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 22, 2022
Via
WebEx

The following Trustees were present:

UNION TRUSTEES	EMPLOYER TRUSTEE
Dan Maldonado	Chris Palmer
Lori Polesel	

Also present were:

Pat Blizzard – SEI Institutional Group
Lou Bach – Summit Actuarial Services, LLC
Matthew J. Berger, Esq. – Barnes, Iaccarino & Shepherd, LLP
Alicia Cochran – Associated Administrators, LLC
Rachel Grant – Associated Administrators, LLC
Frank Iannucci – Summit Actuarial Services, LLC
Elizabeth O'Leary, Esq. – Kauff McGuire & Margolis LLP
John Urbank – The Segal Company

I. CALL TO ORDER

The meeting was called to order at 11:01 a.m.

II. MERGER STUDY

The Trustees welcomed Messrs. Bach and Iannucci from Summit Actuarial Services, LLC ("Summit"), and Mr. Matt Berger from Barnes, Iaccarino & Shepherd, LLP, counsel to the Teamsters Local 445 Welfare Fund, to the meeting. It was noted that Summit had previously been jointly engaged by the Local 338 Welfare Fund and the Local 445 Welfare Fund to conduce a merger feasibility study.

Mr. Bach referred the Trustees to Summit's report titled "Merger Feasibility Study." He reviewed the information provided by both Funds, highlighting different features of both Plans, including similarities and differences. He noted that the Local 338 Fund participants work more hours, while the Local 445 Fund has richer benefits and retiree coverage. He also noted that the Local 338 Fund has higher reserves and that the eligibility rules for each Fund are different. Mr. Bach said that a merger will produce efficiencies in plan operating and administrative expenses.

Mr. Urbank noted that the Local 338 Fund has much better reserves than the Local 445 Fund, and he asked whether a merger agreement would include a guarantee that the reserves accumulated by the Local 338 Fund would remain dedicated to the participants of the Local 338 Fund and not be used to subsidize the Local 445 Fund. Mr. Bach responded that the merger could be set up to maintain separate accounts.

Mr. Bach addressed several administrative items which would need to be addressed in the event of a merger, such as the administration of the merged Fund. Mr. Urbank noted that the Local 338 Fund has a Jointly Administered Arrangement ("JAA") with Anthem pursuant to which Associated processes medical claims. Mr. Bach said that Local 445 Fund's medical claims are processed by MVP, but that there may be cost savings if the Local 445 Fund moved to the Anthem/Associated JAA.

Ms. O'Leary asked if the Summit representatives had an opinion on other options if the merger does not occur, such as having the bargaining parties for the Local 338 Fund negotiate Collective Bargaining Agreements pursuant to which contributions would eventually be made to the Local 445 Fund rather to the Local 338 Fund, with the Local 338 Fund terminating and any surplus assets being transferred to the Local 445 Fund. Mr. Bach said that he was unfamiliar with that type of circumstance.

Mr. Iannucci stated that, in his view, the small number of participants in the Local 338 Fund (approximately 115) puts the Local 338 Fund in a dangerous position, noting that its ability to continue to self-insure benefits is at risk. He stated that the ability to increase the number of participants through a merger allows risk to be spread and will benefit all participants.

Trustee Maldonado discussed the administrative fees and the savings available if the Funds were to merge. He referred to the inability that the Local 338 Fund may experience with respect to obtaining stop loss insurance if its participant count falls below 100. After discussion, the Trustees stated that they are in favor of a merger in which the assets of the Funds would be kept separate.

Ms. O'Leary noted that it may be advisable to incorporate the Local 338 Fund's Trust Agreement amendments into an updated Trust Agreement and make some other updates to the Trust Agreement. She also noted that, given that Trustees Maldonado and Polesel are Trustees on both Funds, they will need to be recused. Mr. Berger and Ms. O'Leary stated that they would discuss how to address the recusal matter after the meeting.

After further discussion, Messrs. Bach, Iannucci, Berger and Urbank were excused from the meeting.

