TEAMSTERS HEALTH AND WELFARE FUND OF PHILADELPHIA AND VICINITY
Financial Statements
December 31, 2019 and 2018
With Independent Auditor's Report

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Teamsters Health and Welfare Fund of Philadelphia and Vicinity
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December 31, 2019 and 2018

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ADVISORY TAX AUDIT

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees,
Teamsters Health and Welfare Fund of Philadelphia and Vicinity:

Report on the Financial Statements

We have audited the accompanying financial statements of Teamsters Health and Welfare Fund of Philadelphia and Vicinity (the "Fund"), which comprise the statements of net assets available for benefits as of December 31, 2019 and 2018 and the related statements of changes in net assets available for benefits for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Fund's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of Teamsters Health and Welfare Fund of Philadelphia and Vicinity as of December 31, 2019 and 2018, and the changes in its financial status for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in Note 10 of the financial statements, management is currently evaluating the recent introduction of the COVID-19 virus to the United States and its impact on the Fund and has concluded that while it is reasonably possible that the virus could have a negative effect on the Fund's financial condition and results of operations, the specific impact is not readily determinable as of the date of these financial statements.

Withum Smith+Brown, PC

August 6, 2020

Teamsters Health and Welfare Fund of Philadelphia and Vicinity
Statements of Net Assets Available for Benefits
December 31, 2019 and 2018

	2019	2018
Assets		
Investments - at fair value	$ 122,447,003	$ 96,235,273
Receivables		
Employers' contributions	8,568,027	7,623,182
Participants' contributions (COBRA)	55,182	62,450
Dividends	137,966	96,446
Due from broker for investments sold	-	2,728,913
Rebates and other receivables	1,687,581	2,512,166
Total receivables	10,448,756	13,023,157
Cash	6,951,676	7,608,038
Deposits	1,619,889	1,300,000
Other assets	120,480	120,040
Total assets	141,587,804	118,286,508
Liabilities		
Accounts payable and accrued expenses	256,321	277,121
Deferred revenue	822,764	955,854
Due to broker for investments purchased	-	2,728,913
Total liabilities	1,079,085	3,961,888
Net assets available for benefits	$ 140,508,719	$ 114,324,620

The Notes to Financial Statements are an integral part of these statements.

Teamsters Health and Welfare Fund of Philadelphia and Vicinity
Statements of Changes in Net Assets Available for Benefits
Years Ended December 31, 2019 and 2018

	2019	2018
Additions		
Contributions		
Employers	$ 118,436,663	$ 114,796,602
Participants (COBRA)	869,128	822,621
Total contributions	119,305,791	115,619,223
Investment income (loss)		
Net appreciation (depreciation) in fair value of investments	14,135,793	(9,361,223)
Dividends	2,555,411	2,957,087
	16,691,204	(6,404,136)
Investment expenses	(122,563)	(160,994)
Total investment income (loss)	16,568,641	(6,565,130)
Total additions	135,874,432	109,054,093
Deductions		
Benefits paid		
Medical	75,680,520	72,157,825
Dental	5,490,582	5,939,944
Prescription drug	18,257,728	21,346,356
Disability	1,067,413	1,066,529
Vision	273,856	299,268
Death	415,964	385,567
Total benefits paid	101,186,063	101,195,489
Benefit administration expenses	4,432,511	3,957,792
Administrative expenses	4,071,759	3,371,212
Total deductions	109,690,333	108,524,493
Net increase	26,184,099	529,600
Net assets available for benefits		
Beginning of the year	114,324,620	113,795,020
End of the year	$ 140,508,719	$ 114,324,620

The Notes to Financial Statements are an integral part of these statements.

1. PLAN DESCRIPTION

General

The Teamsters Health and Welfare Fund of Philadelphia and Vicinity (the "Fund") is a multiemployer, defined benefit health and welfare plan that was established under the terms of collective bargaining agreements between the employers and Teamsters local unions (the "local unions"), located in central and northeast portions of Pennsylvania, along the eastern shore of Maryland, Maine, New York and Ohio. The Fund covers all eligible employees working for employers who have a collective bargaining agreement with local unions under which the employers have agreed to make contributions to the Fund on the employees' behalf in accordance with negotiated hourly rates.

The Fund is generally non-contributory but does provide for participant contributions under the Consolidated Omnibus Budget Reconciliation Act ("COBRA"). The Fund provides health and other benefits to eligible participants who are covered under collective bargaining agreements, or other written agreements, with the local unions. The Fund is administered by a Board of Trustees ("Trustees") with equal representation by the employers and the local unions and is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

The Fund was considered a "grandfathered plan" under the enactment of the Patient Protection and Affordable Care Act ("ACA"). A grandfathered health plan can preserve certain basic health coverage that was in effect prior to the ACA being enacted. As a result, some, but not all, of the ACA's provisions have been applied to the plan. On March 1, 2016, the Fund ceased to be a grandfathered plan, and the plan was amended to become fully compliant with all applicable provisions of the ACA.

