellows Associated P.A.
L. DuVall – Associated Administrators, LLC
J. Hart – SEI Global Institutional Group
D. McCullers – Apprenticeship Director
E. Naegele – The Segal Company
K. Phillips – Phillips, Richard & Rind, PA
R. Sudler – Sudler Insurance Services, Inc.

I. CALL TO ORDER

Chairman Schaunaman called the meeting to order. He noted that a quorum of Trustees was not present and indicated that any items voted on at the meeting would need to be ratified at a later Board meeting or for those items requiring immediate action, an electronic poll would need to be conducted.

II. MINUTES

The Trustees reviewed the minutes of the regular meeting held on November 15, 2018, which were circulated to the Trustees in advance of the meeting. After discussion, on Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

RESOLVED to approve the minutes of the regular Board meeting held on November 15, 2018 as presented.

III. HEALTH INSURANCE BROKER'S REPORT

The Trustees welcomed Mr. Robert Sudler of Sudler Insurance Services, Inc. to the meeting.

Mr. Sudler distributed a report analyzing the United Healthcare ("UHC") renewal and request for proposal ("RFP") results, a copy of which is attached to and made a part of these minutes as Exhibit A. Mr. Sudler reviewed the Plan's medical claims experience for 2018. The Plan experienced higher than anticipated claims and increasing medical loss ratios during 2018 that included five shock claims for catastrophic coverage. An RFP was sent out to carriers on December 20, 2018: two companies declined to quote, two companies provided quotes that were not competitively priced, and one company provided a quote at 18.3% over the current UHC rates but declined to attend the meeting to present its bid. Mr. Sudler said that a representative from UHC was present to discuss its renewal quote and respond to questions. Mr. Sudler said that UHC had offered a renewal rate for the plans presently insured, Neighborhood Health Plan Health Maintenance Organization ("NHP HMO"), UHC HMO, and UHC Point of Service ("UHC POS"), initially at an increase of 34% over the current Plan rates, based on the claims experience of the participants and the Fund's medical loss ratio of 102%, but he was able to negotiate the rate increase down to 18%.

United Healthcare ("UHC")

The Trustees welcomed Ms. Gina Ciccia, Vice President – Florida Public and Labor, UHC to the meeting. Ms. Ciccia offered a one-year contract renewal of the present medical benefit plan options of the NHP HMO plan, which is now available to cover all participants in the State of Florida, and the UHC HMO and POS options for participants who reside outside of Florida. Ms. Ciccia confirmed that there would be no changes to the existing benefits. The contract proposal represented an 18% increase in premiums for the medical plans and no increase in premiums for dental and vision benefit plans. Ms. Ciccia also informed the Trustees that the Fund would be assigned a new dedicated account team, to assure that the Fund receives outstanding service and to troubleshoot any problems that may occur for the Plan participants.

Chairman Schaunaman asked why the Fund had received a medical loss ratio rebate check in October 2018 if the Plan's medical loss ratio was 102%. Ms. Ciccia said she would research this matter and report her findings to the Administrative Manager.

The Trustees thanked Ms. Ciccia and excused her from the meeting.

Trustee Discussion

Mr. Sudler recommended that the Fund renew its contract with UHC effective April 1, 2019 through March 31, 2020. After discussion, on Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED to approve a one-year contract renewal from April 1, 2019 through March 31, 2020 with United Healthcare for medical, dental and vision benefits at an 18% medical plan rate increase and 0% increase in dental and vision plan rates.**

Ms. Clutts reviewed the current UHC enrollment and noted that there are some Plan participants residing in the State of Florida who are presently enrolled in the UHC HMO. The Trustees discussed the expanded service area of the NHP HMO and directed the Administrative Manager to notify these Plan participants that they will be switched to the NHP HMO Plan beginning April 1, 2019 and of their need to select a primary care physician. Chairman Schaunaman requested that the Administrative Manager provide him with a list of affected participants. Mr. Sudler stated he would work with the Administrative Manager to prepare for open enrollment.

The Trustees thanked Mr. Sudler and excused him from the meeting.

IV. INVESTMENT CONSULTANT'S REPORT

The Trustees welcomed Mr. John Hart from SEI Global Institutional Group ("SEI") to the meeting.

A. Performance Report

Mr. Hart discussed SEI's Quarterly Investment Review Fourth Quarter 2018 dated February 14, 2019, a copy of which is attached to and made a part of these minutes as Exhibit B. Mr. Hart stated that the market value of the Fund assets in the total portfolio as of January 31, 2019, was $2,864,259. The fiscal year-to-date net return was 0.68% compared to the total index return of 1.43%. The Fund's total portfolio had a net return of 5.0% compared to the total index return of 4.3% for the period June 1, 2010 to December 31, 2018. Mr. Hart informed the Trustees about investment manager changes.

