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DRAFT

MINUTES OF THE MEETING OF THE BOARD OF TRUSTEES OF THE BAKERS UNION AND FELRA HEALTH AND WELFARE FUND JANUARY 18, 2013 IN LANDOVER, MARYLAND

The following Trustees were present:

UNION TRUSTEE
G. Oskoian

EMPLOYER TRUSTEES
D. Gillis - Chairman
F. Stegman

Also present were:

H. Burton - Morgan, Lewis & Bockius, LLP
J. Champion - Safeway
M. DeLancey - Dickstein Shapiro, LLP
E. Foxman - Denex Dental
M. Herwig - PNC Bank, NA
C. Little - PNC Bank, NA
A. Sims - Associated Administrators, LLC
K. Walsh - Associated Administrators, LLC
M. Walters - ING/Relistar

I. CALL TO ORDER

Ms. Sims reported that Trustee Haight was unable to attend this meeting due to illness. She said without a quorum being present all actions taken by the Trustees during this meeting would be subject to approval by Trustee Haight. The Chairman called the meeting to order.

II. TRUSTEE RESIGNATION AND APPOINTMENT

Ms. Sims reported receipt of written notification from Trustee Stegman indicating his resignation as Management Trustee effective January 18, 2013 upon adjournment of the meeting. She then noted receipt of written notification from Mr. Frank Stegman of Safeway, Inc., appointing Mr. Jeff Champion as a Trustee to the Fund effective January 18, 2013 upon adjournment of the meeting. Ms. Sims said Mr. Champion will be supplied with the necessary Fund documents and policies and added to the fiduciary liability policy. The Trustees welcomed Mr. Champion.

III. MINUTES

The Trustees reviewed the minutes of the last regular meeting held on August 10, 2012.

On MOTION made and seconded, subject to Trustee Haight's approval, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED that the minutes of the last regular meeting held on August 10, 2012 were approved as presented.**

IV. FINANCIAL REPORT - PNC Bank, NA - Summary of Activity

The Trustees welcomed Mr. Little and Mr. Herwig from PNC Bank, NA to the meeting. Mr. Little presented the Summary of Activity Report for the period December 31, 2011 through December 31, 2012. Such report showed a beginning market value of $1,284,230, receipts of $4,865,060, disbursements of $4,928,958, investment income of $9,635, and market value gain of $3,346, producing an ending market value of $1,233,313.

Mr. Little presented the asset allocation as of December 31, 2012. The Fund held 83% in a limited maturity bond and 17% in cash. The estimated annual income was $10,294 with an estimated 0.8% yield.

The Trustees thanked Mr. Little and Mr. Herwig for their report and they were excused from the meeting.

V. CO-COUNSEL REPORT

CIGNA – Annual Performance Guarantee Revised Proposal

Mr. Burton reported that, per Trustee directive, CIGNA had provided a revised performance guarantee agreement which reflected the total discount of 41.4% for the PPO network. He said that he had reviewed the proposal and found it to be acceptable. Mr. Burton said that he would email the Trustees with a summary of the specific provisions of the proposal. The Trustees authorized Chairman and Secretary to execute CIGNA's proposal on behalf of the Fund, subject to Trustee Haight's approval.

Co-Counsel reported that there were no further legal matters to report to the Board.

VI. ADMINISTRATIVE MANAGER REPORT

A. Third Quarter 2012

Ms. Sims presented the Administrative Manager Report for the third quarter 2012. The report showed employer contribution income of $1,166,325, employee contributions of $5,847, interest and dividend income of $2,151, and miscellaneous income of $10,218, producing a total income of $1,184,541. Expenses included $548,068 for medical benefits, $35,554 for CIGNA premiums, $92,964 for dental premiums, $23,314 for disability benefits, $198,324 for prescription drug benefits, $7,815 for life insurance benefits, $33,200 for stop loss insurance, $9,926 for optical benefits, and $59,183 in operating expenses, producing total expenses of $1,008,846 and resulting in a surplus of $175,695 for the third quarter of 2012. She further reported that contributions were made on behalf of 613 active Participants and that there were no delinquencies. The Fund reserve was $1,281,088 as of September 30, 2012 which represented 3.1 months.