Trustee Maldonado asked Ms. Cochran to estimate administrative fees if the Local 338 Fund moved claim processing to MVP and if the Local 445 Fund moved claims processing to Anthem under the JAA. Ms. Cochran said she would look into providing an estimate based on the information available at this time.

The Trustees agreed that the merger discussion should continue. Ms. O'Leary said she would schedule a follow up call with Mr. Berger.

Mr. Urbank re-entered the meeting.

III. INVESTMENT CONSULTANT REPORT

The Trustees welcomed Mr. Patrick Blizzard of SEI to the meeting. He referred the Trustees to SEI's report. He provided commentary on the market, noting the market volatility and across-the-board negative returns in the third quarter of 2022.

Mr. Blizzard reported that the Fund's market value of assets was $6,382,857 as of September 30, 2022, and its fiscal year-to-date rate of return is -3.69%, compared to the -3.50% return for the index. Mr. Blizzard reviewed the Fund's asset allocation: 7.7% World Equity Ex-US Fund, 5.4% US Equity Factor Allocation Fund, 5.3% Large Cap Index Fund, 37.2% Core Fixed Income Fund, 18.0% Limited Duration Fund, 2.0% High Yield Bond Fund, 19.3% Ultra Short Duration Fund, 3.2% Opportunistic Income Fund, and 1.9% Emerging Markets Debt Fund. He then reported on the performance of each asset class.

Mr. Blizzard discussed the current Portfolio and presented an alternative Portfolio A. Mr. Blizzard stated that SEI recommended Portfolio A which consists of the following changes: (a) increasing U.S. High Yield Income from 2.0% to 3.0%, (b) increasing Emerging Markets Debt from 2.0% to 3.0%, (c) eliminating Diversified Short Term Fixed Income (currently 3.0%) and Short Term Corporate Fixed Income (currently 18.0%), (d) increasing Limited Duration Fixed Income from 17.0% to 41.0%, (e) decreasing Core Fixed Income from 37.0% to 16.0%, and (f) adding Multi-Strategy Real Assets (8.0%) and TIPS (8.0%). Mr. Blizzard explained that these changes would provide protection during periods with higher interest rates and he reviewed expected return distributions. He noted that the change to Portfolio A would not have a fee impact. He said that, if approved, the changes would be effective December 15, 2022.

After discussion,

MOTION was made, seconded and unanimously adopted to approve SEI's recommendation of Portfolio A as outlined in SEI's report.

The Trustees thanked Mr. Blizzard for his report.

IV. APPROVAL OF MINUTES

The minutes of the meeting held on July 22, 2022 were reviewed.

MOTION was made, seconded and unanimously adopted to approve the minutes of the meeting held on July 22, 2022.

V. ASSOCIATED ADMINISTRATORS, LLC REPORT

A. Cash Operating Statement

Ms. Cochran reviewed the Cash Operating Statement from July 1, 2021 through June 30, 2022. 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, 2021 through June 31, 2022. The report showed paid claims by the following categories: anesthesia, COVID-19 testing, COVID-19 treatment, hospital, laboratory and x-ray, medical, surgery, COVID-19 vaccines, and COVID-19 office visits. 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 2022. 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."

Considering the possible merger, Ms. O'Leary suggested that Ms. Cochran ask the Local 338 Pension Fund's actuary to calculate the present value of the Welfare Fund's remaining payments required to satisfy the assessment of withdrawal liability in the event that the Trustees would like to consider making a lump sum payment rather than continuing the current monthly payment schedule.

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 2022 through December 2022. The report is attached hereto as Exhibit "F."

H. Administrative Manager's Report

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

I. Notice of Creditable Coverage

Ms. Cochran reported that the Notice of Creditable Coverage was mailed to participants on October 12, 2022.

J. **<u>Women's Health and Cancer Rights Act ("WHCRA") Notice</u>**

Ms. Cochran reported that the WHCRA notice was mailed to participants on October 12, 2022.

K. **<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, 2022 through October 4, 2023.

MOTION was made, seconded and unanimously adopted to ratify the Trustees' interim action approving the Cyber Liability Policy.