B. Asset Allocation

Mr. Hart reviewed the Fund's current asset allocation, noting all allocations are within investment policy target ranges. He reviewed proposed asset allocation changes. Mr. Hart recommended increasing equity investments by 2% to 27% by adding a large cap index fund to the portfolio and decreasing the Fund's bond investments by 2% to 73%. After discussion, the Trustees agreed with Mr. Hart's recommendations, noting that the investment allocation changes are within the scope of the Fund's current investment policy.

The Trustees thanked Mr. Hart for his report and excused him from the meeting.

V. AUDITOR'S REPORT

The Trustees welcomed Ms. Dina Bellows-Levine from Bellows Associates ("Bellows") to the meeting.

A. Form 990

Ms. Bellows-Levine confirmed that the Form 990 for the Plan year ended March 31, 2018 was filed on February 13, 2019, under the allowable extension of time to file.

B. Audited Financial Statements for Plan Year Ended March 31, 2018

Ms. Bellows-Levine reviewed the Financial Statements for the Plan years ended March 31, 2018 and 2017, a copy of which is attached to and made a part of these minutes as Exhibit C. She expressed an unmodified (clean) opinion on the Financial Statements, meaning that in her opinion the Financial Statements present fairly, in all material respects, the financial status of the Fund as of March 31, 2018 and 2017. She reviewed the audit and reported that the net assets available for benefits as of March 31, 2018 were $5,131,464 compared to $5,625,663 as of March 31, 2017, which represented a decrease of $494,199. Ms. Bellows-Levine reviewed the Notes to Financial Statements as of years ended March 31, 2018 and 2017.

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

> **RESOLVED to accept the audited Financial Statements for the Plan years ended March 31, 2018 and 2017, as presented.**

C. Payroll Audits

Ms. Bellows-Levin informed the Trustees that five payroll audits were in review prior to completion, three payroll audits were in progress pending receipt of information from the employers, and one payroll audit had been referred to Fund counsel due to lack of cooperation from the employer.

The Trustees thanked Ms. Bellows-Levine for her report and excused her from the meeting.

VI. HEALTH CONSULTANT'S REPORT

The Trustees welcomed Mr. Ernie Naegele from The Segal Company ("Segal") to the meeting.

A. Segal Health Benefits Report

Mr. Naegele reviewed the "Health Benefits Report – Fiscal Year Ending 2019," a copy of which is attached to and made a part of these minutes as Exhibit D. Mr. Naegele noted that fiscal performance and budget projections included the 2016 – 2018 fiscal years based on the audited financial statements. The 2019 fiscal year data used in the report was estimated based on unaudited financial statements through November 2018, with projections through the end of the fiscal year, as the fiscal year does not end until March 31, 2019.

Mr. Naegele reviewed specific information contained in the report pertaining to the Fund's experience and budget projections. United HealthCare premium rates for the fiscal year beginning April 1, 2019 are projected to be 18% higher than the health benefit rates for the prior year. Based on current income and expense calculations and Segal's standard forecasting assumptions, the Fund is estimated to have sufficient income and assets to meet current obligations for 5.1 months for Plan year ending March 31, 2019 and 1.9 months for Plan year ending March 31, 2020. Segal is projecting the health care premium rates to increase by 7.1% for fiscal year 2020, based on standard trend factors.

Mr. Naegele calculated a break-even Health & Welfare contribution rate of $6.01 for Plan year 2020, based on the recent financial reports and trends for the Fund. The Fund is spending reserves to make up for the shortfall in income as compared to expenses. The Trustees asked Mr. Naegele to coordinate with Mr. Sudler a United HealthCare utilization review midway through the Plan year.

B. Segal Consulting Updates

Mr. Naegele distributed and reviewed a Segal Consulting Trends Report titled "What Plan Sponsors Are Doing to Manage Plans: Selected Strategies, First Quarter 2019" and a Segal Consulting Report titled "Multiemployer Pension Universe."

C. Mutual of Omaha Life/Accidental Death & Dismemberment ("AD&D") Policy

Mr. Naegele stated he would be working on the renewal contract for the Fund's current life insurance/AD&D policy with Mutual of Omaha, which is due to be renewed on August 1, 2019.

The Trustees thanked Mr. Naegele for his report and excused him from the meeting.

VII. ATTORNEY'S REPORT

Ms. Kathleen Phillips distributed a report titled "Trustees Report" dated February 14, 2019, a copy of which is attached to and made a part of these minutes as Exhibit E.

A. Delinquency and Collections

Ms. Phillips provided an update on delinquency and collection matters involving American Empire Builders, Florida Rigging and Crane Company, and Sarens USA, Inc.

