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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, NOVEMBER 14, 2019 MIAMI LAKES, FLORIDA

The following Trustees were present:

LABOR TRUSTEES	MANAGEMENT TRUSTEES
M. Schaunaman, Chairman	J. Turk, Secretary-Treasurer
J. Mullen	J. Epperson
S. Singer	M. Harrison
W. Utreras	F. Villella

Also present were:

D. Clutts – Associated Administrators, LLC
L. DuVall – Associated Administrators, LLC
J. Hart – SEI Global Institutional Group (via teleconference)
D. McCullers – Apprenticeship Director
E. Naegele – The Segal Company
K. Phillips – Phillips, Richard & Rind, PA
R. Sudler – Sudler Insurance Services, Inc. (via teleconference)

I. CALL TO ORDER

A quorum being present, Chairman Schaunaman called the meeting to order.

II. MINUTES

The Trustees reviewed the minutes of the regular meeting held on August 15, 2019, 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 August 15, 2019 as presented.

III. HEALTH INSURANCE BROKER'S REPORT

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

Mr. Sudler reviewed United HealthCare's ("UHC") performance since its contract renewal on April 1, 2019. Mr. Sudler said he has assisted some members this year with balance billing problems, which have been resolved. He has fielded other complaints from members residing in Vero Beach who said that their doctors were not part of the Neighborhood Health Partnership ("NHP") HMO. He said there was miscommunication when certain doctors were not aware that the NHP HMO is part of UHC. Mr. Sudler reported that UHC's medical loss ratio for the current Plan year is markedly improved over the previous Plan year and is currently 80%. The Trustees requested that Mr. Sudler work with UHC to negotiate a favorable renewal for the Fund as soon as possible. Mr. Sudler indicated that the earliest the Fund can renew is sixty days prior to the UHC contract expiration date of March 31, 2020.

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

IV. ACTUARY'S REPORT

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

A. FASB ASC 965 – Actuarial Valuation

Mr. Naegele reviewed the results of the actuarial valuation of the Fund's postretirement welfare benefits as of March 31, 2019 under FASB Accounting Standards Codification 965, a copy of which is attached to and made a part of these minutes as Exhibit A. Mr. Naegele reported that the accumulated postretirement benefit obligation ("APBO") was $3,529,572 as of March 31, 2019 as compared to $4,002,668 as of March 31, 2018, representing a $473,096 decrease in the APBO. Given the 36% increase in the Fund's health care costs over the past two Plan years, Mr. Naegele projects the Fund assets to decrease to about $1.2 million by the end of fiscal year 2019. Chairman Schaunaman requested the Administrative Manager to provide him with a report of monthly contributions received by total hours and contribution rates.

B. Segal Consulting Updates

Mr. Naegele distributed Segal's Fall 2019 publication titled "Medical and Rx Cost Increases are Leveling Off" and a Segal Consulting "Trends News for Multiemployer Health Plans" for the Third Quarter 2019.

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

V. INVESTMENT CONSULTANT'S REPORT

The Trustees welcomed Mr. John Hart from SEI Global Institutional Group to the meeting via teleconference.

Performance Report

Mr. Hart discussed SEI's investment management report dated November 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 October 31, 2019 was $1,263,514. The fiscal year-to-date net return was 10.24% compared to the total index return of 9.88%. The Fund's total portfolio had a net return of 5.36% compared to the total index return of 4.69% for the period June 1, 2010 to October 31, 2019. The asset allocation was 73% in fixed income and 27% in equity. Mr. Hart informed the Trustees about investment manager changes.

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

Trustee Discussion

The Trustees discussed options for modifying the Fund's Investment Policy Statement ("IPS"). Ms. Phillips said that she will contact Mr. Hart between Board meetings to obtain SEI's recommendations for revisions to the IPS, given the Fund's need to ensure adequate cash flow.

VI. ATTORNEY'S REPORT

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

A. Conflict of Interest and Whistleblower Policy – Annual Certification

Ms. Phillips distributed to the Trustees a copy of the Fund's Conflict of Interest and Whistleblower Policy. She provided each Trustee with a Conflict of Interest and Whistleblower Certificate form to complete and sign. Each Trustee completed and signed a Certificate during the Board meeting.

