

February 6, 2017

HPAE Retiree Medical Trust – An Update for the SEC

Participation of HPAE Locals in the Retiree Medical Trust

Over 5,600 HPAE members are currently active participants in the Trust and several thousand more HPAE retirees are eligible for reimbursement benefits. The only locals not participating in the Trust are Bayonne Medical Center, our public sector locals at Rutgers, University Hospital, Rowan U., and several small locals. In addition, we have several bargaining units at Palisades and Meadowlands who are not participating in the Trust.

Participating Locals: 13 (including HPAE staff)

1. Bergen Regional Medical Center (RNs and non-nursing professionals)
2. Christ Hospital (RNs)
3. Cooper University Hospital and Medical Center (RNs)
4. Cornerstone Behavioral Health Hospital (RNs)
5. Englewood Hospital and Medical Center (RNs)
6. HPAE Staff (administrative support and professional staff)
7. Inspira @ Vineland, Elmer, Bridgeton (RNs)
8. Inspira Woodbury (RNs)
9. Jersey Shore Medical Center/Meridian (RNs)
10. Meadowlands Hospital and Medical Center (RNs and Techs)
11. Palisades Medical Center (RNs and non-nursing professionals)
12. Southern Ocean Medical Center/Meridian (RNs)
13. Virtua/Memorial Hospital and CNS (RNs)

Financial Status of the Trust (as of December 31, 2016)

The Trust's assets continue to grow and are now at **\$13.5 million**. Our investment manager has been doing a very good job; the annual rate of increase of Trust assets is **8.01% (net of all fees)** since they began investing for us in February 2008.

The administrative costs and fees for managing our assets are extremely low – only .65% of total assets. In comparison, the 401k funds that many of our members have include administrative costs and fees in the 1% to 1.5% range.

See the attached report from our investment manager, Payden & Rygel.

Our New Union Trustee: Jackie Franchetti (Local 5118/Cooper)

Jackie Franchetti, Local 5118 VP & Grievance Chair, attended her first meeting of the Board of Trustees on Monday, January 30, 2017.

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Jackie and I are both focused on educating our members about how to use their benefits and making it easier to access their benefits on-line

Benefit Reimbursement by Types of Claims

From 2014 to 2016, the HPAE Retiree Medical Trust made reimbursements to plan participants in the following categories of out of pocket medical costs:

	2014	2015	2016
Medical (health and COBRA premiums, deductibles, co-pays, etc.)	48%	37%	48%
Prescription drug expenses (co-pays, co-insurance)	23%	43%	23%
Dental expenses (dental premiums or charges for dental costs)	18%	14%	21%
Vision expenses (exams, prescription glasses, frames, and contact lenses)	11%	6%	8%

Making Our Plan More User-Friendly

We discussed at the January 30th Board of Trustees meeting some ways that the Trust can make it easier for participants to get information about their benefits and submit claims:

- Provide on-line access for each participant of a record of employee and/or employer contributions to the Trust
- Enable participants to estimate their monthly reimbursement benefit with an on-line benefit calculator
- Be able to submit a recurring expense (e.g. Medicare premium payment) for reimbursement once and have the Plan administrator send out monthly reimbursements on an ongoing basis without the need for monthly submission of claims
- Make available direct electronic deposit of reimbursement to a participant's bank account

The Plan administrator, Benserco, is working on changes to their website and administrative procedures to implement these improvements.

Mike Slott

Portfolio Characteristics



As of December 31, 2016

Portfolio Characteristics

Market Value: \$13.4 million
 Portfolio Yield: 2.5%

Stocks

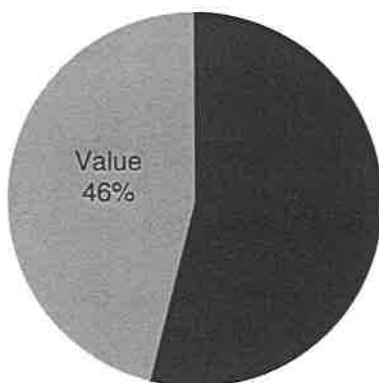
PE Ratio 20x
 Avg Market Cap \$131.7 B
 Distribution Yield 2.3%