Information about eligibility, benefit provisions, and the priority order of participants' claims to the assets of the Fund upon termination is contained in the Summary Plan Description. Copies are available from the Fund Administrator.

Benefits

The Fund provides health benefits (medical, dental and prescription drug), short-term disability and death benefits for covered employees and their beneficiaries and covered dependents. Generally, to be eligible for benefits, an employee must be employed by a contributing employer or employers and be working within the jurisdiction of a local union which is a party to the Fund either 15 days in the month that is two months prior to the month of medical treatment or 180 days in the 12-month period that is two months prior to the month of medical treatment. Alternatively, some employees enjoy benefit eligibility during the same month that an employer remits a stated contractual amount of contributions. Retired participants are entitled to death benefits to be paid to their beneficiaries provided their employer has not decertified and/or has not ceased participation in the Fund in favor of another group health program at the time of death.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Fund's accounting policies reflect practices common to employee benefit plans and conform with accounting principles generally accepted in the United States of America. Significant accounting policies are summarized as follows.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and benefit obligations including claims payable and disclosure of contingent assets and liabilities at the date of the financial statements and changes therein during the reporting period. Actual results could differ from those estimates.

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investment policies, guidelines and procedures have been established by the Trustees of the Fund and may be modified or amended only at the direction of the Trustees. See Note 4 for discussion of fair value measurements.

Dividends are recorded on the ex-dividend date. Purchases and sales of securities are recorded on a trade-date basis. Realized and unrealized gains and losses on the value of investments are recognized in net appreciation (depreciation) in fair value of investments on the statements of changes in net assets available for benefits.

Contributions from Employers

These amounts are based upon remittance reports filed by the employers. Contributions receivable at year end are substantially determined from employer remittance reports received subsequent to year end, which cover hours worked during the respective years. Management believes all contributions receivable are collectible and no allowance for uncollectible accounts has been provided.

The Trustees have established a policy requiring audits of payroll records of employers who are selected by random sampling and judgmental methods. Special audits include those performed on employers that have withdrawn from the Fund and those performed at the request of covered employers. These audits are conducted on employers' payroll records based upon reports filed with the Fund for the calendar year prior to the audit date. These audits are in addition to the Fund's normal verification procedures applied to contributions reports filed for the current year.

Contributions from Participants (COBRA)

Participants who become ineligible for coverage under the Fund's eligibility requirements can continue their coverage through COBRA. Contribution amounts are determined by the Fund's actuary in accordance with COBRA regulations. Contribution revenue is recognized in the period the benefits are provided to the participant.

Current and Postemployment Benefit Obligations

Fund obligations at December 31 for health claims incurred by active participants but not paid as of that date and for accumulated eligibility of participants are estimated by management based on the calculation performed by the Fund's actuary in accordance with accepted actuarial principles. Such estimated amounts are included in Note 3 at present value.

Postretirement Benefit Obligations

The postretirement benefit obligation represents the actuarial present value of those estimated future death benefits that are attributed to employee services rendered to December 31. Postretirement benefits include future death benefits expected to be paid to or for (1) currently retired or terminated employees and their beneficiaries and dependents, (2) active employees and their beneficiaries and dependents after retirement from services with participants’ employers and (3) future death benefits under total disability claims. Prior to an active employee's full eligibility date, the postretirement benefit obligation is the portion of the expected postretirement obligation that is attributed to that employee's service rendered to the valuation date. The actuarial present value of the expected postretirement benefit obligation is determined with the assistance of the actuary and is the amount that results from applying actuarial assumptions to estimate future annual death benefits to participants and to adjust such estimates for the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as those for death, disability or withdrawal) between the valuation date and the expected date of payment.

Rebates Receivable

Rebates due from the Fund's pharmacy benefit manager are recorded when earned and netted with benefits paid on the statements of changes in net assets available for benefits.

Upcoming Accounting Pronouncements

In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-13, *Fair Value Measurement* (Topic 820): *Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, which includes amendments intended to improve the effectiveness of disclosure requirements for recurring and nonrecurring fair value measurements.

The standard removes, modifies and adds certain disclosure requirements and affects companies that are required to include fair value measurement disclosures. The amendments in this update are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption for amendments that remove or modify disclosures are permitted. Plan management is assessing the impact of this pronouncement on the financial statements.