B. Delinquency and Collections

Ms. Phillips provided an update on delinquency and collection matters involving Equipment Inspection Services, Inc., Sims Crane & Equipment Company, Florida Rigging & Crane Company, United Excavations, Inc., Merrick Industrial Management Corporation, Boh Bros. Construction Company, LLC, and LM Heavy Civil Construction, LLC.

C. Payroll Audits

Ms. Phillips provided the following payroll audit status report:

<u>Midwest Steel, Inc. ("Midwest")</u>

The random audit of Midwest for the period July 1, 2016 through June 30, 2018 found that it complied with the Collective Bargaining Agreement as it related to fringe benefit contribution requirements. A letter was sent to Midwest on September 13, 2019 advising it of no delinquency.

<u>North American Crane & Rigging, LLC ("North American")</u>

Correspondence from the Fund attorney dated August 30, 2019 was mailed to North American advising North American of its failure to comply with the auditor's request for payroll records for the period July 2016 through June 2018. On October 29, 2019, correspondence was received from the Administrative Manager advising that North American has had no men working since April 2018. North American's contract is open and it continues to provide monthly reports of no man hours. The Union confirmed that no workers have been performing bargaining unit work since 2018.

United Excavations, Inc. ("United")

The random audit of United for the period July 1, 2016 through June 30, 2018 found that it complied with the Collective Bargaining Agreement as it related to fringe benefit contribution requirements. A letter was sent to Midwest on September 13, 2019 advising it of no delinquency.

VII. ADMINISTRATIVE MANAGER'S REPORT

A. Income and Expense Statement

Ms. Clutts reviewed the Income and Expense Statement for September 30, 2019, a copy of which is attached to and made a part of these minutes as Exhibit D. She reported total assets for the month of September 2019 were $2,339,137.73 compared to $4,165,368.19 for September 2018. She reported that for the month of September 2019, the Fund had total receipts of $721,022.51 and total expenses of $799,517.07, resulting in a loss of $78,494.56. Ms. Clutts presented a Comparative Income Statement for the twelve months ended September 30, 2019.

B. Disbursements

Ms. Clutts presented the expense check register for September 2019, which indicated total disbursements of $799,260.88.

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 three death claims paid during the period of August 2019 to November 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.

VIII. OTHER FUND BUSINESS

Ms. Clutts reported the following:

A. Fiduciary Liability Policy

An application for renewal of the Fiduciary Liability Policy was submitted to the broker for a quote on coverage for the policy period January 1, 2020 to January 1, 2021. The base premium is expected to remain the same as the expiring policy, which includes the Renewal Guarantee Endorsement.

B. International Foundation for Employee Benefit Plans ("IFEBP") Membership

The Fund's IFEBP membership renewal invoice was received listing dues at a cost of $1,245 for 2020. After discussion, on Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED to renew the IFEBP membership at a cost of $1,245 with $996 to be paid by the Health & Welfare Fund and $249 to be paid by the Apprentice and Training Fund (80/20% split).**

C. Form 5500

The Fund auditor filed Form 5558 with the IRS to extend the reporting deadline to January 15, 2020 for the Fund's Form 5500 for Plan year ended March 31, 2019.

D. Form 990

The Fund auditor filed Form 8868 with the IRS to extend the reporting deadline to February 15, 2020 for the Fund's Form 990 for Plan year ended March 31, 2019.

E. Annual Notice of Creditable Coverage ("NCC")

The Fund Office mailed the annual NCC to Plan participants on September 3, 2019.

F. Notice of Availability of Privacy Practices

The Fund Office mailed the annual Notice of Availability of Privacy Practices to Plan participants on September 3, 2019.

IX. MEETING DATES AND LOCATION

The next quarterly Board meeting was scheduled for Thursday, February 13, 2020 at 10:00 a.m. in Miami Lakes, Florida. The remaining 2020 meetings were scheduled for May 14, August 13, and November 12, 2020.

X. 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: FASB ASC 965 Actuarial Valuation, March 31, 2019 and Segal Consulting Updates
Exhibit B: SEI Investment Management Report, November 14, 2019
Exhibit C: Trustees Report from Fund Counsel, November 14, 2019
Exhibit D: Income & Expense Statement, September 30, 2019