

June 8, 2020

HPAE Retiree Medical Trust – An Update

The Board of Trustees of the HPAE Retiree Medical Trust (RMT) met June 4, 2020 via WebEx to review the Trust's financial status and other aspects of the Trust's operations. Jackie Franchetti and Mike Slott represented HPAE while Roy Park, the Senior VP for Human Resources at Bergen New Bridge Medical Center, and Christine O'Hearn, an attorney for Cooper University Hospital, represented the employers.

Here are the highlights of the meeting:

Number of Participants and the Amount of Monthly Contributions to the RMT

Over 5,600 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 approximately \$118,000 a month.

Currently, for almost all HPAE locals, the contribution rate to the Trust is \$.20/hour. However, in May 2019 Local 5091 @ Bergen New Bridge Medical Center negotiated an increase in the employee contribution to \$.30/hour, effective January 1, 2020.

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

The RMT's assets declined in the first three months of 2020 due to the steep decline in the stock market. Fortunately, our assets grew again in April and May as the stock market rebounded. As of May 31, 2020, the market value of the RMT's assets was **\$22 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 **7.76% on an annual basis (net of all fees) and 6.06% on an annual basis factoring in the inflation rate**.

Benefits Paid Out to Retirees

For the first four months of the year, retirees received \$43,422 in reimbursement benefits. At the current pace, over \$120,000 in benefits will be paid out in 2019.

Most of the reimbursement benefits are being paid to "regular beneficiaries" who receive a monthly reimbursement benefit.

Use of the new "Benny" card has been increasing. Debit card claims amounted to \$7,331.37 for the first four months of the year, or 17% of all reimbursement benefits.

HMH Locals – Delinquent Contributions and Current Contributions

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The good news is that we are close to resolving the issue of delinquent contributions to the Trust fund. The amount of delinquent contributions is over \$400,000. We are in the final stage of negotiations with HMM and expect to reach a settlement very soon. HMM is not resisting paying the delinquent money; the issue is the exact amount, including interest owed.

In addition, HMM is currently transferring employee contributions in a timely manner and providing the Trust with appropriate records.

Status of Concerns Regarding Zenith-American Solutions

Zenith-American Solutions is the Third Party Administrator for the Trust. There have been some problems in various aspects of their functioning (e.g. slow response to problems retirees are having with their reimbursement benefits), which the Trustees and the Trust's counsel have raised with them. The Trustees had a telephone conference call with Zenith-American staff in March to discuss these issues and we are pleased that they have responded in an affirmative manner. They have developed much better systems and the team assigned to the Trust appears to be much more focused and competent.