Subsequent Events

In preparing these financial statements, management of the Fund has evaluated events and transactions that occurred after December 31, 2019 for potential recognition or disclosure in the financial statements. These events and transactions were evaluated through August 6, 2020, the date that the financial statements were available to be issued, and no items have come to the attention of management that require recognition or disclosure other than as discussed in Note 10.

3. BENEFIT OBLIGATIONS

Benefit obligations as of December 31, 2019 and 2018 are as follows:

	2019	2018
Amounts currently payable to or for participants, beneficiaries and dependents		
Claims payable and claims incurred but not reported	$ 11,468,295	$ 12,290,428
Accumulated eligibility credits and postemployment benefits, net of amounts currently payable		
Accumulated eligibility credits	18,833,298	18,131,693
Postretirement benefit obligations		
Current retirees	6,174,815	5,550,686
Other participants fully eligible for benefits	866,961	614,224
Other participants not fully eligible for benefits	80,591	47,387
Death benefits under total disability claims	1,183,277	1,082,076
	8,305,644	7,294,373
Total benefit obligations	$ 38,607,237	$ 37,716,494

Changes in benefit obligations for the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
Amounts currently payable to or for participants, beneficiaries and dependents		
Balance at beginning of year	$ 12,290,428	$ 13,259,745
Claims incurred during the year	100,363,930	100,226,172
Claims paid (including disability)	(101,186,063)	(101,195,489)
Balance at end of year	11,468,295	12,290,428
Accumulated eligibility credits and postemployment benefits, net of amounts currently payable		
Balance at beginning of year	18,131,693	18,153,565
Benefits earned and other changes in accumulated eligibility credits	701,605	(21,872)
Balance at end of year	18,833,298	18,131,693
Postretirement benefit obligations		
Balance at beginning of year	7,294,373	8,102,337
Decrease during the year attributable to benefits earned and other changes	(45,602)	(215,707)
(Decrease) increase due to changes in actuarial assumptions	1,056,873	(592,257)
Balance at end of year	8,305,644	7,294,373
Total benefit obligations at end of year	$ 38,607,237	$ 37,716,494

The following significant assumptions were used as of December 31, 2019 and 2018:

- Discount rate – 3.31% and 4.42% for 2019 and 2018, respectively.
- Retirement rates: 2019 and 2018

Age	Rates
55	50%
56 - 61	10%
62	25%
63	40%
64 - 65	30%
66	50%
67 - 69	25%
70	100%

- Mortality rates – For 2019 and 2018, the RP-2006 Employee and Healthy Annuitant Mortality Headcount Weighted Table, with generational projection using scale MP-2018. For 2019 and 2018, the PBGC Disabled Males and Females with OASDI Table was used for Disabled Participants.
- Accumulated eligibility credits liability - Amount is equal to the value of benefits earned by active participants that would be provided during periods of unemployment when employer contributions would not otherwise provide coverage or benefits.

Changes in actuarial assumptions for postretirement benefit obligations noted above reflect the December 31, 2019 valuation results adjusted for the change in the discount rate from 4.42% at December 31, 2018 to 3.31% at December 31, 2019. The foregoing assumptions are based upon the presumption that the Fund will continue. Were the Fund to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of the postretirement benefit obligation.

4. FAIR VALUE MEASUREMENTS

Accounting principles generally accepted in the United States of America define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, establish a fair value reporting hierarchy and define three broad levels of inputs (the assumptions that market participants would use in pricing the asset or liability) as noted below:

Level 1 - Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 - Inputs are quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Following is a description of the valuation methodology used for assets measured at fair value. The valuation methodology used at December 31, 2019 was not changed from the methodology used at December 31, 2018.

Mutual funds are valued based on quoted market prices.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period. For the years ended December 31, 2019 and 2018, there were no transfers in or out of levels 1, 2 or 3.

As of December 31, 2019 and 2018, assets measured at fair value on a recurring basis are summarized by level within the fair value hierarchy as follows:

	2019			
	Level 1	**Level 2**	**Level 3**	**Total Fair Value**
Mutual funds	$ 122,447,003	$ -	$ -	$ 122,447,003

	2018			
	Level 1	**Level 2**	**Level 3**	**Total Fair Value**
Mutual funds	$ 96,235,273	$ -	$ -	$ 96,235,273

5. TAX STATUS

The Trust established to hold the Fund's assets received an exemption letter from the Internal Revenue Service dated June 17, 1953, stating that the Trust, as then designed, was tax-exempt under the provisions of Section 501(c)(9) of the Internal Revenue Code (the "Code") as a Voluntary Employee Beneficiary Association. Subsequent to this exemption letter from the Internal Revenue Service, the Fund was amended and/or restated. Once qualified, the Fund and Trust are required to operate in conformity with the Code to maintain the tax-exempt status of the Trust. The Fund's Administrator believes the Fund is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Fund, as amended, is qualified and the related trust is tax-exempt. Therefore, no provision for income taxes has been made in these financial statements.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability if the Fund has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Fund, and has concluded that as of December 31, 2019 and 2018, there are no uncertain positions taken or expected to be taken that would require recognition in the financial statements. The Fund is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any tax periods. In addition, there have been no tax related interest or penalties for the periods presented in these financial statements. Should such penalties and interest be incurred, the Fund's policy is to recognize them as administrative expenses.

