Industry And Local 338
Welfare Fund
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Minutes of the Meeting of the Board of Trustees

Held on June 15, 2021
Via
WebEx

The following Trustees were present:

UNION TRUSTEES	**EMPLOYER TRUSTEE**
Lori Polesel	Chris Palmer
Barry Russell	

Also present were:

Pat Blizzard – SEI Institutional Group
Alicia Cochran – Associated Administrators, LLC
Rachel Grant – Associated Administrators, LLC
Dan Maldonado – Teamsters Local 445 Principal Officer/ Secretary - Treasurer
Peter Murray - Schultheis & Panettieri, LLP
Elizabeth O'Leary, Esq. – Kauff McGuire & Margolis LLP
Amber Turner – The Segal Company[1]
John Urbank – The Segal Company

I. CALL TO ORDER

The meeting was called to order at 10:02 a.m.

II. INVESTMENT CONSULTANT REPORT

Mr. Patrick Blizzard of SEI reviewed SEI's report. He led a conversation regarding SEI's OCIO model and the services provided by SEI to the Fund, including thorough due

[1] Present for the medical claims audit discussion only

diligence and monitoring of sub-advisors, and decision- making over public fund manager selections and terminations.

Mr. Blizzard reported that the Fund's market value of assets was $8,349,983 as of May 31, 2021, and its fiscal year-to-date rate of return is 9.52%, compared to the 7.49% return for the index. Mr. Blizzard reviewed the Fund's asset allocation: 9.30% World Equity Ex-US Fund, 6.20% US Equity Factor Allocation Fund, 6.20% Large Cap Index Fund, 34.90% Core Fixed Income Fund, 24.60% Limited Duration Fund, 2.00% High Yield Bond Fund, 9.80% Ultra Short Duration, 4.90% Opportunistic Income Fund, 2.10% Emerging Markets Debt Fund, and 0.00% cash and equivalent. He then reported on the performance of each asset class.

Mr. Blizzard discussed the current Welfare Portfolio, along with three alternative portfolios (Portfolios A, B, and C) for the Trustees to review. Mr. Blizzard stated that SEI recommends Portfolio A, which consists of the following changes: (a) decreasing the Diversified Short Term Fixed Income from 5.0% to 3.0%, (b) increasing the Short Term Corporate Fixed Income from 10.0% to 18.0%, (c) decreasing the Limited Duration Fixed Income from 25.0% to 17.0%, and (d) increasing the Core Fixed Income from 35.0% to 37.0%. Mr. Blizzard explained that reducing the Diversified Short Term Fixed Income and Limited Duration Fixed Income allocations will provide higher yields and protection during periods with higher interest rates.

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.

III. APPROVAL OF MINUTES

The minutes of the meeting held on March 16, 2021 were reviewed.

MOTION was made, seconded and unanimously adopted to approve the minutes of the meeting held on March 16, 2021.

IV. ASSOCIATED ADMINISTRATORS, LLC REPORT

A. Cash Operating Statement

Ms. Cochran reviewed the Cash Operating Statement from July 1, 2020 through June 30, 2021. 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 January 1, 2021 through March 31, 2021, October 1, 2020 through December 31, 2020, and July 1, 2020 through September 30, 2020. The report showed paid claims by the following categories: anesthesia, COVID-19 testing, COVID-19 treatment, hospital, laboratory and x-ray, medical and surgery. The report also indicated claims paid in network and out of network. The report is attached hereto as Exhibit "B."

C. Disbursement Report

Ms. Cochran referred to the Authorization for Disbursements reports for January, February, and March 2021. 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 Trustees agreed that Associated should contact First Student (Kingston), First Student (Roundout), and Orange County Transit (Valley and Wallkill) regarding the outstanding late fees. The report is attached hereto as Exhibit "D." Ms. O'Leary noted that the delinquency for the College of New Rochelle should be deemed uncollectable.

E. Withdrawal Liability

Ms. Cochran reviewed the report in detail. 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 2021 through March 2021. 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. Teamster Center Services ("TCS") – INTERIM ACTION

Ms. Cochran reported that the Trustees approved a fee increase of $0.10 per member per month, effective January 1, 2021. She stated the fee request also included $0.10 increases for 2022 and 2023, but that the Trustees had only approved the fee request for 2021. Per the Trustees' request, Ms. Cochran presented TCS' utilization reports for 2018 (10 cases), 2019 (4 cases), and 2020 (6 cases).

After discussion,

MOTION was made, seconded and unanimously adopted authorizing the TCS fee increases for years 2022 and 2023, both with $0.10 increases.

J. Summary Annual Report (“SAR”)

Ms. Cochran reported that the SAR for Plan Year Ending June 30, 2020 was mailed to participants on May 12, 2021.

