

February 12, 2019

HPAE Retiree Medical Trust – An Update

The Board of Trustees of the HPAE Retiree Medical Trust (RMT) met February 11, 2019. Two more Board meetings will be held in 2019: May 6 and September 23.

New Employer Trustee

We welcomed a new employer trustee at the Board meeting: **Roy Park from Bergen New Bridge Medical Center**. Roy is the Senior Vice President of Human Resources at the hospital. He joins Christine O’Hearn, an attorney for Cooper University Health Care, as the 2nd employer trustee.

Jackie Franchetti (Local 5118) and Mike Slott (retired from HPAE staff) attended the meeting as the two union trustees.

Number of Participants, Monthly Contributions to the RMT, and Benefits Paid Out

Over 5,330 HPAE members in twelve locals and the HPAE staff are currently active participants in the RMT. Total contributions made by employees and employers to the RMT are over \$150,000 a month.

There are approximately 1,200 HPAE members who have left employment in a participating employer and are eligible to receive reimbursement benefits. Of those eligible to receive reimbursement benefits, 151 participants submitted claims in 2018 and received \$80,000 in reimbursement benefits.

Financial Status of the Trust (as of January 31, 2019)

The RMT’s assets continue to grow as contributions and investment earnings far outpace administrative costs and reimbursement benefits. As of January 31, 2019, the market value of the RMT’s assets was \$18.4 million. Since Payden & Rygel, the RMT’s investment manager, began to manage the Trust’s assets in February 2008 the return on investments has been **7.60% on an annual basis (net of all fees)**.

New Benefit Option Approved by the Trustees at the Meeting

Under the current plan, an HPAE member who leaves employment or retires with less than five years of “service credits” in the plan and who is 55 years old (or 40 years old and have not had contributions made on their behalf for 2 years), can begin to get reimbursement benefits by “drawing down” the money in an Employee Account that contains their contributions to the fund. As a limited beneficiary, the retiree submits claims for reimbursement of medical expenses until there is no money left in their Employee Account. At the point, she/he has used all of their reimbursement benefits.

The Trustees voted at the meeting to create a new option for participants in the plan who have more than five years of service credits but less than \$5,000 in total contributions. (At

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a contribution rate of \$.20/hour, participants with 5 to 12 years of active service credits will be eligible for this new benefit option.)

Participants in this category will have the choice to either become:

- 1) a regular beneficiary and have a monthly, lifetime reimbursement benefit as per the current plan, or
- 2) a limited beneficiary with an Employee Account as described above. However, unlike the limited beneficiary with less than 5 years of active service credits, with this option investment earnings will be applied to their contributions and for the period of time before they access their benefits. Because of interest earnings and a longer period of time in the plan, such a participant will thus have a larger amount of money available in their Employee Account to take care of more significant medical costs, such as a large dental bill or co-insurance for a surgical procedure.

However, in choosing this option the “downside” for the participant is that they will not have a lifetime, monthly reimbursement benefit which, depending on when one leaves employment and their life span, could provide benefits for 30 years or more.

This new option is Amendment #12 to the plan and HPAE members will soon receive notice of the Amendment.

Debit (“Benny”) Card and Online Reimbursement System

Participants who are eligible for reimbursement benefits will soon be offered the option to receive a debit (“Benny”) card to pay for medical expenses. Instead of having to submit a reimbursement claim through the mail and wait to receive a check from the RMT administrator, a retiree will be able to use a debit card at the point of service, with payment of the product or service up to the amount that she/he is eligible to receive at that time. The card could be used, for example, for prescription or doctor co-pays, or at a dentist’s office.

In addition, we are establishing an **online claims system** to make the submission and reimbursement of claims much easier.

