International Union of Operating Engineers
Local 487 Health & Welfare Fund
911 Ridgebrook Road
Sparks, MD 21152-9451
Phone: 877-291-2387
www.associated-admin.com

MINUTES OF THE MEETING OF THE BOARD OF TRUSTEES OF THE INTERNATIONAL UNION OF OPERATING ENGINEERS HEALTH & WELFARE FUND
THURSDAY, FEBRUARY 11, 2021
VIA WEBEX CONFERENCE

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. Clutts - Associated Administrators, LLC
N. Durkin - Associated Administrators, LLC
L. DuVall - Associated Administrators, LLC
J. Hart - SEI Global Institutional Group
J. Ianniello - Associated Administrators, LLC
D. McCullers - Apprenticeship Director
E. Naegele - The Segal Company
K. Phillips - Phillips, Richard & Rind, PA
M. Smith - Apprenticeship Director in Training

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 11, 2020, 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 11, 2020 as presented.

The Trustees reviewed the minutes of the special meeting held December 3, 2020, which were circulated in advance of the meeting. On Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

RESOLVED to approve the minutes of the special Board meeting held on December 3, 2020 as presented.

III. HEALTH CONSULTANT'S REPORT

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

A. Segal Health Benefits Report

Mr. Naegele reviewed the "Health Benefits Report – Fiscal Year Ending 2021," a copy of which is attached to and made a part of these minutes as Exhibit A. Mr. Naegele noted that fiscal performance and budget projections included the 2018 – 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 December 2020, with projections through the end of the fiscal year, as the fiscal year does not end until March 31, 2021. Loans from the IUOE Local 487 totaling $1,500,000 have been included in this report as an addition to Fund assets in fiscal year ending March 31, 2021. Repayment of the loan is not addressed in these projections.

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 early in fiscal year ending 2023. For fiscal year 2021, an operating deficit of $2.05 million is projected. Mr. Naegele projected the Fund's assets will be a continuation value of 2.2 months as of March 31, 2021, and a continuation value of .7 months as of March 31, 2022.

Mr. Naegele calculated a break-even Health & Welfare contribution rate of $7.20 for fiscal year 2021, based on the recent financial reports and trends for the Fund. Mr. Naegele reviewed three alternate assumptions, based on varying average projections of hours. With

200 average hours projected, the Fund's projected break even contribution rate would be \$6.17 for fiscal year 2022, and \$6.64 for fiscal year 2023. However, if the average hours dropped to 160 hours per participant per month, the Fund's projected breakeven contribution rate would rise to \$7.70 for fiscal year 2022 and \$8.28 for fiscal year 2023.

Ms. Clutts presented the Hours and Contributions Report for the period of November 2019 through December 2020, a copy of which is attached to and made a part of these minutes as Exhibit B. The report revealed a contribution of 95,691 hours and a total contribution amount of \$602,852 for the month of December 2020; an average of 174 hours per participant per month. Also presented for the Trustees review as Exhibit C was the United Healthcare ("UHC") Paid Report for February 2021. The UHC invoice for the month of February 2021 has declined to \$565,626, reflecting the recently negotiated contract changes with UHC, and subsequent reduced benefit costs effective January 1, 2021. Chairman Shaunaman requested that Mr. Naegele work with the Administrative Manager to project if the Fund's cash flow will be adequate to cover the Fund's benefits for the next six months, taking into account the UHC benefit cost increase of 6% effective April 1, 2021, and report back to the Trustees.

The Trustees discussed the projections and determined that further contributions to the Health & Welfare Fund may be necessary. Chairman Schaunaman informed the Trustees that additional Health & Welfare contribution increases may be negotiated in the renewal of the foundation collective bargaining agreements ("CBA") effective May 1, 2021, and in the crane rental CBAs effective July 1, 2021.

Given concerns over the Fund's long term financial health, the Trustees discussed various potential options and remedies, such as considering the benefits offered through the Pipeline Health & Welfare Fund ("Pipeline") and the benefits offered through Southern Operators Health & Welfare Fund ("Southern Operators"). The Trustees suggested that it would be useful to perform due diligence by requesting that Mr. Naegele prepare a comparison between the Fund's benefits, the Pipeline, and the Southern Operators' health benefits. On Motion made and seconded, the Trustees voted unanimous approval of the following resolutions:

> **RESOLVED to authorize Ms. Phillips to request information needed to analyze health benefits and to consider merger information from the Pipeline and Southern Operators.**

FURTHER RESOLVED to authorize Mr. Naegele provide the Trustees with a comparison between the Fund's health benefits and those offered through the Pipeline and Southern Operators.

Ms. Phillips will contact these Funds to request the information.

B. Segal COBRA Rate Memorandum

Mr. Naegele reviewed the "January 1, 2021 COBRA Rates" memorandum dated February 3, 2021, a copy of which is attached to and made a part of these minutes as Exhibit D. He presented the recommended COBRA and Self-Pay rates as of January 1, 2021, the effective date of the Fund's Special Open Enrollment. The rates cover the period of January 1, 2021 through March 31, 2022. On Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

RESOLVED to approve the COBRA and Self-Pay rates for medical, dental and vision coverage effective January 1, 2021 through March 31, 2022, as follows:

UHC SELF PAY RATES:

NHP HMO Plan with Dental HMO and Vision	
Employee Only	**$579.44**
Employee Plus One	**$1,214.44**
Family	**$1,711.55**
UHC HMO Plan with Dental PPO and Vision	
Employee Only	**$800.57**
Employee Plus One	**$1,678.45**
Family	**$2,373.19**
UHC POS Plan with Dental PPO and Vision	
Employee Only	**$800.57**
Employee Plus One	**$1,678.45**
Family	**$2,373.19**

UHC COBRA RATES:

NHP HMO Plan with Dental HMO and Vision	
Employee Only	**$591.03**
Employee Plus One	**$1,238.73**
Family	**$1,745.78**
UHC HMO Plan with Dental PPO and Vision	
Employee Only	**$816.58**
Employee Plus One	**$1,712.02**
Family	**$2,420.65**
UHC POS Plan with Dental PPO and Vision	
Employee Only	**$816.58**
Employee Plus One	**$1,712.02**
Family	**$2,420.65**

C. Mutual of Omaha Policy Renewal

The Mutual of Omaha life insurance policy for Plan participants and qualifying retirees will expire July 31, 2021. Mr. Naegele will work with the Administrative Manager to obtain a renewal quote to present to the Trustees at the May 13, 2021 Board of Trustees meeting.