B. Contribution Credit Request

Ms. Sims reported receipt of a credit request from Giant for contribution overpayments on a terminated Participant due to administrative error. The credit request amount totaled $3,206.40. She said the Fund Office reviewed the overpayment and verified the amount.

On MOTION made and seconded, subject to Trustee Haight's approval, the Trustees voted unanimous approval of the following resolution:

RESOLVED to approve the contribution credit request of Giant in the amount of $3,206.40.

C. <u>Contribution Rate</u>

Ms. Sims distributed an email dated October 1, 2012 entitled “Maintenance of Benefits - October 2012” for Trustee consideration. The email detailed the projected rates for Plans 1 and 2 for July 1, 2011 through June 30, 2012, the actual experience for the same period, the projected rates for the twelve months of July 1, 2012 through June 30, 2013, and the percentage difference between the actual experience of July 2011 to June 2012 and the projection of July 2012 to June 2013. She noted that the projections overall represented an 8% trend for Plan 1 and 8% trend for Plan 2 over the actual experience in the prior period. Ms. Sims reported that in accordance with the 2006 Term Sheet, which established the standards for the annual calculation of the required hourly contribution rates effective October 1st of each year, the required hourly contribution rate would be $5.53 for Plan 1 Participants and $3.45 for Plan 2 Participants.

The Trustees discussed the proposed rate projections and deferred action on this issue until bargaining is completed.

D. <u>Contract Renewal Request</u>

Ms. Sims presented Associated Administrators’ proposal to renew its contract to provide administrative services to the Fund, for the period January 1, 2013 through December 31, 2015. The Trustees excused Ms. Sims and Ms. Walsh from the meeting**.**

“EXECUTIVE SESSION”

The Trustees welcomed Ms. Sims and Ms. Walsh back to the meeting. The Trustees said they were very happy with the services provided to the Fund, the Trustees, and the Participants by Associated Administrators and provided a counter proposal for the renewal of the Administrative Services contract, with a 3% increase in rates effective January 1, 2013, a 3% increase effective January 1, 2014 and a 3% increase effective January 1, 2015.

VII. INVOICES

Ms. Sims presented a list of invoices dated January 18, 2013. It was noted that there were no additions, deletions or changes to the list.

On MOTION made and seconded, subject to Trustee Haight's approval, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED that the list of invoices dated January 18, 2013 was approved for payment as presented.**

VIII. PROVIDER REPORTS

A. ING/RELIASTAR - Stop Loss/Life/AD&D Renewal

The Trustees welcomed Mr. Mark Walters from ING/ReliaStar to the meeting.

i. Stop Loss Policy Renewal

Mr. Walters presented a rate proposal, dated January 4, 2013, for the Stop Loss policy renewal effective January 1, 2013. He reported that the proposed composite rate for 2013 is $31.84 per member per month (pmpm) for Plan 1. He reported that this proposal retains the current $275,000 individual deductible and $50,000 aggregating deductible but increases the annual maximum to $1,725,000 and the lifetime maximum to unlimited. Mr. Walter then reviewed two alternative proposals: (1) a $300,000 individual deductible, $50,000 aggregating deductible, $1,700,000 annual maximum and unlimited lifetime maximum for a proposed rate of $27.28 pmpm, and (2) a $275,000 individual deductible, $50,000 aggregating deductible, $1,725,000 annual maximum and unlimited lifetime maximum for a proposed rate of $31.37 pmpm.

On MOTION made and seconded, subject to Trustee Haight's approval, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED to adopt the 2013 Stop Loss Alternative #1 Renewal Option, with an individual deductible of $300,000 and an aggregating deductible of $50,000 for a composite rate of $27.28 per member per month.**

ii. Basic Life and Basic Accidental Death and Dismemberment Policy

Mr. Walters reported that the Basic Life renewal rate of $0.22 per $1,000 in coverage for the period January 1, 2013 through December 31, 2013 remains the same as the previous period and the Basic Accidental Death and Dismemberment rate of $0.02 per $1,000 in coverage remains the same as the previous period. The Trustees noted that there had been minimal claims for Life Benefits over the past 5 years and requested that Mr. Walters provide a revised proposal with reduced rates for their consideration. Mr. Walters said he would provide the revised proposal to the Administrative Manager. The Trustees requested that the Administrative Manager poll the Trustees, via electronic mail, upon receipt of the revised proposal from ING.

