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 June 23, 2020
Via
Conference Call

The following Trustees were present:

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

Also present were:

Kristen Barshinger – Associated Administrators, LLC
Russell Bley – The Segal Company
Pat Blizzard – SEI Institutional Group
Alicia Cochran – Associated Administrators, LLC
Elizabeth O'Leary, Esq. – Kauff McGuire & Margolis LLP

I. CALL TO ORDER

The meeting was called to order at 8:59 a.m.

II. INVESTMENT CONSULTANT REPORT

Mr. Pat Blizzard of SEI referred to the SEI report which was distributed prior to the conference call. Mr. Blizzard led a conversation regarding current market conditions.

Mr. Blizzard reported that the Fund's market value of assets was $7,789,706 as of May 31, 2020, and its fiscal year-to-date rate of return is 4.18%, compared to the 4.18% return for the index. Since inception with SEI (01/31/11), the rate of return is 4.93%, compared to the 4.19% return for the index. Mr. Blizzard reviewed the Fund's asset allocation is 8.80% World Equity Ex-US Fund, 6.10% US Equity Factor Allocation Fund, 6.30% Large Cap Index Fund, 35.20% Core Fixed Income Fund, 24.80% Limited Duration Fund, 1.90% High Yield Bond Fund, 9.90% Ultra Short Duration, 5.00% Opportunistic Income Fund, 2.00% Emerging Markets Debt Fund, and 0.00% cash and equivalents and reported on the performance of each asset class.

The Trustees thanked Mr. Blizzard for his report.

III. APPROVAL OF MINUTES

The minutes of the meetings held via conference call on November 20, 2019, January 29, 2020, and March 31, 2020, which were previously distributed, were reviewed.

MOTION was made, seconded and unanimously adopted to approve the minutes of the meetings held via conference call on November 20, 2019, January 29, 2020, and March 31, 2020.

IV. ASSOCIATED ADMINISTRATORS, LLC REPORT

A. Cash Operating Statement

Ms. Cochran reviewed the Cash Operating Statement from July 1, 2019 through March 31, 2020. The report is attached hereto as Exhibit "A."

B. Disbursement Report

Ms. Cochran referred to the Authorization for Disbursements reports for January, February, and March 2020. The reports are attached hereto as Exhibit "B."

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

C. Active Members and COBRA Participants Receiving Benefits

Ms. Cochran referred to the report for the period from January 2020 through March 2020. The report is attached hereto as Exhibit "C."

D. Employer Contribution Rate Report

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

E. Delinquency Report

Ms. Cochran reviewed the report in detail. The report is attached hereto as Exhibit "E." Trustee Palmer inquired as to the likelihood of collection in the College of New Rochelle bankruptcy case. Ms. O'Leary responded that the likelihood of any recovery on the Fund's claim is extremely low.

F. Administrative Manager's Report

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

G. Telehealth Services – INTERIM ACTION

Ms. Cochran reported that the Trustees approved the LiveHealth Online program through Empire BlueCross BlueShield effective March 17, 2020. She said the program covers telehealth services and is exclusive with Empire's network of doctors. There is no fee to participate in the program and the member pays the cost share determined based on plan design. Ms. Cochran noted that the Trustees approved waiving copayments, coinsurance, and deductibles for all telehealth services through June 14, 2020.

H. COVID-19 Antibody Test

Ms. Cochran advised the Trustees that, in accordance with the Department of Labor's FAQ, and as confirmed by the Fund's counsel and consultant, antibody testing should be covered with no cost sharing.

I. Extension of Certain COBRA Deadlines

Ms. Cochran advised the Trustees that a one-page insert has been added to the COBRA notices sent to participants to advise them of the COBRA extensions allowable during the pandemic. The COBRA Notice was also modified to include new Medicare language based on the DOL's latest model notice.

J. Patient-Centered Outcomes Research Institute ("PCORI") Fee

Ms. Cochran said the Trustees approved the snapshot method for the July 31, 2020 filing to determine the Plan's average number of covered lives. She said the fee is $2.45 multiplied by the average number of covered lives. The Trustees directed the Administrative Manager to engage Schultheis & Panettieri to file Form 720, which is the tax form to be filed along with the fee payment.

K. Fiduciary Liability Insurance Renewal and Waiver of Recourse Premiums – INTERIM ACTION

Ms. Cochran reported that the Trustees approved Segal's recommendation to renew coverage with Ullico/Markel, based on the broadened scope of coverage, competitive premium and continuity of coverage for an annual premium of $34,055 for the period of June 10, 2020 through June 10, 2022. Ms. Cochran said letters regarding the required payment of the Waiver of Recourse premium of $25 were emailed to the Trustees on June 9, 2020.

L. Stop Loss Reimbursement

Ms. Cochran reported that the Fund submitted a stop loss claim to HCC Life Insurance Company, resulting in a reimbursement of $58,296.68 to the Fund.