6. RISKS AND UNCERTAINTIES

The Fund invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of these securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for benefits.

Due to uncertainties inherent in the estimation and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term could materially affect the amounts reported and disclosed in the financial statements.

7. RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

The following is a reconciliation of the Fund's net assets available for benefits per the accompanying 2019 and 2018 financial statements to net assets per Form 5500:

	2019	2018
Net assets available for benefits per the financial statements	$ 140,508,719	$ 114,324,620
Benefit obligations	(11,468,295)	(12,290,428)
Net assets per Form 5500	$ 129,040,424	$ 102,034,192

The following is a reconciliation of health benefits per the financial statements to Form 5500 for the year ended December 31, 2019:

Benefits paid per the financial statements	$ 101,186,063
Reported benefit obligations at end of year	11,468,295
Reported benefit obligations at beginning of year	(12,290,428)
Benefit payments per Form 5500	$ 100,363,930

8. RELATED PARTY TRANSACTIONS

The Fund and the Teamsters Pension Trust Fund of Philadelphia and Vicinity maintain a corporation known as Administrative Service Professionals, Inc. ("ASP"). The Fund owns 72% of ASP. ASP provides administrative services to the Fund for a negotiated fixed amount, based upon the number of members. During 2019 and 2018, the Fund paid ASP $3,294,000 and $2,726,781, respectively, which is included in administrative expenses on the statements of changes in net assets available for benefits.

The Fund does not consolidate financial information concerning ASP into its financial statements as such information is considered immaterial to its financial status and changes in its financial status.

9. CONCENTRATIONS OF CREDIT RISK

The Fund maintains its cash in bank deposit accounts and its investments in custodial accounts, the balances of which, at times, may exceed federally insured limits. The Fund has not experienced any losses on such accounts and management does not believe that it is exposed to any significant financial risk on cash or investments.

10. SUBSEQUENT EVENT

Management is currently evaluating the impact of the COVID-19 virus ("the virus") on the Fund and has concluded that while it is reasonably possible that the virus could have a negative effect on the Fund's financial condition and results of operations, the specific impact is not readily determinable as of the date of these financial statements.

SUPPLEMENTARY INFORMATION

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ADVISORY TAX AUDIT

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Trustees,
Teamsters Health and Welfare Fund of Philadelphia and Vicinity:

We have audited the financial statements of Teamsters Health and Welfare Fund of Philadelphia and Vicinity as of and for the years ended December 31, 2019 and 2018, and have issued our report thereon dated August 6, 2020, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

The accompanying schedules of benefit administration expenses and administrative expenses for the years ended December 31, 2019 and 2018 are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

WithumSmith+Brown, PC

August 6, 2020

Teamsters Health and Welfare Fund of Philadelphia and Vicinity
Schedules of Benefit Administration Expenses
Years Ended December 31, 2019 and 2018

	2019	2018
Benefit administration expenses		
Behavioral health	$ 352,436	$ 334,778
Claims editing	40,080	31,701
Call a doctor	231,152	249,717
Disease management	682,608	606,401
Hospital/surgical	2,483,681	2,616,488
PCORI fees	41,008	40,797
Prescription drug	601,546	77,910
Total benefit administration expenses	$ 4,432,511	$ 3,957,792

See Independent Auditor’s Report on Supplementary Information.

Teamsters Health and Welfare Fund of Philadelphia and Vicinity
Schedule of Administrative Expenses
Years Ended December 31, 2019 and 2018

	2019	2018
Administrative expenses		
Actuarial and consulting	$ 90,000	$ 90,000
Administrator fee - ASP	3,294,000	2,726,781
Auditing and accounting	64,782	56,500
Data processing equipment rental and supplies	49,762	44,317
Dental consulting	15,210	18,720
Dues and subscriptions	4,733	1,123
Educational conferences and trustees' meetings	32,846	28,405
Insurance	18,377	11,625
Legal	193,437	188,523
Medical claims audit	-	59,566
Office and supplies	15,377	26,372
Payroll audit - legal services	70,458	21,263
Postage	145,068	86,172
Printing	77,709	11,845
Total administration expenses	$ 4,071,759	$ 3,371,212

See Independent Auditor’s Report on Supplementary Information.