Submitted by: Jackie Franchetti and Mike Slott

Portfolio Performance

As of January 31, 2019

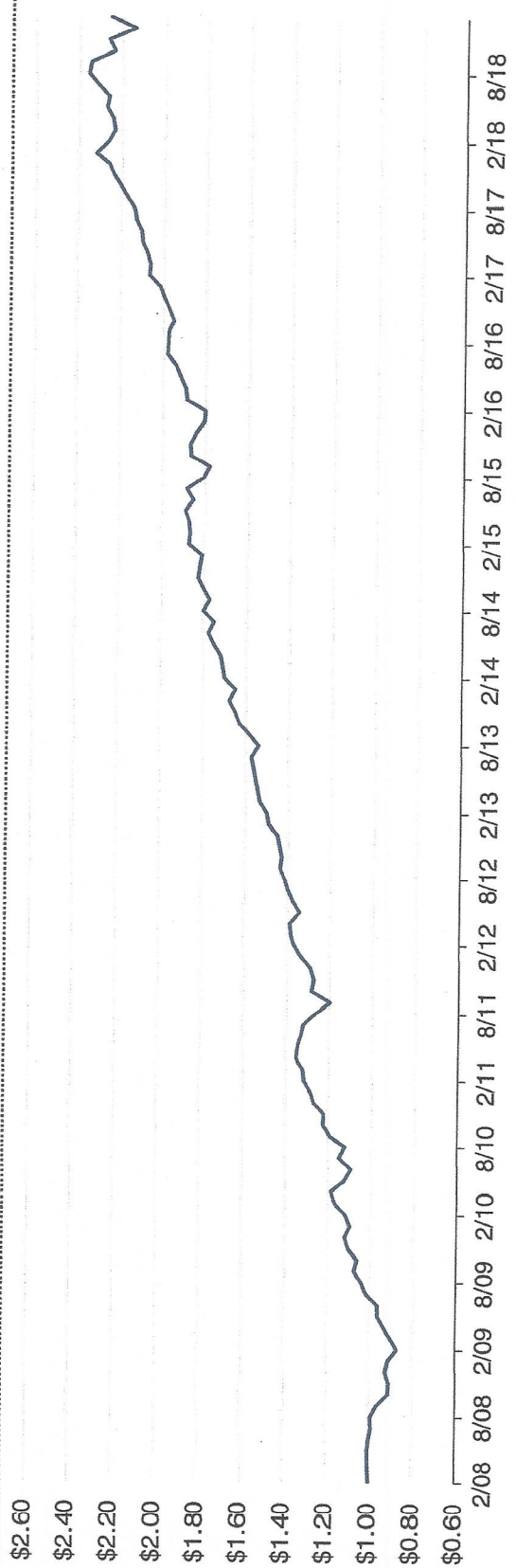


PORTFOLIO RETURNS

| | Jan. 2019 | Trailing 1 Year | Trailing 3 Years | Trailing 5 Years | Since Inception (2/25/2008) |
|------------------------------------|-----------|-----------------|------------------|------------------|-----------------------------|
| Portfolio Return (net of all fees) | 5.21% | -2.95% | 7.56% | 6.32% | 7.60% |
| Benchmark* | 5.23% | -0.21% | 9.19% | 7.63% | 6.99% |
| S&P500 Index | 8.01% | -2.32% | 13.98% | 10.93% | 8.68% |
| Bloomberg Barclays Aggregate Index | 1.06% | 2.25% | 1.95% | 2.44% | 3.74% |

Periods over one year are annualized.
 Assumes 11 bps investment management fee, net of mutual fund fees
 *60% S&P 500, 40% Bloomberg Barclays Aggregate

Economic Return





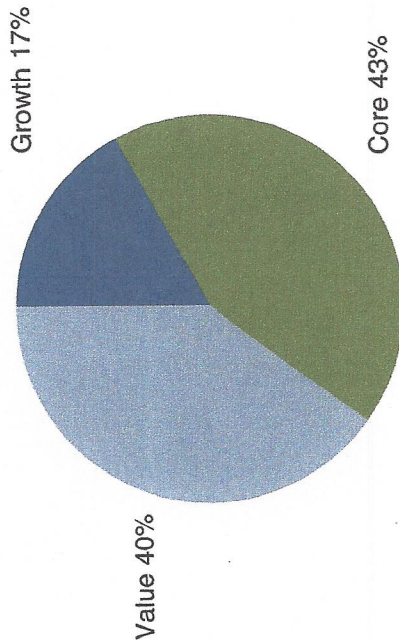
Portfolio Characteristics

As of January 31, 2019

Portfolio Characteristics

| | | | |
|-------------------------|--------------|----------------------|-----------------|
| Portfolio Yield: | 3.01% | Market Value: | \$18.4 M |
| Stocks | | | |
| PE Ratio | 19x | Avg Credit Quality | A+ |
| Avg Market Cap | \$182.0B | Avg Duration | 4.4 yrs |
| Distribution Yield | 2.7% | SEC Yield | 3.50% |
| Bonds | | | |
| | | | |

Stocks – By Style



Bonds – By Asset Class

