Industry And Local 338
Welfare Fund
911 Ridgebrook Road
Sparks, MD 21152-9451
Telephone No. (855) 412-3797 (toll free)
www.associated-admin.com

Minutes of the Meeting of the Board of Trustees

Held on November 7, 2024
Via
Zoom

The following Trustees were present:

UNION TRUSTEES	**EMPLOYER TRUSTEE**
Dan Maldonado	Chris Palmer
Lori Polesel	

Also present were:

Daniel Cappell– SEI Institutional Group
Alicia Cochran – Associated Administrators, LLC
Kayla Davis – The Segal Company
Rachel Grant – Associated Administrators, LLC
Elizabeth O'Leary, Esq. – Kauff McGuire & Margolis LLP
Jacob Pine– The Segal Company

I. CALL TO ORDER

The meeting was called to order at 11:12 a.m.

II. INVESTMENT CONSULTANT REPORT

Mr. Daniel Cappell reviewed the SEI report for the period ending September 30, 2024. He provided commentary on market conditions and economic trends, including inflation and

Federal fund rates. He also discussed the market performance across different asset classes.

Mr. Cappell reported that the Fund's market value of assets was $6,098,104 as of September 30, 2024, and its fiscal year-to-date rate of return is 8.20%, compared to the 7.57% index return. Mr. Cappell reviewed the Fund's asset allocation consisting of: 8.20% World Equity Ex-US Fund, 7.20% US Equity Factor Allocation Fund, 6.20% Large Cap Index Fund, 25.80% Core Fixed Income Fund, 19.80% Limited Duration Fund, 10.90% Ultra Short Duration Fund, 3.00% High Yield Bond Fund, 7.90% Real Return Fund, 3.10% Emerging Markets Debt Fund, and 7.90% Multi Asset Real Return Fund. He then reported on the performance of each asset class.

Following discussion, Mr. Cappell concluded his report and left the meeting.

III. APPROVAL OF MINUTES

The minutes of the meeting held on August 1, 2024 were reviewed.

MOTION was made, seconded and unanimously adopted to approve the minutes of the meeting held on August 1, 2024.

IV. ASSOCIATED ADMINISTRATORS, LLC REPORT

A. Cash Operating Statement

Ms. Cochran reviewed the Cash Operating Statement from July 1, 2023 through June 30, 2024. The report is attached hereto as Exhibit "A."

B. Claims Paid Detail Report

Ms. Cochran reviewed a report detailing medical claims paid by type of benefit from July 1, 2023 through June 30, 2024. The report showed paid claims by the following categories: anesthesia, hospital, laboratory and x-ray, medical, and surgery. The report also indicated claims paid in network and out-of-network ("OON"). The report is attached hereto as Exhibit "B."

C. Disbursement Report

Ms. Cochran referred to the Authorization for Disbursements reports for April, May, and June of 2024. The reports are attached hereto as Exhibit "C."

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

D. Delinquency Report

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

E. Withdrawal Liability

Ms. Cochran reviewed the report showing the status of withdrawal liability payments owed to the Pension Fund by the Welfare Fund in connection with the 2013 closing of the former Fund Office. The report is included at the bottom of Exhibit "D."

F. Employer Contribution Rate Report

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

G. Active Members and COBRA Participants Receiving Benefits

Ms. Cochran referred to the report for the period from January 2024 through December 2024. The report is attached hereto as Exhibit "F."

H. Provider Appeal

Ms. Cochran referred the Trustees to the detailed appeal memo in the meeting booklet. The memo is attached hereto as Exhibit "G." She explained that the provider is appealing the denial of claims for genetic testing and she stated that, according to the provider, the genetic testing was medically necessary in order to identify genes responsible for cystic fibrosis and spinal muscular atrophy. Ms. Cochran reported that the claims were denied because genetic testing is excluded from coverage.

Following discussion,

MOTION was made seconded and unanimously adopted to table the appeal pending receipt of additional information.

I. Notice of Creditable Coverage

Ms. Cochran reported that the Notice of Creditable Coverage was mailed to participants on October 4, 2024.

J. Women's Health and Cancer Rights Act ("WHCRA") Notice

Ms. Cochran reported that the WHCRA notice was mailed to participants on October 4, 2024.

K. Payroll Audit Engagement Letter

Ms. Cochran reviewed the payroll audit engagement letter which reflects a 3% increase in hourly fees for a three-year period. She noted that the letter was presented to the Trustees at the previous meeting but the decision was tabled for additional information. She reviewed the past payroll audit fee increases from 2013 to current. The Trustees discussed the fees and asked Ms. Cochran to propose the fee increase effective date as of January 1, 2025 with the increases occurring the following year. Ms. Cochran said she would present the proposal to the auditor and report the response.

L. **<u>Cyber Liability Policy – INTERIM ACTION</u>**

Ms. Cochran reported that the Trustees, via electronic poll, approved the renewal of the Cyber Liability Policy with Travelers based on Segal's recommendation. The policy period is October 4, 2024 through October 4, 2025.

M. **<u>Annual Creditable Coverage Disclosure to the Centers for Medicare & Medicaid Services ("CMS")</u>**

Ms. Cochran reported that the Creditable Coverage Disclosure to CMS for 2024 was electronically filed on time and CMS accepted the filing.