K. Fiduciary Liability Policy

Ms. Cochran reported that the Fiduciary Liability policy expired on June 10, 2021 but a soft extension was approved until June 30, 2021. Segal Select’s Memorandum on the renewal is attached hereto as Exhibit “H”. Ms. Cochran noted Segal’s recommendation to renew with the incumbent carrier, Ullico/Markel. She stated that the renewal proposal included a premium increase of 0.9% or $305.00 for the same coverage as the current policy. Ms. O’Leary commented that the fiduciary insurance market is getting increasingly difficult, due, in part, to increased litigation against plan fiduciaries.

Following discussion,

MOTION was made, seconded and unanimously adopted to approve the renewal with Ullico/Markel as recommended by Segal Select.

L. Patient-Centered Outcomes Research Institute (“PCORI”) Fee

Ms. Cochran stated that the PCORI fee, imposed by the Affordable Care Act for self-insured group plans, must be filed by July 31, 2021. She explained that the fee is $2.54 multiplied by the average number of lives covered under the Plan for that Plan year. Ms. Cochran said the Plan selected the snapshot method for the prior filings to determine the average number of lives covered under the Plan. Ms. Cochran noted that Schultheis & Panettieri, LLP (“S&P”) files the Form 720, which is a tax form associated with the fee.

After discussion,

MOTION was made, seconded and unanimously adopted to approve the snapshot method and to engage the auditor to prepare the Form 720.

M. American Rescue Plan Act of 2021 (“ARPA”) – COBRA Subsidy Issues

Ms. Cochran reported that notices related to the COBRA subsidy provisions of ARPA were mailed on May 7, 2021. She stated that the notices included a general notice to all beneficiaries who had a qualifying event of a reduction of hours or involuntary termination from April 1, 2021 through September 30, 2021, and an extended election notice to all beneficiaries with a qualifying event prior to April 1, 2021, within the 18-month election period. Ms. Cochran reported that a total of 76 letters were mailed, and, to date, one member has elected and qualified for premium assistance.

N. Stop Loss Reimbursement

Ms. Cochran reported that the Fund submitted a stop loss claim to HCC Life Insurance Company, resulting in a reimbursement of $21,258.89 to the Fund.

O. Cologuard

Ms. Cochran requested Trustee direction regarding a claim related to Cologuard, an at-home test for individuals with an average risk for colon cancer. She stated that the total cost of the at-home test is approximately $650.00 compared to approximately $2,000 - $3,000 for a standard colonoscopy which includes surgeon, facility, anesthesiologist, and surgical pathology fees. She noted that the Affordable Care Act requires coverage for colon cancer screenings, but does not provide guidance regarding Cologuard. Ms. Cochran said that Segal reviewed the request and stated that there is no regulatory guidance explicitly on Cologuard.

After discussion,

MOTION was made, seconded and unanimously adopted to approve coverage of Cologuard effective immediately at the same level of benefits as a colonoscopy.

P. NASCO Migration

Ms. Cochran stated that, effective May 1, 2022, Anthem will be migrating its Jointly Administered Arrangement ("JAA") business, which includes this Fund, to WellPoint Group System, a new benefits and claims adjudication administration system,. She noted that the new administration system will require updates to the Basys system, including changes to certain file layouts. She stated that Associated and Anthem are having weekly implementation meetings.

Q. Orange County Transit Payroll Audit

Ms. Cochran stated that the Trustees, Associated, Counsel, and Segal had a conference call on April 26, 2021 to discuss the arbitration concerning Orange County Transit's refusal to remit employee contributions on behalf of a new employee who did not authorize payroll deductions for the employee portion of the total contribution. It was noted that the Trustees had agreed on the conference call to permit the employer to pay only its portion of the contribution, and allow the employee to opt out and not remit the employee contribution, on the condition that the Fund would not provide any coverage to such employee given that the full contribution rate is not being remitted, and that the affected employee will be able to enroll in coverage in the future only in the event he/she experiences a HIPAA special enrollment event and authorizes the deduction.

Ms. Cochran reported that S&P had conducted a payroll audit of Orange County Transit, Wallkill location, for the period July 1, 2017 through May 31, 2020, and that the employer has paid $300.94, representing the full audit findings. She said a payroll audit of Orange County Transit was performed for the period June 1, 2020 through December 31, 2020, and that the employer has paid $4,056.02, representing the full audit findings.

The Trustees then had a broader discussion of allowing an opt out provision for participants who have other coverage. In order to know the impact to the Fund, Mr.

Urbank said he would need additional information, including which employers currently have opt out language in the Collective Bargaining Agreement and which participants have other coverage. The Trustees requested that Associated send a Coordination of Benefits mailing to participants soliciting this information. The Trustees then tabled the discussion until additional information is provided to Segal for review.

V. CONSULTANT'S REPORT

A. Financial Experience & Budget Projections (FEBP)

Mr. Urbank reviewed the Financial Experience and Budget Projections Report for the fiscal year ended June 30, 2020. He commented that the report provides three years of audited data through 2020 and three years of projected income and expenses beginning July 1, 2020. Mr. Urbank reported that, for fiscal year 2020, total expenses of $2,590,268 exceeded total income of $1,987,478, thereby resulting in an operating deficit of $602,790. He stated that, after adjusting for the unrealized gain on investments of $195,685 and stop loss claim reimbursements of $230,215, the Fund experienced a total reduction to net assets of $176,890. He noted that, as of June 30, 2020, net assets, excluding Incurred but Not Reported ("IBNR") claims reserves, totaled $7,939,767 for a reserve of 37.6 months, down from 36.1 months the prior year.

