Bakers Union and FELRA
Health and Welfare Fund

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DRAFT

MINUTES OF THE MEETING OF THE BOARD OF TRUSTEES OF THE BAKERS UNION AND FELRA HEALTH AND WELFARE FUND JULY 11, 2013 IN LANDOVER, MARYLAND

The following Trustees were present:

UNION TRUSTEE	**EMPLOYER TRUSTEES**
Al Haight - Secretary	D. Gillis – Chairman (Via Teleconference)
G. Oskoian	J. Champion

Also present were:

H. Burton - Morgan, Lewis & Bockius, LLP
M. DeLancey - Dickstein Shapiro, LLP
B. Gejewski - VSP
J. Herishen - Salter and Company, LLC
C. Little - PNC Bank, NA
A. Sims - Associated Administrators, LLC

I. CALL TO ORDER

A quorum being present, the Chairman called the meeting to order.

II. MINUTES

The Trustees reviewed the minutes of the last regular meeting held on April 12, 2013.

On MOTION made and seconded, the Trustees voted unanimous approval of the following resolution:

RESOLVED that the minutes of the last regular meeting held on April 12, 2013 were approved as presented.

III. <u>FINANCIAL REPORT - PNC Bank, NA - Summary of Activity</u>

The Trustees welcomed Mr. Little from PNC Bank, NA to the meeting. Mr. Little presented the Summary of Activity Report for the period December 31, 2012 through June 30, 2013. Such report showed a beginning market value of $1,233,313, receipts of $2,416,625, disbursements of $2,751,463, investment income of $3,671 and market value loss of $4554, producing an ending market value of $897,592.

Mr. Little presented the asset allocation as of June 30, 2013. The Fund held 86% in a limited maturity bond and 14% in cash. The estimated annual income was $6,333 with an estimated 0.7% yield.

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

IV. <u>AUDITOR REPORT</u>

The Trustees welcomed Mr. Joe Herishen of Salter & Company, LLC., to the meeting.

<u>Financial Statements for the Years Ended December 31, 2012 and 2011</u>

Mr. Herishen reviewed the Financial Statements for years ended December 31, 2012 and 2011. He stated that the audit reflects an unqualified opinion, in all material respects, of the financial status of the Fund as of December 31, 2012 and 2011. The net assets available for benefits on December 31, 2011 were $1,627,819. He noted total additions for the year ended December 31, 2012 of $4,793,711 and total deductions of $4,805,839, resulting in a decrease of net assets available for benefits of $12,128 and producing net assets available for benefits on December 31, 2012 of $1,615,691. He also reviewed the notes to the financial statements, the schedule of administrative expenses, the schedule of employer contributions, and the schedule of benefits. As of December 31, 2012, total assets were $1,615,691 and accounts payable were $477,574. Mr. Herishen reported that the Form 5500 will be filed on time and the Form 990 will be filed under extension.

The Trustees thanked Mr. Herishen for his presentation and he was excused from the remainder of the meeting.

V. CO-COUNSEL REPORT

A. Health Insurance Portability and Accountability Act of 1996 ("HIPAA"): Final Rule

Co-Counsel reported that the Business Associates Agreements ("BAA's")for the Fund had been updated in accordance with the Department of Health and Human Services ("HHS") published Final Rule to the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"). Ms. Sims stated that the updated BAA's will be sent out to all service providers for execution.

B. Affordable Care Act ("ACA"): Comparative Effectiveness Research ("CER") Fee

Co-Counsel reported that the final regulations regarding the Patient Centered Outcomes Research Institute ("PCORI") fee, formally known as the Comparative Effectiveness Research ("CER") Fees had been released. The fees for self-insured plans must be filed by July 31, 2013 (for Calendar year plans) and apply for each Plan year from 2012 through 2018. For the first assessment year, the fee is $1 multiplied by the average number of covered lives. For the second assessment year, the fee increases to $2 multiplied by the average number of covered lives.

Ms. Sims reviewed a memorandum contained in the meeting booklet that detailed the alternative methods provided in the regulations to determine the average number of lives covered under the Plan. She said that based on how the Fund's eligibility data is recorded in the system, if approved by the Trustees, the snapshot method would be utilized to determine the average number of lives. Utilizing this method the count would be 1,203. If approved, the count will be provided to the Fund's Auditor along with a Fund check in the amount of $1,203 to file along with the Form 720 prior to the July 31, 2013 deadline.

Ms. Sims reported that the Fund's auditor is requesting a fee of $125, outside of their retainer, to file the Form 720.

