

May 10, 2019

HPAE Retiree Medical Trust – An Update

The Board of Trustees of the HPAE Retiree Medical Trust (RMT) met Monday, May 6th at the Bergen New Bridge Medical Center in Paramus, NJ. Representing HPAE were union trustees Mike Slott and Jackie Franchetti (by phone). Roy Park represented the employers. (Christine O'Hearn, the other employer trustee, was travelling outside the country and couldn't participate.)

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

Over 5,000 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 \$140,000 a month.

Medical reimbursement benefits received by retirees have been gradually increasing as more members retire and begin to use the reimbursement benefits. For 2019, it is likely that more than \$100,000 in reimbursement benefits will be paid out.

Financial Status of the Trust (as of March 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 **\$19.2 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 **7.88% on an annual basis (net of all fees)**.

Problem with Claims Process Has Been Resolved

Some retirees experienced delays in late 2018 and early 2019 in receiving their reimbursement benefits due to some problems with the benefits claims process. The Trust's Third Party Administrator, Zenith-American, has corrected these problems and there is no longer a backlog in processing claims.

Mailing to Plan Participants

Zenith-American will soon be sending out a mailing to all plan participants (active and inactive) with the following material:

- The Annual Participant Statement – Your total contributions and monthly reimbursement benefit as of Dec. 31, 2018 (Please note: If you continue to be employed and contributions are made to the Trust, this amount will increase.)

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- Notice of Amendment #12 to the plan allowing members who are eligible to receive a monthly reimbursement and have less than \$5,000 in contributions the option of choosing to have a lump sum benefit instead of a monthly benefit for life.
- A hand-out with Frequently Asked Questions (FAQ) about the plan
- Notice of a revised Summary Plan Description (SPD) and Plan document which incorporates all of the amendments made to the plan (#1 through #12)

Debit (“Benny”) Card and Online Reimbursement System

Effective **July 1st**, Participants who are eligible for reimbursement benefits will have 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, it is now possible to submit claims online. Claims can be sent to the following email address: HpaermtClaims@zenith-american.com

The next meeting is scheduled for September 23.

Submitted by: Jackie Franchetti and Mike Slott

**RETIREE MEDICAL TRUST**

TO: BOARD OF TRUSTEES
HPAE RETIREE MEDICAL TRUST

FROM: QUATARA CARTER, OPERATIONS SUPERVISOR

RE: ADMINISTRATOR'S REPORT

DATE: MAY 6, 2019

WE ARE PLEASED TO REPORT ON THE STATUS OF THE FOLLOWING TRUST MATTERS:

1. PARTICIPATING HOSPITALS. CURRENTLY, THIRTEEN (13) EMPLOYERS HAVE SIGNED AGREEMENTS TO PARTICIPATE IN THE RETIREE MEDICAL TRUST. FOLLOWING IS THE STATUS OF EACH EMPLOYER:

HOSPITAL	NUMBER OF EMPLOYEES CONTRIBUTING	AVERAGE MONTHLY CONTRIBUTION	FIRST MONTH OF CONTRIBUTIONS
COOPER UNIVERSITY HOSPITAL & MEDICAL CENTER	1068	\$29,461	JANUARY 2007
MEADOWLANDS HOSPITAL & MEDICAL CENTER	41	\$1,323	MARCH 2007
PALISADES MEDICAL CENTER	0	\$0	MARCH 2007
CHRIST HOSPITAL	280	\$8,677	AUGUST 2007
HPAE	39	\$1,227	JULY 2007 – EMPLOYER CONTRIBUTION
ENGLEWOOD HOSPITAL & MEDICAL CENTER	521	\$16,666	FEBRUARY 2008
VIRTUA/MEMORIAL HOSPITAL	606	\$17,791	FEBRUARY 2008
CORNERSTONE BEHAVIORAL HEALTH	30	\$522	JANUARY 2010 – EMPLOYER CONTRIBUTION
JERSEY SHORE MEDICAL CENTER	900	\$24,013	SEPTEMBER 2010
SOUTH JERSEY MEDICAL CENTER	689	\$18,620	JUNE 2015
SOUTHERN OCEAN MEDICAL CENTER	210	\$4,994	JANUARY 2016
INSPIRA/WOODBURY HEALTHCARE	340	\$9,251	FEBRUARY 2016
BERGEN REGIONAL MEDICAL CENTER	310	\$9,355	OCTOBER 2016
TOTAL	5,034	\$141,900	