Mr. Urbank noted that, with regard to the projections, employer contributions are based on 40 hours worked per week and known contribution rates over the three years, resulting in average hourly contribution rates of $7.08, $7.63 and $7.64 for fiscal years ending June 30, 2021, 2022 and 2023, respectively. Mr. Urbank stated that total income is projected to fall short of the projected total expenses each year, resulting in projected operating deficits of $663,900, $723,200 and $943,400 in the years ended June 2021, 2022 and 2023, with net assets declining to $5,506,267 as of June 30, 2023, for a solid reserve of 20.8 months if the projections reach fruition.

B. COBRA Rates for the Year Beginning July 1, 2021

Mr. Urbank reviewed the proposed COBRA rates for the year beginning July 1, 2021. He stated that the rates reflect the April 1, 2021 stop loss rate renewal and the May 1, 2021 Empire JAA fee renewal rates, while the Hospital, Medical, Prescription Drug, Dental and Optical claims costs are based on projections by benefit for the fiscal year beginning July 1, 2021. Mr. Urbank reported that, overall, the core and core plus non-core individual and family rates are increasing between 12.4% and 17.6%.

After discussion,

MOTION was made, seconded and unanimously adopted to approve the proposed COBRA rates, effective July 1, 2021.

C. Claims Audit

Ms. Amber Turner of Segal's Benefit Audit Solutions Practice joined the meeting to review the results of the remote audit conducted utilizing Empire's network pricing and Associated Administrators' adjudication of claims and claim payments. She noted that the audit encompassed a total sample of 100 claims for the 24-month audit period from January 1, 2018 through December 31, 2019.

Ms. Turner reported that 17 claims were found to have been processed erroneously (16 claims totaling the overpayment of $4,790 and one claim underpayment of $3,829 for a net overpayment of $961.00). She reported that the findings involved not applying the maximum $500 penalty for failure to obtain prior authorizations for inpatient hospitalizations, durable medical equipment (DME) and an eye-related procedure. Ms. Cochran stated that Associated did not agree with the prior authorizations findings, specifically one involving a DRG claim, one related to an emergency admission and those related to DMEs and the eye procedure as there appeared to be a disconnect between the Summary Plan Description ("SPD") and

Empire/Healthlink's requirements. She explained that Healthlink is Empire's managed care vendor.

Ms. Turner recommended clarification of rules regarding coverage for adult hearing examinations and Empire pricing for multiple surgeries. She stated that, according to the SPD, for a second procedure performed during an authorized surgery through the same incision, Empire pays for the procedure with the higher allowed amount. She further explained that, for a second procedure done through a separate incision, Empire will pay the allowed amount for the procedure with the higher allowance and up to 50% of the allowed amount for the other procedure. She explained, however, that Empire indicated that its claim editing software allows for full payment because they are considered separate surgeries.

Ms. Turner recommended that Associated, Empire and Healthlink clarify the claims administration procedures as it relates to the Fund's intent as shown in the SPD. Ms. Cochran agreed to follow up on any needed clarifications and provide an update when available.

With regard to having Associated provide a financial impact report, a discussion ensued and it was noted and agreed not to proceed, as the potential findings are likely de minimis, the time frame was over two years old and the results could adversely affect participants with pre authorization penalties.

Ms. Turner was thanked for her report and was excused from the meeting.

The Trustees and professionals agreed that the overall results of Segal's claims audits were favorable and showed that Associated is correctly processing claims.

VI. COUNSEL'S REPORT

Consolidated Appropriations Act, 2021 ("CAA"): Provisions on Surprise Billing, Transparency and Parity

Ms. O'Leary referred to her PowerPoint on the health plan provisions of the CAA pertaining to surprise medical billing, transparency, and mental health parity. Ms. O'Leary provided an overview of the new requirements and the effective dates of the requirements for the Welfare Fund, noting that, subject to a few exceptions, the Fund will have to comply with the new requirements beginning on July 1, 2022. She noted that, although many of the actions required to implement the new requirements are the responsibilities of Associated Administrators, Empire and ESI, the Board of Trustees is responsible for ensuring compliance. She explained that, pending issuance of federal regulations, there are many unanswered questions about the new requirements. Ms. Cochran stated that Associated is currently reviewing its responsibilities. It was agreed that future reports will be provided when available.

VII. NEXT MEETING DATE/ADJOURNMENT

The next regular meeting of the Board of Trustees is scheduled for Wednesday, September 22, 2021 by WebEx. With no further business to come before the Board, the meeting was adjourned at 12:31 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

H – Fiduciary Liability Memorandum