N. **<u>International Foundation of Employee Benefit Plans ("IFEBP")</u>**

Ms. Cochran reported receipt of the Fund's 2025 IFEBP membership renewal invoice in the amount of $1,275.00.

MOTION was made, seconded and unanimously adopted to approve the Fund's 2025 IFEBP renewal fee of $1,275.00.

O. **<u>Subrogation Report</u>**

Ms. Cochran stated that Anthem has reported that there are no open cases.

P. Stop Loss Claims

Ms. Cochran reported that the Fund filed a stop loss claim for a total reimbursement of $106,251.69 for policy period April 1, 2023 through March 31, 2024.

Q. Gag Clause

Ms. Cochran reported on the Consolidated Appropriation Act's Gag Clause Attestation requirement pursuant to which the Fund must submit an annual attestation to CMS attesting that the Plan's contracts with certain of its service providers do not contain "gag clauses" as defined under the law. Ms. Cochran confirmed Associated would electronically sign and submit the attestation on behalf of the Fund before the deadline of December 31, 2024.

V. CONSULTANT'S REPORT

A. Financial Experience and Budget Projections Report

Mr. Pine reviewed the Financial Experience and Budget Projections Report for the fiscal year ended ("FYE") June 30, 2024. He commented that the report is based on the audited financial statements for the FYE June 30, 2021, 2022 and 2023 and the unaudited cash flows provided by the Fund Office for the FYE June 30, 2024. Mr. Pine explained that based on the audited financial statements for the FYE June 30, 2023, total income of $2,230,981 was less than the total expenses of $2,340,385 and resulted in an operating deficit of $109,404. After accounting for unrealized gains on investments of $8,366, the Fund experienced a total reduction to net assets of $101,038.

Mr. Pine stated that preliminary cash flow reporting as of June 30, 2024 indicates a significant increase in medical and hospital claims to $2.2 million from $1.4 million the year prior. He noted that, with such a small group, claims experience is expected to be volatile. He stated that, as a result of the increase in claims, the total income of $2,626,900 was less than the total expenses of $3,197,600, resulting in a preliminary operating deficit of $570,700 as of June 30, 2024, which includes an estimated 8.0% return on investments for the Plan Year.

With regard to the projections, the Segal representatives explained that employer contributions are based on 40 hours worked per week and known contribution rates over the three years, resulting in average weekly contribution rates of $354.40, $356.69 and $357.51 for FYE June 30, 2025, 2026 and 2027, respectively. Total income is projected to fall short of the projected total expenses each year resulting in projected operating deficits of $364,900, $576,600 and $823,000 in the FYE June 2025, 2026 and 2027, with net assets declining to $4,422,829 as of June 30, 2027 for a reserve of 14.5 months if the projections reach fruition. Mr. Pine noted that Segal's projections reflect reasonable trends on health care costs, a 3.7% investment yield each year and no further gains or losses over that period.

Mr. Pine discussed moving to a fully insured arrangement for medical, hospital, and prescription benefits. He explained that such an arrangement could mitigate large claims risk, provide more consistent and predictable annual costs, reduce administrative requirements and possibly incentivize new employers to participate in the Fund. The Trustees asked numerous questions regarding this option and extensive discussion ensued regarding the pros and cons of an insured arrangement.

B. <u>Affordable Care Act (ACA) Annual Limits and 2025 SBC</u>

Mr. Pine reported that the Out-of-Pocket (OOP) maximum under the Affordable Care Act is decreasing slightly as of January 1, 2025, from $9,450 to $9,200 per individual, and from $18,900 to $18,400 per family.

Mr. Pine noted that the Trustees had in the past matched the Welfare Fund's annual OOP maximum to the maximum allowable under the law. Thereupon,

MOTION was made, seconded and unanimously adopted to reduce the annual OOP limits to $9,200 per individual and $18,400 per family. applying $1,850 to medical and $7,350 to prescriptions for individuals and $3,700 to medical and $14,700 to prescriptions for family, effective January 1, 2025.

Mr. Pine noted that the 2025 Summary of Benefits and Coverage (SBC) should be updated with this information.

Mr. Pine and Ms. Davis left the meeting.

VI. COUNSEL

A. Request for Proposals for Consulting Services

Ms. O'Leary referred the Trustees to a summary of the responses to the Request for Proposals ("RFP") for consulting services which, along with the RFP responses, had previously been circulated by email. The Trustees provided their feedback on the responses. After discussion, the Trustees determined to schedule interviews via video conference with Cheiron and Bolton.

VII. NEXT MEETING DATE/ADJOURNMENT

The next regular meeting of the Board of Trustees was scheduled for February 6, 2025 immediately following the Pension Fund meeting via Zoom. With no further business to come before the Board, the meeting was adjourned at 12:50 p.m.

Exhibits

A – Financial Statements

B - Cash Operating Statement

C – Claims Paid Detail Report

D – Authorization for Disbursements

E – Delinquency Report and Withdrawal Liability Report

F – Employer Contribution Report

G – Active Members and COBRA Participants Receiving Benefits

H – Provider Appeal