The Trustees thanked Mr. Walters for his report and he was excused from the meeting.

B. DENEX DENTAL

The Trustees welcomed Mr. Ethan Foxman from Denex Dental to the meeting. Mr. Foxman distributed copies of the "Denex Dental 2013 Dental Renewal" report. He reviewed the Premium/Claims and Membership Exhibit for the period November 2011 through October 2012, which showed total claims paid during that period of $235,815, and total premiums paid in the amount of $380,479, with a total cost of care of 62.0%.

Mr. Foxman presented a request for a contract renewal for the period January 1, 2013 through December 31, 2013. He reported that the 62.0% cost of care for the Fund is within the acceptable loss ratio for Denex. Based on Denex's underwriter's analysis of the claims data, and to keep the cost of care within an acceptable range, Mr. Foxman proposed a 0% increase for the period January 1, 2013 through December 31, 2013. Additionally, he stated that he would submit a proposal for 2014 based on the cost of care in 2013, not to exceed a 3% rate increase. The Trustees directed Mr. Foxman to provide a detailed report on the 2010, 2011 and 2012 utilization, along with a report showing Participant co-payments per month.

After considerable discussion, on MOTION made and seconded, subject to Trustee Haight's approval, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED to approve the proposed 0% increase from Denex Dental for the period January 1, 2013 through December 31, 2013 with a renewal formula for 2014 based on the 2013 cost of care as presented.**

The Trustees thanked Mr. Foxman for his report and he was excused from the meeting.

IX. OTHER FUND BUSINESS

A. Summary Annual Report

Ms. Sims reported that the 2012 Summary Annual Report was mailed to Participants prior to the September 30, 2012 deadline.

B. Forms 5500 and 990

Ms. Sims reported that Forms 5500 and 990 for the 2012 Plan year were filed timely under the extension.

C. PPACA Compliance: Summary of Benefits and Coverage

Ms. Sims reported that the Trustees, via electronic poll, had approved Segal to assist in drafting the Summary of Benefits and Coverage ("SBC") for Plan 1 and Plan 2 benefits that is required under the Affordable Care Act, for a fee of $4,000 per Plan. She said that the SBCs were prepared by Segal, reviewed by Co-Counsel, approved by the Trustees and mailed to Participants prior to the January 1, 2013 deadline.

D. PPACA Compliance: Annual Limit Waiver Extension

Ms. Sims reported that as a condition of receiving a three-year annual limit waiver/waiver extension for Plan 2 Participants for $100,000, the Fund was required to provide the Center for Consumer Information and Insurance Oversight (CCIIO) with annual updates that include the following: (1) updated contact information, (2) total enrollment, and (3) the Plan's current annual limit. She said an updated spreadsheet, prepared by Segal Consultants and reviewed by Co-Counsel, had been submitted to the CCIIO prior to the December 31, 2012 filing deadline.

E. PPACA Compliance: Annual Limit Increase Effective January 1, 2013

In order to be compliant with the PPACA regulations, Ms. Sims requested Trustee approval to increase the annual limit for Plan 1 from $1,250,000 to $2,000,000 effective January 1, 2013. She reported that according to Segal this change would be considered to have a *de minimus* cost impact to the Fund from an actuarial perspective because Plan 1 has a Stop Loss Policy for claims over $300,000. The Trustees approved increasing the annual limit for Plan 1 to $2,000,000.

F. Fiduciary Liability Policy - Waiver of Recourse Premiums

Ms. Sims reported that per Trustee directive on January 12, 2013, the fiduciary liability insurance policy for the period January 1, 2013 through December 31, 2013 had been renewed with CHUBB for an annual fee of $3,150 and that all the Trustees will receive their waiver of recourse invoices for payment.

G. Catalyst Rx Rebates

Ms. Sims reported that the Fund received a check in the amount of $9,084.61 from Catalyst Rx for the First Quarter 2012 formulary rebate.

X. NEXT MEETING DATE AND LOCATION

The Trustees directed that the next regular Board meeting be held on Friday, April 12, 2013 at 10:00 A.M. in Landover, Maryland.

XI. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned.

Respectfully submitted,
David Gillis, Chairman