L. **<u>Mondelez Credit Request</u>**

Ms. Cochran reported that Mondelez requested a credit of $14,504.00 for July 2022 contributions paid in error. She stated that Associated has confirmed that the contributions were paid in error and that the employer does not have an outstanding liability to the Fund.

MOTION was made, seconded and unanimously adopted to approve the credit request of $14,504.00 for Mondelez.

M. **<u>Stop Loss Reimbursement</u>**

Ms. Cochran reported that the Fund submitted a stop loss claim to HCC Life Insurance Company, resulting in a reimbursement of $327,681.11 to the Fund for the policy period from April 1, 2021 through March 31, 2022.

N. Precast Concrete Payroll Audit

Ms. Cochran reported receipt of payment for the 2019-2021 payroll audit findings in the amount of $1,587.89.

O. Coordination of Benefits ("COB") Form Mailing

Ms. Cochran reported that the second request for responses to the Fund's COB questionnaire was sent to employers on August 8, 2022 and that 10 additional forms were received since the July 2, 2022 Board meeting. She stated that the forms indicate that 37 participants do not have any other health coverage and 2 participants and 4 dependents have other health coverage.

P. Consolidated Appropriations Act

1. Prescription Drug and Health Care Spending Report

Ms. Cochran said that, effective December 27, 2022, health plans and payors are required to report, on an annual basis, medical and prescription spending to the federal government. She said that Express Scripts confirmed that it will prepare and submit the prescription data report. Ms. Cochran said that Associated is working with Basys for the special programming needed to produce and report the medical data. She noted that a prorated fee might be assessed to the Fund for the programming.

2. Machine Readable Files ("MRF")

Ms. Cochran reported that, effective July 1, 2022, plans were required to publish negotiated rates for all items and services, historical payments and billed charges. She explained that the Trustees adopted Anthem's OON solution at the July 22, 2022 meeting in order for Anthem to produce the OON file. She stated that, despite adopting the OON solution, there are certain claims that cannot be processed on the JAA platform and, therefore, Anthem is not able to produce a full OON MRF. Ms. Cochran reported that she discussed with Mr. Urbank and Ms. O'Leary having a third-party vendor produce the OON file. Mr. Urbank said that

Segal would recommend Green Light and noted the Fund should receive preferred pricing.

After further discussion, Ms. O'Leary and Mr. Urbank requested additional information regarding the specific type of OON claims that Anthem is unable to process on the JAA platform. Ms. Cochran said that she would arrange a conference call with Ms. O'Leary, Mr. Urbank and Mr. Joe Bruzzo of Anthem.

3. **Price Comparison Tool**

Ms. Cochran reported that the Price Comparison Tool is required to be available to participants effective January 1, 2023. She explained that, as with the MRF, because not all claims are processed on the JAA platform, the Fund must engage a third-party vendor to produce the data. Ms. Cochran said that she would provide more information after the conference call with Mr. Bruzzo and the other Plan professionals.

Q. Express Scripts ("ESI") Commercial Subrogation

Ms. Cochran reported that the Fund is currently enrolled in the Medicaid and/or Medicare Subrogation program. She stated that ESI is offering a commercial subrogation program, which handles the process of managing recovery requests for commercial payors who paid out of order or should not have paid at all. The program is available effective February 1, 2023 and has a fee of $3.00 per identified subrogation claim.

Mr. Urbank recommended the Trustees adopt the program.

MOTION was made, seconded and unanimously adopted to approve the Express Scripts Commercial Subrogation program with a fee of $3.00 per identified claim effective February 1, 2023.

VI. CONSULTANT'S REPORT

A. Fiscal Year 2023 Projection

Mr. Urbank noted that, as previously reported, total income is projected to fall short of the projected total expenses each year for fiscal years ending ("FYE") June 30, 2022, 2023 and 2024, resulting in projected operating deficits of $675,600, $891,900 and $1,070,900 in the respective years and net assets declining to $5,439,594 as of June 30, 2024 for a reserve of 19.0 months if the projections reach fruition.

Mr. Urbank stated that, based on the Cash Operating Statement for the FYE June 30, 2022, the preliminary operating result is a decrease of $1.4 million, of which $800,000 is the estimated net investment loss for the year. Mr. Urbank commented that Segal does not project investment gains or losses and that, without the investment loss, the Fund's net decrease would be $660,000, which is in line with Segal's projection of $675,000.