Bonds

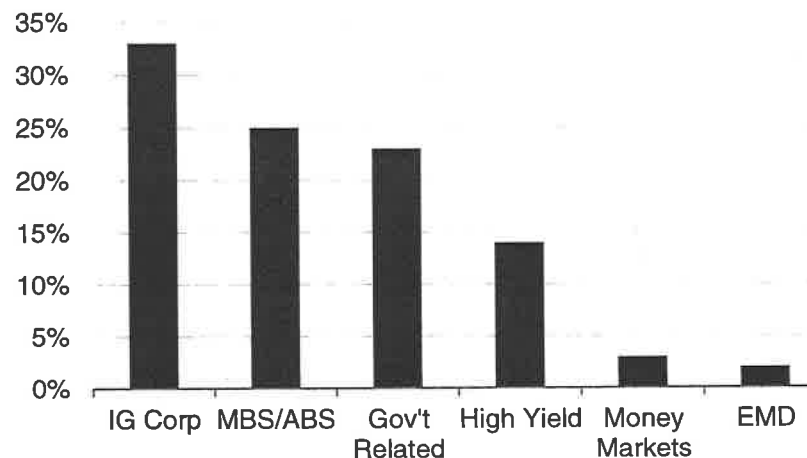
Avg Credit Quality A
 Avg Duration 5.0 yrs
 SEC Yield 2.8%



Stocks – By Style



Bonds – By Sector



Portfolio Performance



As of December 31, 2016

PORTFOLIO RETURNS

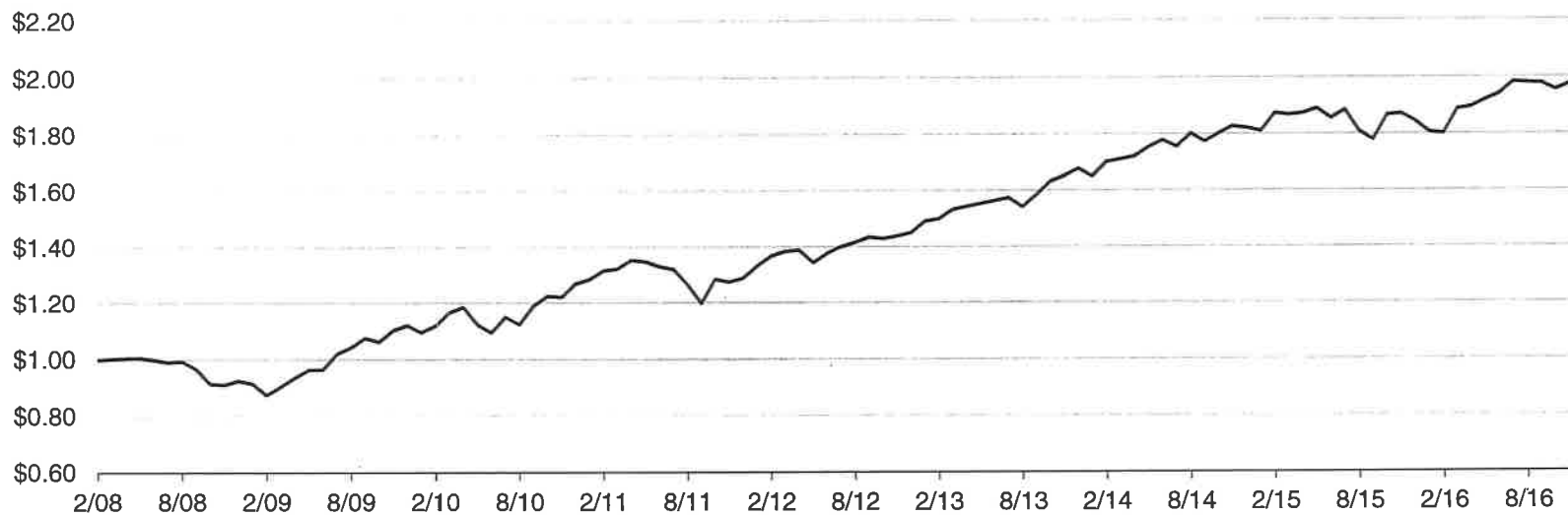
	4Q 2016	2016	Trailing 3 Years	Since Inception 5 Years	(2/25/2008)
Portfolio Return (net of <u>all</u> fees)	1.05%	8.23%	5.86%	9.05%	8.01%
Benchmark*	1.09%	8.29%	6.64%	9.66%	6.76%
S&P500 Index	3.81%	11.93%	8.84%	14.62%	8.00%
Barclays Aggregate Index	-2.98%	2.65%	3.03%	2.23%	4.11%

Periods over one year are annualized.