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

IV. ATTORNEY'S REPORT

Ms. Kathleen Phillips distributed a report titled "Trustees Report" dated February 11, 2021, a copy of which is attached to and made a part of these minutes as Exhibit E.

A. Delinquency and Collections

Ms. Phillips provided an update on delinquency and collection matters involving BluRock, LLC and Ebsary Foundation.

HJ Foundation

Ms. Phillips reported that demand letters for service fees were sent by the Fund office to HJ Foundation for late payment of its June 2020 contributions totaling $45,383, which were received on August 5, 2020. Ms. Phillips said that, according to the Fund's Collection and Audit Procedures, waivers may only be granted once in a three-year rolling period upon request. HJ Foundation was previously granted a waiver of services fees for its delinquent contributions for April and May 2020.

Ms. Clutts reported that that Fund office received late contributions for November 2020 from eight employers that are not usually late. She said that some contributions have been received a month after the postmark date or bearing no United States Postal Service ("USPS") postmark date, indicating that USPS mail delivery has been unreliable. Ms. Phillips said that the Collection Committee, upon review of this matter, requested that the Trustees consider temporarily suspending the assessment of late fees based on delays in USPS mail delivery related to COVID-19 and the 2020 election cycle. Ms. Phillips said that the Fund's Collection and Audit Procedures allow for current economic conditions to be considered. After discussion, on Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED to suspend the assessment of late fees for delinquent contributions received retroactive to June 1, 2020 through May 13, 2021, in accordance with the Fund's Collection and Audit Procedures, which allow for consideration to be given to current economic conditions.**

Ms. Phillips advised that the suspension be reconsidered at the May 13, 2021 Board meeting. The Trustees directed the Administrative Manager to send delinquent employers a notification letter informing them when contributions are not received on time, with a copy to the Collections Committee.

B. Addendum to Promissory Note

Ms. Phillips reported that the Addendum to the Fund's existing Promissory Note with the IUOE Local 487 had been completed to reflect the additional loan in the amount of $500,000, under the same terms as the current Promissory Note. Fund Secretary Jonathan Turk signed the Addendum on January 12, 2021, on behalf of the Board.

V. ADMINISTRATIVE MANAGER'S REPORT

A. Income and Expense Statement

Ms. Clutts reviewed the Income and Expense Statement for December 2020, a copy of which is attached to and made a part of these minutes as Exhibit F. She reported total assets for the month of December 2020 were $1,252,326.39 compared to $1,864,362.30 for December 2019. She reported that for the month of December 2020, the Fund had total receipts of $519,199.85 and total expenses of $766,696.22, resulting in a deficit of $247,496.37. Ms. Clutts presented a Comparative Income Statement for the twelve months ended December 31, 2020.

B. Disbursements

Ms. Clutts presented the expense check register for December 2020, which indicated total disbursements of $767,032.56.

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. Death Benefit Claims Report

Ms. Clutts reported that there was three death benefit claims paid to beneficiaries for the period of November 2020 to February 2021.

D. Retirees Who Qualified for Free Life Insurance Report

Ms. Clutts reviewed a list of Central Pension Fund retirees who qualified for free life insurance coverage under the Health & Welfare Plan.

VI. OTHER FUND BUSINESS

Ms. Clutts reported the following:

A. Special Open Enrollment

Special open enrollment packets were mailed to Plan participants on December 9, 2020, for an effective date of coverage of January 1, 2021.

B. Summary Annual Report

The Summary Annual Report for the Plan year ended March 31, 2020 was mailed to Plan participants on January 19, 2021.

C. Form 5500

The Fund auditor confirmed that the Form 5500 for the Plan year ended March 31, 2020 had been electronically filed on December 28, 2020, under the allowable extension of time to file. An amended 5500 was filed on January 11, 2021, as letterhead and signature were inadvertently omitted by the auditor on the initial filing.

D. Form 990

The Fund auditor completed the Form 990, based on audited financial statements for Plan year ended March 31, 2020. After review, and on Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED to approve the Form 990 and authorized Chairman Schaunaman to sign the Form 990 on behalf of the Board of Trustees.**

E. Fiduciary Liability Policy

The Fund's fiduciary liability insurance policy was renewed for the policy period January 1, 2021 to January 1, 2022, as previously approved by the Trustees at the November 12, 2020 Board meeting.

VII. MEETING DATES AND LOCATION

The next quarterly Board meeting was scheduled for Thursday, May 13, 2021 at 9 a.m., via WebEx. The remaining regular Board meetings were scheduled for August 12, 2021, and November 11, 2021.

VIII. 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: Segal Health Benefits Report – Fiscal Year Ending 2021
Exhibit B: Hours and Contributions Report November 2019 – December 2020
Exhibit C: United Health Care Paid Report – February 2021
Exhibit D: Segal Memorandum – COBRA Rates February 3, 2021
Exhibit E: Trustees Report from Fund Counsel, February 11, 2021
Exhibit F: Income and Expense Statement, December 31, 2020