International Union of Operating Engineers
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 13, 2020
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. Bellows-Levine – Bellows Associates P.A.
D. Clutts - Associated Administrators, LLC
N. Durkin - 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

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

II. MINUTES

The Trustees reviewed the minutes of the regular meeting held on November 14, 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 November 14, 2019 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, 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 2019. The Plan improved its medical loss ratio from 106.6% in 2018 to 81.2% in 2019. Mr. Sudler said he negotiated a renewal with UHC for the benefit plans presently insured with no increase in cost for the first two months of the contract (April 1, 2020 through May 31, 2020), and an increase of 4.9% for the remaining ten months of the contract (through March 31, 2021). The 4.9% rate increase is comprised of the health care renewal rate of 2.3% plus 2.6% Affordable Care Act Health Insurance Tax ("ACA HIT"). The ACA HIT for healthcare companies is scheduled to sunset in 2021. Mr. Sudler stated there were no benefit changes to the plans presently offered, the Neighborhood Health Partnership Health Maintenance Organization ("NHP HMO"), UHC HMO, and UHC Point of Service ("UHC POS").

Ms. Clutts said the Trustees were polled between Board meetings to consider the UHC contract renewal effective April 1, 2020 through March 31, 2021 as detailed above. After discussion, on Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED to ratify the action taken between Board meetings to approve the UHC contract renewal for the period of April 1, 2020 through March 31, 2021 with United Healthcare for medical, dental and vision benefits with no change in benefits, and no increase in rates for the period of April 1, 2020 through May 31, 2020, and an increase in**

rates of 4.9% for the period of June 1, 2020 through March 31, 2021.

Ms. Clutts discussed the upcoming UHC Open Enrollment. She said that the Fund Office will mail the Open Enrollment materials along with the Women's Health and Cancer Rights Act annual notice and the Summary Annual Report for Plan year ended March 31, 2019. 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. <u>HEALTH CONSULTANT'S REPORT</u>

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

A. <u>Segal Health Benefits Report</u>

Mr. Naegele reviewed the "Health Benefits Report – Fiscal Year Ending 2020," a copy of which is attached to and made a part of these minutes as Exhibit B. Mr. Naegele noted that fiscal performance and budget projections included the 2017 – 2019 fiscal years and were based on the audited financial statements. The 2020 fiscal year data used in the report was estimated based on unaudited financial statements through November 2019, with projections through the end of the fiscal year, as the fiscal year does not end until March 31, 2020.

Mr. Naegele reviewed information contained in the report pertaining to the Fund's experience and budget projections. Based on current income and expense calculations and Segal's standard forecasting assumptions, the Fund is estimated to have insufficient income and assets to meet current obligations during fiscal year 2020. For fiscal year 2020, an operating deficit of $2.25 million is projected.

Chairman Schaunaman informed the Trustees that the Union would be reallocating fifty cents per hour from pension contributions to the Health & Welfare contributions effective March 1, 2020, to assist with the Fund's deficit, which is authorized in the applicable collective bargaining agreements. Thereafter, the collective bargaining agreements have an increase of another fifty cents per hour for Health & Welfare contributions in the foundation collective bargaining agreements ("CBA") effective May 1, 2020, and in the crane rental CBA's effective July 1, 2020. With these contribution increases, Mr. Naegele projected the Fund's assets will be a 2.2-month continuation value as of March 31, 2020, and a continuation value of .7 months as of March 31, 2021. The Trustees discussed the projections and determined that further reallocating of pension contributions to the Health & Welfare Fund may be necessary.

Mr. Naegele calculated a break-even Health & Welfare contribution rate of $6.17 for fiscal year 2020, based on the recent financial reports and trends for the Fund.

B. Segal Consulting Updates

Mr. Naegele distributed and reviewed a Segal Consulting "Trends News and Strategies for Health Plan Sponsors" for the Fourth Quarter 2019.

V. 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 2019 dated February 13, 2020, a copy of which is attached to and made a part of these minutes as Exhibit C. Mr. Hart stated that the market value of the Fund assets in the total portfolio as of January 31, 2020, was $734,780. The fiscal year-to-date net return was 7.06% compared to the total index return of 7.17%. The Fund's total portfolio had a net return of 5.45% compared to the total index return of 4.81% for the period June 1, 2010 to January 31, 2020.