Assumes 11 bps investment management fee, net of mutual fund fees

**60% S&P 500, 40% Barclays Aggregate*

Economic Return



Portfolio Holdings

As of December 31, 2016



Security Description	Market Value	% Class	% of Total	Comments
Payden Core Bond Fund	\$ 3,381,894	65%	25%	Diversified bonds
Payden Strategic Income Fund	674,500	13%	5%	Multi-sector approach, including HY & EMD
iShares 10-20 Year Treasury Bond ETF	628,482	12%	5%	Focused duration exposure
Payden Floating Rate Fund	520,859	10%	4%	Floating rate bank note exposure
Bonds Total:	\$ 5,696,311	100%	39%	
Payden Equity Income Fund	\$ 3,753,249	46%	28%	High dividend strategy
Schwab S&P 500 Index Fund/SPDR S&P 500 ETF	4,373,873	54%	32%	Diversified large cap stocks
Stocks Total:	\$ 8,127,526	100%	60%	
Cash	91,667		0.7%	Additional Liquidity
Account Total:	\$ 13,424,526		100%	

Key Portfolio Changes – Q4 Highlights

- In December, the PRAAM strategy committee decided to remove our equity underweight in order to increase our return profile and take advantage of the favorable environment.
- We liquidated our 5% position in the Limited Maturity short fixed income fund and added exposure to the broad equity market via the S&P 500.

Inflation Adjusted Portfolio Returns

As of December 31, 2016



PORTFOLIO RETURNS			
	Trailing 3 Years	Trailing 5 Years	Since Inception (2/25/08)
Trust Portfolio Return*	5.97%	9.16%	8.12%
- Estimated Investment Mgmt. Fee	0.11%	0.11%	0.11%
= Portfolio Return After IM Fee	5.86%	9.05%	8.01%
- CPI Inflation**	0.90%	1.20%	1.20%
Trust Portfolio Real Return	4.96%	7.85%	6.81%
- Actuarial Target	6.00%	6.00%	6.00%
Excess Real Return	-1.04%	1.85%	0.81%

Periods over one year are annualized.

**Gross of investment management fees, net of mutual fund fees*

***Consumer Price Index (CPI) is one of the most widely recognized price measures for tracking the price of a market basket of goods or services purchased by individuals. The weights of the components are based on consumer spending patterns.*

HPAE - Fee Disclosure



Estimate of total fees for 2017 is 0.65%, based on the fees outlined below.

Investment Manager advisory fees - Actual

January 2016 to December 2016

\$12,327 0.10%

Internal fund fees - estimate

Projection, based on current portfolio. Jan 2017 to December 2017

\$ 73,605 0.55%

SECURITY DESCRIPTION	TICKER	MARKET VALUE	% Sector	% Portfolio	Weighted Expense Ratio	Full Expense Ratio
BONDS						
PAYDEN CORE BOND FUND INVESTOR	PYC1Z	3,381,894	65%	25%	0.15%	0.59%
PAYDEN STRATEGIC INCOME FUND	PYSGX	674,500	13%	5%	0.04%	0.80%
ISHARES 10-20 YEAR TRSY BOND ETF	TLH	628,482	12%	5%	0.01%	0.15%
PAYDEN FLOATING RATE FUND	PYFRX	520,859	10%	4%	0.03%	0.75%
	Bonds Total: \$	5,205,736	100%	39%		
STOCKS						
PAYDEN EQUITY INCOME FUND	PYVLX	3,753,249	46%	28%	0.29%	1.05%
SCHWAB S&P 500 INDEX FUND	SWPPX	3,017,053	37%	22%	0.02%	0.09%
SPDR S&P 500 ETF	SPY	1,356,820	17%	10%	0.01%	0.09%
	Stocks Total: \$	8,127,123	100%	61%		
CASH						
	CASH	91,667	100%	0.7%	0.00%	0.00%
	Cash Total: \$	91,667	100%	1%		
ACCOUNT TOTAL:		\$ 13,424,526				

All data as of 12/31/2016

Past performance is no indication of future results

Review of Objectives and Guidelines



Objectives

- Long-term growth of assets
- Preservation of capital
- Provide liquidity as needed
- Actuarial target 6.0%

Guidelines

Bond Quality	Minimum weighted average fixed income rating of "Investment Grade".		
Bond Duration	Average duration not to exceed 7 years.		
Diversification	Treasury, Agency obligations, mutual funds, fixed income securities, mortgage-backed securities, asset-backed securities, equities, and comingled funds are permitted		
Allocation	Asset Class	Target	Range
	Equity	60%	50% - 70%
	Cash & Fixed Income	40%	30% - 50%