After discussion, on MOTION made and seconded, the Trustees voted unanimous approval of the following resolutions:

> **RESOLVED to approve the snapshot method for determining the average number of lives covered under the plan,**
>
> **And**
>
> **RESOLVED to approve Salter and Company's proposed fee of $125 to file the Form 720 on behalf of the Fund.**

C. <u>Employer State Exchange Notice Requirement</u>

Mr. Burton reported that on May 8, 2013, the U.S. Department of Labor (DOL) announced guidance and a Model Notice to Employees of Coverage Options regarding the upcoming State Exchanges. He said the release also announced an updated model election notice that plans must provide to inform departing employees about continued health care coverage under the Consolidated Omnibus Budget Reconciliation Act ("COBRA"). Mr. Burton explained that under the new guidance, beginning no later than Oct. 1, 2013, employers, not the Fund, must provide the exchange notice to existing employees and each new Employee at the time of hiring. The Trustees expressed concern that this notice may cause some confusion for participants of the Fund and requested that an article be included in the upcoming issue of For Your Benefit Newsletter explaining the purpose of the Employer letter and the employee's current health benefit coverage through the Fund.

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

VI. ADMINISTRATIVE MANAGER REPORT

First Quarter 2013

Ms. Sims presented the Administrative Manager Report for the first quarter 2013. The report showed Employer contribution income of $1,128,720, employee contributions of $3,818, interest and dividend income of $302, and miscellaneous income of $8,473, producing a total income of $1,141,313. Expenses included $688,778 for medical benefits, $33,644 for CIGNA premiums, $88,985 for dental premiums, $40,829 for disability benefits, $249,047 for prescription drug benefits, $7,282 for life insurance benefits, $33,800 for stop loss insurance, $8,587 for optical benefits, and $76,017 in operating expenses, producing total expenses of $1,226,969 and resulting in a deficit of $85,656 for the first quarter of 2013. She further reported that contributions were made on behalf of 552 active participants and that there were no delinquencies. The Fund reserve was $1,197,794 as of March 31, 2013 which represented 3.0 months.

VII. INVOICES

Ms. Sims presented a list of invoices dated June 11, 2013. It was noted that there were no additions, deletions or changes to the list.

On MOTION made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED that the list of invoices dated June 11, 2013 was approved for payment as presented.**

VIII. PARTICIPANT APPEALS

Appeal Number	***Issue***	***Board Decision***
M13/113-7721	Nonparticipating Provider	Approved
M13/118-4132	Nonparticipating Provider/Late Appeal	Denied
M13/121-5722	Routine Services	Tabled
M13/122-4078	Nonparticipating Provider	Tabled
M13/123/5722	Routine Services	Tabled

IX. PROVIDER REPORTS

VSP

The Trustees welcomed Mr. Ben Gajewski of Vision Service Providers (VSP) to the meeting. Mr. Allebach presented the June 1, 2012/June 1, 2013 Utilization Report including a review of plan utilization statistics, service profile, and employee out-of-pocket expenses. He noted the Plan covered 254 claims and that the total cost for claims and other services was $37,025, which produced a net savings of $27,407.78 to the Fund, and represented a 44.58% in total savings over retail cost. Mr. Gajewski said Plan participants were using in-network providers 92% of the time. He also reviewed detailed reporting on benchmarking, group utilization and a client profile.

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

X. OTHER FUND BUSINESS

A. Memoranda of Agreement

The Trustees were presented with the Memoranda of Agreement ("MOA's") between Local Union No. 118 and Safeway and Giant and Local Union No. 68 and Giant which had been reviewed by Co-Counsel.

On MOTION made and seconded the Trustees voted unanimous approval of the following resolution:

> **RESOLVED to adopt the Local Union No. 118 Memorandum of Agreement with Giant and Safeway and the Local Union No. 68 Memorandum of Agreement with Giant.**

B. <u>FELRA & UFCW Health and Welfare Fund</u>

The Trustees discussed the provision recently bargained, as detailed in the MOA between Local Union 118 and Giant and Safeway, and Local No. 68 and Giant, that calls for, upon ratification, the submission of the contractual language of the MOA to the FELRA & UFCW Health and Welfare Fund for consideration. The language states that *"Effective January 1, 2014, the Employer's participation in the Bakers Union and FELRA Health and Welfare Fund will cease. Employees currently eligible for benefits under the Bakers Union and FELRA Health and Welfare Fund pursuant to article (BOB/BOA Article XII) of the Collective Bargaining agreement between the Company and Local 68/118 will become eligible for benefits under the FELRA & UFCW Health and Welfare Fund…"* The Trustees noted that to date they have not received a response from the Trustees of FELRA & UFCW Health and Welfare Fund as to whether the Fund will accept this MOA by August 1, 2013 and requested that a special meeting be held in August to discuss the provisions of the MOA if no response is received and the employees are not eligible to transition to the FELRA & UFCW Health and Welfare Fund, effective January 1, 2014.

XI. <u>NEXT MEETING DATE AND LOCATION</u>

The Trustees directed that a Special Board meeting be held on Friday, August 16, 2013 at 10:00 a.m. in Landover, Maryland.

XII. ADJOURNMENT

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

Respectfully submitted,

David Gillis, Chairman