B. Asset Allocation

Mr. Hart reviewed the Fund's current asset allocation, noting all allocations are within investment policy target ranges. The asset allocation was 73.5% in fixed income and 26.5% in equity.

Mr. Hart recommended changes to the Fund's asset allocation to allow additional cash to be available for the Fund's benefit payments. Mr. Hart reviewed the suggested changes to the Fund's investment portfolio. After discussion, on Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED to adopt the model portfolio recommended by SEI to move 100% of the Fund's investments into a cash account.**

Ms. Phillips said that she would work with Mr. Hart to draft a revised Investment Policy Statement that will be presented to Trustees at the next Board meeting.

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

VI. AUDITOR'S REPORT

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

A. Audited Financial Statements for Plan Year Ended March 31, 2019

Ms. Bellows-Levine reviewed the Financial Statements for the Plan years ended March 31, 2019 and 2018, a copy of which is attached to and made a part of these minutes as Exhibit D. 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, 2019 and 2018. She reviewed the audit and reported that the net assets available for benefits as of March 31, 2019 were $4,028,805 compared to $5,131,464 as of March 31, 2018, which represented a decrease of $1,102,659. Ms. Bellows-Levine reviewed the Notes to Financial Statements as of years ended March 31, 2019 and 2018.

Ms. Clutts said that an electronic poll of the Board of Trustees was unanimously approved between Board meetings to accept the audited Financial Statements for the Plan years ended March 31, 2019 and 2018. On Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED to ratify action taken between Board meetings to approve the audited Financial Statements for the Plan years ended March 31, 2019 and 2018, as presented.**

Ms. Phillips requested that Bellows Associates, PA present the audited Financial Statements for the Plan years ended March 31, 2020 and 2019 at the Board meeting scheduled for November 12, 2020.

B. Form 990

Ms. Bellows-Levine confirmed that the Form 990 for the Plan year ended March 31, 2019 would be filed on February 15, 2020, under the allowable extension of time to file. Trustee Schaunaman signed the Form 990 during the meeting.

C. Payroll Audits

Ms. Bellows-Levine discussed the status of payroll audits in process on Central Maintenance & Welding, Inc., M.J. Harrison Leasing, Inc., Morrow Equipment Company, LLC, and Sarens U.S.A.

D. Audit Engagement Letter

Ms. Bellows-Levine presented engagement letters for the annual audit and preparation of the IRS Form 990, copies of which are attached to and made a part of these minutes as Exhibit E. After discussion, on Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED to approve the engagement of Bellows Associates, PA to perform the annual audit and to prepare the IRS Form 990 for the Plan years ending March 31, 2020, March 31, 2021, and March 31, 2022, as presented in engagement letters dated December 20, 2019.**

Chairman Schaunaman signed the engagement letters on behalf of the Board during the meeting. The Trustees thanked Ms. Bellows-Levine for her report.

VII. ATTORNEY'S REPORT

Ms. Kathleen Phillips distributed a report titled "Trustees Report" dated February 13, 2020, a copy of which is attached to and made a part of these minutes as Exhibit F.

A. Delinquency and Collections

Ms. Phillips provided an update on delinquency and collection matters involving Superior Rigging & Erecting Company, Florida Rigging & Crane Company, United Excavations, Inc., Merrick Industrial Management Corporation, and LM Heavy Civil Construction, LLC.

Merrick Industrial Management Corporation ("Merrick")

Ms. Phillips said that demand letters for service fees totaling $254.73 were sent to Merrick for the late payment of its July 2019 contributions. Merrick requested a waiver of the service fees. After discussion, on Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED to waive service fees owed by Merrick Industrial Management Corporation in the amount of $254.73 in accordance with the Fund's Audit and Collections Procedures.**

United Excavations, Inc.