2. CLAIM ACTIVITY

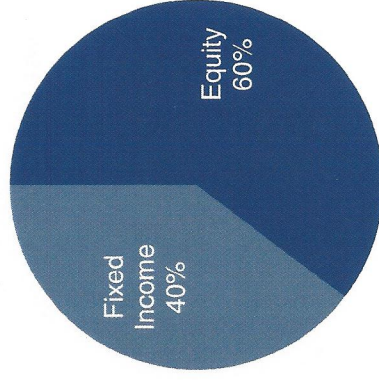
DURING THE THREE (3) MONTHS ENDING MARCH 31, 2019, THE TRUST PAID BENEFITS TOTALING \$33,613.21 ON BEHALF OF 132 PARTICIPANTS, OF WHICH 113 PARTICIPANTS WERE REGULAR BENEFICIARIES AND 19 PARTICIPANTS WERE LIMITED BENEFICIARIES.

3. FINANCIAL INFORMATION

ATTACHED IS AN ASSET STATEMENT AND INCOME AND EXPENSE STATEMENT FOR THE TRUST AS OF MARCH 31, 2019.

HPAE: Portfolio Holdings

As of March 31, 2019



Security Description	Market Value	% Sector	% Portfolio	Comments
Payden Core Bond Fund	\$ 5,854,999	78%	30%	Diversified investment grade bonds
iShares Core US Aggregate Bond Fund ETF	886,848	12%	5%	U.S. multi-sector bonds
Payden Limited Maturity Fund	798,849	11%	4%	High quality short bonds
Bonds Total:	\$ 7,540,697	100%	39%	
S&P 500 Index Fund/ETF	\$ 4,822,294	42%	25%	Diversified large cap stocks
Payden Equity Income Fund	4,631,862	40%	24%	High dividend strategy
iShares S&P 500 Growth ETF	2,046,863	18%	11%	Large cap growth-oriented stocks
Stocks Total:	\$ 11,501,019	100%	60%	
Cash	\$ 165,279	100%	1%	Additional liquidity
Cash Total:	\$ 165,279	100%	1%	
Account Total:	\$ 19,206,995			

Portfolio Characteristics

As of March 31, 2019.