M. Summary of Material Modifications ("SMM")

Ms. Cochran reported that the Fund mailed an SMM to participants on June 12, 2020 regarding the previously approved SaveOn program with Express Scripts, Inc.

N. Payroll Audit – First Student locations

Ms. Cochran reported that the auditor, Schultheis & Panettieri, LLP, audited First Student, Kingston for the period January 1, 2014 through December 31, 2017, First Student, Valley Central for the period January 1, 2014 through June 30, 2017, First Student, Pine Bush for the period April 1, 2014 through June 30, 2018 and First Student, Wallkill for the period January 1, 2014 through June 30, 2017. She said the total findings for all locations is $209,282.82. She said the employer is contesting some of the findings and that Associated, Fund Counsel and the auditor are working on those issues. Ms. Cochran said that this may result in revisions to the payroll audit reports. The Trustees requested a copy of the final payroll audit reports once available.

O. Cash Balance – INTERIM ACTION

Ms. Cochran reported that the Trustees approved the transfer of $275,000 from the SEI investment account to the cash balance account in order to cover expenses.

P. Express Scripts, Inc. ("ESI") Medical Supplies – INTERIM ACTION

Ms. Cochran noted the Trustees' approval of ESI's recommendation to adopt the COVID-19 Anti-Stockpiling policies and quantity limits.

Q. Claims Audit

Ms. Cochran referred to a previously tabled discussion of a medical/hospital claims audit, noting that the Trustees previously reviewed a proposal from Segal for $27,000 and a proposal from Novak Francella/Seneca for $37,500. Ms. Cochran said that Associated will request consideration of costs related to the audit and that charges would be at hourly rates of $100 per IT hour and $60 per Medical Claims hour. She said it is likely that Associated will spend hours providing files and reviewing the auditor's findings to explain how the benefit plan works, how benefit software works, coding and how individual claims have been paid. Ms. Cochran said Associated estimates a cost of $10,000.

After discussion of all the factors, including the importance of ensuring that the Plan's benefit rules are being accurately applied,

MOTION was made, seconded and unanimously adopted authorizing the Segal proposal for a claims audit for claims during the calendar year 2018 and 2019 at a fee of $27,500 and also for reimbursement of Associated's hours related to the audit at the hourly fee rate.

The Trustees asked if Associated would consider capping fees at $10,000. Ms. Cochran advised that she would look into this request and provide a response. In light of Segal's travel restrictions and Associated's limited in-office staff due to the pandemic, Ms. Cochran requested that the audit take place at a time that is safe for both Segal and Associated. The Trustees agreed that the audit should take place as soon as administratively possible given these constraints.

V. CONSULTANT'S REPORT

A. Financial Experience & Budget Projections (FEBP)

Mr. Bley reviewed the Financial Experience and Budget Projections Report for the fiscal year ended June 30, 2019. He commented that the report provides three years of audited data through 2019 and three years of projected income and expenses beginning July 1, 2019. Mr. Bley reported that for fiscal year 2019 total expenses of $2,475,100 slightly exceeded total income of $2,437,220, thereby resulting in an operating deficit of $37,800. After accounting for the unrealized gain on investments of $187,100, the Fund experienced a total addition to net assets of $149,200. As of June 30, 2019, net assets, excluding Incurred But Not Reported ("IBNR") claims reserves, totaled $8,116,600 for a reserve of 41.2 months, up from a reserve of 38.6 months the prior year.

With regard to the projections, Mr. Bley noted that employer contributions are based on 40 hours worked per week and known contribution rates over the three years, resulting in average contribution rates of $7.26, $7.56 and $7.66 for fiscal years ending June 30, 2020, 2021 and 2022, respectively. Total income is projected to fall short of the projected total expenses each year resulting in projected operating deficits of $344,900, $480,800 and $559,000 in the years ended June 30, 2020, 2021 and 2022, with net assets declining to $6.6 million as of June 30, 2022 for a reserve of 26.9 months.

B. COBRA Rates for the Year Beginning July 1, 2020

Mr. Bley reviewed the proposed COBRA rates for the year beginning July 1, 2020, which reflect the April 1, 2020 stop loss rate renewal and the May 1, 2020 Empire JAA fee renewal rates, while the Hospital, Medical, Prescription Drug, Dental and Optical claims costs are based on Segal's projections by benefit for fiscal year 2021. Mr. Bley reported that, overall, the core and core plus non-core individual and family rates are increasing between 13.8% and 14.8%.

After discussion,

MOTION was made, seconded and unanimously adopted to approve the proposed COBRA rates, effective July 1, 2020.

VI. NEXT MEETING DATE/ADJOURNMENT

The next regular meeting of the Board of Trustees is scheduled for Tuesday, September 22, 2020 by conference call. With no further business to come before the Board, the meeting was adjourned at 10:04 a.m.

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Union Trustee Employer Trustee

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Union Trustee

Exhibits

A – Cash Operating Statement

B – Authorization for Disbursements

C – Active Members Report

D – Employer Contribution Report

E – Delinquency Report

F – Administrative Manager’s Report