B. Affordable Care Act ("ACA") Annual Limits

Mr. Urbank reported the Out-of-Pocket ("OOP") maximum under the Affordable Care Act is increasing on January 1, 2023 from $8,700 to $9,100 per individual, and from $17,400 to $18,200 per family.

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

MOTION was made, seconded and unanimously adopted to increase the annual OOP limits to $9,100 per individual and $18,200 per family and apply $2,100 medical and $7,000 prescriptions for individuals and $5,000 medical and $13,200 prescriptions for family, effective January 1, 2023.

C. COVID-19 Public Health Emergency

Mr. Urbank reported that the federal government extended the COVID-19 public health emergency through January 11, 2023. This is the eleventh extension of the emergency, which was initially declared on January 31, 2020 (retroactive to January 27, 2020).

Mr. Urbank explained that the public emergency declaration is important to health plan sponsors because it determines the period of time during which group health plans and insurers must pay for COVID-19 tests and related services without charging cost-sharing amounts. In addition, he noted that non-grandfathered plans must cover vaccines in network as a preventive benefit, but that they must also cover them on an OON basis during the public emergency.

VII. COUNSEL'S REPORT: SUMMARY PLAN DESCRIPTION

Ms. O'Leary reported that she recently provided Associated with her suggested edits to the draft SPD and that, following Associated's review, the draft should be ready for review and adoption by the Trustees.

VIII. SUPLLEMENTAL BENEFITS AND TIERED CONTRIBUTION RATES

Per the request of the Trustees at the November 4, 2022 special meeting, Mr. Urbank reviewed the cost of the life insurance, short-term disability, AD&D and family paid leave benefits (collectively, the "Supplemental Benefits").

Ms. Polesel discussed the Orange County Transit ("OCT") negotiations and the Trustees' decision at the November 4, 2022 special meeting to offer Supplemental Benefits to employees waiving coverage. Ms. Polesel noted that currently OCT pays the full employer contribution and the employee's portion of the contribution is waived. Ms. Polesel proposed reducing the employer's obligation for employees waiving coverage from $4.81

per hour to $2.50 per hour. She said that this change would be effective with the ratification of the new contract.

After discussion,

MOTION was made, seconded and unanimously adopted to approve Supplemental Benefits for Orange County Transit employees who waive coverage effective with the ratification of the new CBA.

After further discussion,

MOTION was made, seconded and unanimously adopted to approve reducing the employer's obligation from $4.18 per hour to $2.50 per hour.

Mr. Urbank stated that permitting opportunities for employees to opt out of coverage is harmful to the Fund, and he reiterated the point made earlier in the meeting regarding the Fund's inability to obtain stop loss insurance if the participant count falls below 100. He emphasized that having fewer members will not help the Fund. The Trustees responded to these concerns by noting that the lack of flexibility in the Plan design is a deterrent to having Employers agree to become Contributing Employers and that adding more options, including opt-out provisions and different levels of coverage, may ultimately benefit the Fund by attracting more employers to become Contributing Employers. After discussion, the Trustees decided to table further discussions regarding expanding the option to waive coverage.

With respected to tiered contribution rates, Mr. Urbank stated that the current COBRA rates are calculated based on an individual with two dependents. He explained that, in order to develop tiered contribution rates, Segal would need census data with coverage codes (individual, parent/child, individual/spouse and family). Ms. Cochran said that she would send the updated census data to Mr. Urbank.

IX. NEXT MEETING DATE/ADJOURNMENT

The next regular meeting of the Board of Trustees is scheduled for Friday, March 17, 2023 by Webex. With no further business to come before the Board, the meeting was adjourned at 1:33 p.m.

Exhibits

A – Cash Operating Statement
B – Claims Paid Detail Report
C – Authorization for Disbursements
D – Delinquency Report and Withdrawal Liability Report
E – Employer Contribution Report
F – Active Members and COBRA Participants Receiving Benefits
G – Administrative Manager's Report