Portfolio Characteristics

Market Value: \$19.2 M **Portfolio Yield:** 2.76%

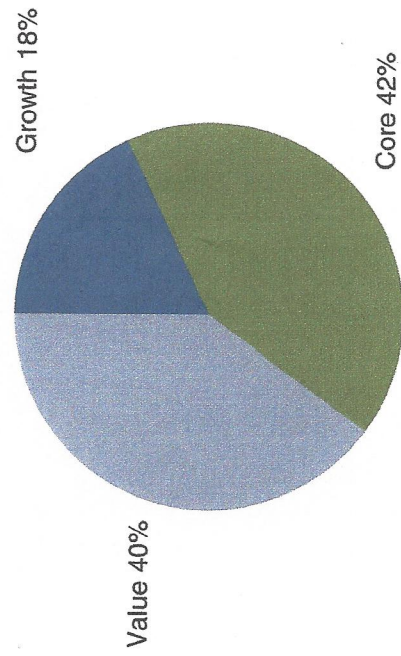
Stocks

PE Ratio 19x
Avg Market Cap \$198.9B
Distribution Yield 2.5%

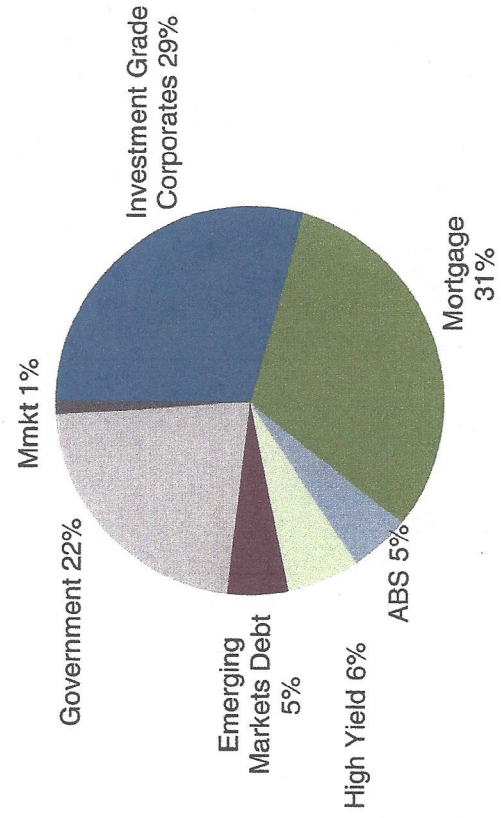
Bonds

Avg Credit Quality A+
Avg Duration 4.7 yrs
SEC Yield 3.1%

Stocks – By Style



Bonds – By Asset Class



Portfolio Performance

As of March 31, 2019



PORTFOLIO RETURNS

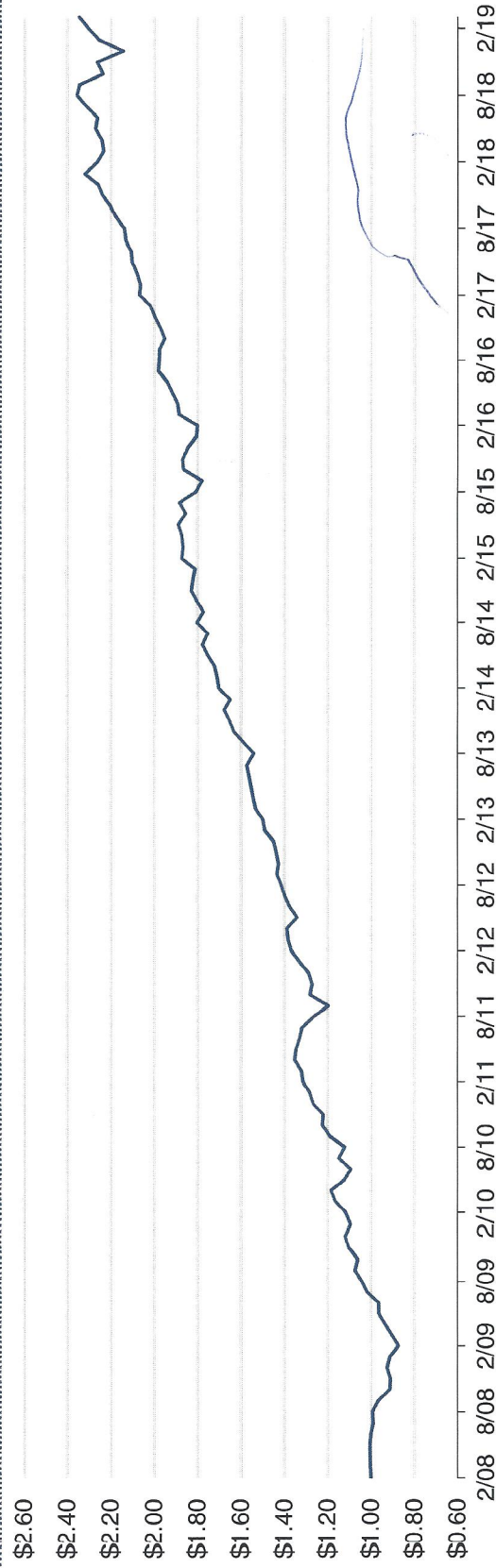
	1Q 2019	Trailing 1 Year	Trailing 3 Years	Trailing 5 Years	Since Inception (2/25/2008)
Portfolio Return (net of all fees)	9.44%	4.92%	7.42%	6.41%	7.88%
Benchmark*	9.31%	7.78%	8.93%	7.73%	7.25%
S&P500 Index	13.65%	9.49%	13.49%	10.88%	9.05%
Bloomberg Barclays Aggregate Index	2.94%	4.48%	2.03%	2.74%	3.86%

Periods over one year are annualized.

Assumes 10 bps investment management fee, net of mutual fund fees

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

Economic Return



Inflation Adjusted Portfolio Returns

As of March 31, 2019



PORTFOLIO RETURNS

	Trailing 3 Years	Trailing 5 Years	Since Inception (2/25/08)
Trust Portfolio Return*	7.52%	6.51%	7.98%
- Estimated Investment Mgmt. Fee	0.10%	0.10%	0.10%
= Portfolio Return After IM Fee	7.42%	6.41%	7.88%
- CPI Inflation**	2.20%	1.50%	1.80%
Trust Portfolio Real Return	5.22%	4.91%	6.08%
- Actuarial Target	6.00%	6.00%	6.00%
Excess Real Return	-0.78%	-1.09%	+0.08%

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.*