B. Payroll Audits

Ms. Phillips provided the following payroll audit status report:

Enterprise Construction ("Enterprise")

Ms. Phillips reported that Enterprise had been randomly selected for a payroll audit and had not complied with the auditor's request for documents. She said that Enterprise has been reporting and paying contributions for him based on 100 hours per month as the only employee of Enterprise. She estimated the amounts owed in delinquent contributions and service fees to this Fund and the Apprentice and Training Fund to be $4,467.10 combined. Two demand letters were sent to Enterprise regarding the estimated amounts owed and noncompliance with the payroll audit. She said that a final demand letter will be sent to Enterprise. She requested authorization from the Board to file suit in the event that Enterprise does not comply with the final demand. After discussion, on Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

RESOLVED to authorize Fund counsel to file suit against Enterprise Construction if Enterprise does not comply with the final demand.

VIII. ADMINISTRATIVE MANAGER'S REPORT

A. Income and Expense Statement

Ms. Clutts reviewed the Income and Expense Statement for December 2018, a copy of which is attached to and made a part of these minutes as Exhibit F. She reported total assets for the month of December 2018 were $3,734,855.58 compared to $4,720,765.00 for December 2017. She reported that for the month of December 2018, the Fund had total receipts of $534,961.30 and total expenses of $724,474.82, resulting in a deficit of $189,513.52. Ms. Clutts presented a Comparative Income Statement for the twelve months ended December 31, 2018.

B. Disbursements

Ms. Clutts presented the expense check register for December 2018, which indicated total disbursements of $725,596.48.

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

RESOLVED to accept the Administrative Manager's Report as presented.

C. Death Benefit Claims Report

Ms. Clutts reported that there were four death benefit claims paid to beneficiaries for the period of November 2018 to February 2019.

D. Retirees Who Qualified for Free Life Insurance Report

Ms. Clutts reviewed a list of Central Pension Fund retirees who qualified for free life insurance coverage under the Health & Welfare Plan.

IX. OTHER FUND BUSINESS

Ms. Clutts reported the following:

A. Summary Annual Report

The Summary Annual Report for the Plan year ended March 31, 2018 has been prepared and is being reviewed by Fund counsel. It will be mailed to Plan participants prior to March 15, 2019.

B. Form 5500

The Fund auditor confirmed that the Form 5500 for the Plan year ended March 31, 2018 had been electronically filed on January 10, 2019, under the allowable extension of time to file.

C. Fiduciary Liability Renewal

The Fund's Fiduciary Liability insurance policy was renewed for the policy period of January 1, 2019 to January 1, 2020, at a cost of $9,388.80. The policy renewal was $26 over the prior policy premium. The premium was split with 80% paid by the Health and Welfare Fund and 20% paid by the Apprentice and Training Fund. On Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

RESOLVED to approve renewal of the Fiduciary Liability policy for the period January 1, 2019 to January 1, 2020.

D. Fidelity Bond Renewal

The Fund's Fidelity Bond policy was renewed at a premium of $1,516 for the period of December 1, 2018 through December 1, 2021 with no increase in premium. The premium was split with 80% paid by the Health and Welfare Fund and 20% paid by the Apprentice and Training Fund. On Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

RESOLVED to approve renewal of the Fidelity Bond policy for the period December 1, 2018 to December 1, 2021.

E. Investments

Due to a deficit in Fund income, $50,000 was transferred from SEI to the Fund's operating account on January 28, 2019 to pay Fund expenses.

F. Administrative Services Contract Addendum

Ms. Clutts presented a contract Addendum reflecting the agreed-upon fee increases to the Fund's administrative services contract with Associated Administrators, LLC. Chairman Schaunaman signed the Addendum on behalf of the Board.

X. MEETING DATE AND LOCATION

The next quarterly Board meeting was scheduled for Thursday, May 9, 2019 at 10:00 a.m. in Miami Lakes, Florida. The remaining regular Board meetings were scheduled for August 15, and November 14, 2019.

XI. ADJOURNMENT

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

Respectfully submitted,

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Jonathan Turk, Fund Secretary

These Minutes were adopted on ______________________________

Attachments:

Exhibit A: Sudler Insurance Services Report, February 14, 2019
Exhibit B: SEI Quarterly Investment Review Fourth Quarter 2018, February 14, 2019
Exhibit C: Audited Financial Statements for Plan Years Ended March 31, 2018 and 2017
Exhibit D: Segal Health Benefit Report, Fiscal Year Ending 2019
Exhibit E: Trustees Report from Fund Counsel, February 14, 2019
Exhibit F: Income and Expense Statement, December 31, 2018