Ms. Phillips said that United Excavations, Inc. requested a waiver of service fees totaling $799.57 for the late payment of its September 2019 contributions. The Fund's Collections Committee reviewed the request and granted the waiver in accordance with the Fund's Audit Policy. A letter to United Excavations, Inc. was sent on January 6, 2020 notifying them of the Committee's decision. After discussion, on Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED to waive service fees due from United Excavations, Inc. in the amount of $799.57 in accordance with the Fund's Audit and Collections Procedures.**

B. Payroll Audits

Ms. Phillips provided the following payroll audit status report:

Island Seawall & Demolition, LLC ("Island Seawall")

Ms. Phillips said that Island Seawall paid contributions and reported 160 hours per month on one owner-operator for the period October 2018 through October 2019. She said that Island Seawall failed to provide payroll records requested by the Fund auditor, indicating that it had none. After discussion, it was agreed that Island Seawall is not in compliance with its Collective Bargaining Agreement and that further efforts to conduct a payroll audit be terminated. It was noted that the contract as well as coverage would terminate effective March 31, 2020.

North American Crane & Rigging, LLC ("North American")

Ms. Phillips reported that North American's CBA continues to be open and it continues to send no-man reports. She said that she has been working with the auditor and the Union to confirm the status of two employees who appear on the company's Florida Department of Revenue Quarterly Reports (RT-6). Upon conferring internally on the matter, it was determined that the two employees are covered in other locals.

K & J Crane Service, LLC ("K & J Crane")

Ms. Phillips reported that a payroll audit of K & J Crane was being conducted for the period June 2017 through May 2019. K & J Crane's owner advised the Fund auditor that it had no payroll records for the requested period. Ms. Phillips said that as of September 2019, K & J Crane's CBA terminated and was not renewed. It was agreed that the auditor cease work on K & J Crane's payroll audit.

C. Participation Agreement

Ms. Phillips said that United Excavations, Inc. requested a Participation Agreement be completed so that its non-bargaining unit office employee may participate in the Fund. On Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED to approve Union Excavations, Inc. entering into a Participation Agreement with the Fund for its non-bargaining unit office employee.**

VIII. ADMINISTRATIVE MANAGER'S REPORT

A. Income and Expense Statement

Ms. Clutts reviewed the Income and Expense Statement for December 2019, a copy of which is attached to and made a part of these minutes as Exhibit G. She reported total assets for the month of December 2019 were $1,864,362.30 compared to $3,734,855.58 for December

2018. She reported that for the month of December 2019, the Fund had total receipts of $674,758.59 and total expenses of $815,974.67, resulting in a deficit of $141,216.08. Ms. Clutts presented a Comparative Income Statement for the twelve months ended December 31, 2019.

B. <u>Disbursements</u>

Ms. Clutts presented the expense check register for December 2019, which indicated total disbursements of $815,721.80.

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. <u>Death Benefit Claims Report</u>

Ms. Clutts reported that there was one death benefit claim paid to a beneficiary for the period of November 2019 to February 2020.

D. <u>Retirees Who Qualified for Free Life Insurance Report</u>

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. <u>Summary Annual Report</u>

The Summary Annual Report for the Plan year ended March 31, 2019 has been prepared and is under review by Fund counsel. It will be mailed to Plan participants prior to March 15, 2020.

B. <u>Form 5500</u>

The Fund auditor confirmed that the Form 5500 for the Plan year ended March 31, 2019 had been electronically filed on January 14, 2020, under the allowable extension of time to file.

C. Fiduciary Liability Policy

The Fund's fiduciary liability insurance policy was renewed for the policy period January 1, 2020 to January 1, 2021, at a cost of $9,388.80, with the same premium as the expiring policy. The premium was split with 80% paid by the Health & Welfare Fund and 20% paid by the Apprentice & Training Fund. On Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED to approve renewal of the fiduciary liability insurance policy for the period January 1, 2020 to January 1, 2021.**

X. MEETING DATES AND LOCATION

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

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 13, 2020
Exhibit B: Segal Health Benefits Report – Fiscal Year Ending 2020
Exhibit C: SEI Quarterly Investment Review Fourth Quarter 2019, February 13, 2020
Exhibit D: Audited Financial Statements for Plan Years Ended March 31, 2019 and 2018
Exhibit E: Bellows Associates, PA Audit Engagement Letter for Plan Years ending March 31, 2020 March 31, 2021, and March 31, 2022
Exhibit F: Trustees Report from Fund Counsel, February 13, 2020
Exhibit G: Income and Expense Statement, December 31, 2019