Bakers Union and FELRA
Health and Welfare Fund

911 Ridgebrook Road
Sparks, MD 21152-9451
Telephone: (410) 683-6500
Toll Free: (866) 662-2537
www.associated-admin.com

4301 Garden City Drive, Suite 201
Landover, MD 20785-6102
Telephone: (301) 459-3020
Toll Free: (866) 662-2537
www.associated-admin.com

DRAFT

MINUTES OF THE MEETING OF THE BOARD OF TRUSTEES OF THE BAKERS UNION AND FELRA HEALTH AND WELFARE FUND OCTOBER 4, 2013 IN LANDOVER, MARYLAND

The following Trustees were present:

UNION TRUSTEE	EMPLOYER TRUSTEES
Al Haight - Secretary	D. Gillis – Chairman
G. Oskoian	J. Champion

Also present were:

H. Burton - Morgan, Lewis & Bockius, LLP
M. DeLancey - Dickstein Shapiro, LLP
C. Little - PNC Bank, NA
R. Logue – Segal Consulting (via tele-conference)
A. Sims - Associated Administrators, LLC
J. Timm – Segal Consulting

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 July 11, 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 July 11, 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, 2013 through August 31, 2013. Such report showed a beginning market value of $1,233,313, receipts of $3,204,207, disbursements of $3,361,312, investment income of $4,423 and market value loss of $4567, producing an ending market value of $1,076,127.

Mr. Little presented the asset allocation as of June 30, 2013. The Fund held 72% in a limited maturity bond and 28% in cash. The estimated annual income was $5,862 with an estimated 0.5% yield.

The Trustees discussed the current financial market and the limited returns being produced with the Limited Maturity Bond Fund. They directed PNC to temporarily modify the Fund’s investment policy to allow for up to 50% of the current assets to remain in cash.

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

IV. <u>CO-COUNSEL REPORT</u>

<u>Subrogation Issue</u>

Mr. Burton reported that the Fund had received a letter from an attorney representing a participant of the Fund. He explained that the participant has a lien in the amount of $54,706.67 in claims arising from a May 25, 2010 car accident. Mr. Burton reported that the case is going to arbitration, and the attorney is petitioning the Fund to accept “one-third” of the recovery from arbitration as full payment of the lien.

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

> **RESOLVED to deny the petition for the Fund to accept "one-third" of the recovery from arbitration as full payment of the participant's lien.**

V. <u>ADMINISTRATIVE MANAGER REPORT</u>

<u>Second Quarter 2013</u>

Ms. Sims presented the Administrative Manager Report for the second quarter 2013. The report showed Employer contribution income of $1,171,602, employee contributions of $5,262, interest and dividend income of $1,670, and miscellaneous income of $8,049, producing a total income of $1,171,602. Expenses included $946,366 for medical benefits, $33,317 for CIGNA premiums, $89,537 for dental premiums, $34,722 for disability benefits, $228,709 for prescription drug benefits, $7,223 for life insurance benefits, $35,764 for stop loss insurance, $11,318 for optical benefits, and $59,312 in operating expenses, producing total expenses of $1,446,318 and resulting in a deficit of $274,716 for the second quarter of 2013. She further reported that contributions were made on behalf of563 active participants and that there were no delinquencies. The Fund reserve was $897,227 as of June 30, 2013 which represented 2.2 months.

VI. <u>INVOICES</u>

Ms. Sims presented a list of invoices dated October 4, 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 October 4, 2013 was approved for payment as presented.**

VII. PARTICIPANT APPEALS

Appeal Number	***Issue***	***Board Decision***
M13/142-3214	Nonparticipating Provider	Approved
M13/131-1602	Nonparticipating Provider	Tabled
M13/123/5722	Routine Services	Approved

VIII. PROVIDER REPORTS

A. Segal Consulting

The Trustees welcomed Mr. Josh Timm and Mr. Robert Logue (via tele-conference) from Segal Consulting to the meeting. Mr. Timm distributed a memorandum titled "Alternate Plan Changes" for Trustee review. He explained that at the September 25, 2013 Special meeting, the Trustees requested that Segal develop a menu of potential plan changes to reduce projected expenses of the Fund for 2014 and 2015. Mr. Timm said that the potential plan changes were targeted to a level such that Fund reserves (less reserves for Incurred but Not Reported Claims) will be equivalent to three months of annual expenses.

Mr. Timm reviewed Exhibit 6r of the memorandum which showed the revised projection for 2013 with no employee contributions. He said this increased the expected current year operating deficit and results in an increase in additional employee contributions required in 2014 to $245.80 per month. Mr. Robert Logue then reviewed Exhibit 7 which displayed a series of plan design changes including; (1) Plan 1 Medical, the projection assumes that first-dollar Basic Benefits will be eliminated and all medical benefits will be subject to deductibles and co-insurance. A grid with alternative deductibles and co-insurances levels was also provided, (2) Plan 2 Medical; the projection assumes that the current out-of-pocket limit will be increased to $6,350 for individual and $12,700 for family. A grid with alternative deductibles and coinsurances levels was also provided and (3) Pharmacy; the projections assume the brand co-pays will be doubled from the current levels. Generic co-pay will remain $10, retail 30-day supply, formulary brand co-pay will increase from $15 to $30 and non-formulary brand will increase from $30 to $60, and maintenance drugs/mail order 90-day supply will remain at two times the retail co-pay ($20/$60/$120).

Mr. Timm reviewed Exhibit 8, which showed revised projections assuming specific plan designs are made effective January 1, 2014 with the selected options for Plan 1 being the $500 deductible and 70% coinsurance and for Plan 2, the $500 deductible and 60% coinsurance. He reported that the additional employee monthly contribution rate would be $98.14 in 2014 and $75.46 in 2015.

Mr. Timm reported that the Trustees further requested that Segal calculate the impact of eliminating medical and pharmacy coverage for the Part-Time participants and providing only dental, optical, life insurance and disability. He explained that Segal assumed that all part-time participants will be eligible for only ancillary benefits. He said that the additional monthly contribution rate for Full-Time participants only would be $42.54 in 2014 and $38.79 in 2015. Mr. Timm concluded that if any of these benefits changes were to go into effect January 1, 2014, a notice of these changes would need to be sent to participant's sixty-days in advance of the changes becoming effective.

Following discussion, the Employer and Union Trustees called for a caucus. Following the caucus, and after considerable discussion, on MOTION made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED to adopt Exhibit 9, from the Segal report, effective January 1, 2014. This change is a temporary change and the Trustees will re-convene within 30-days of the FELRA & UFCW Health and Welfare Fund settlement to address potential future benefit design changes.**

The Trustees clarified that the full time participant payroll deductions would be effective for the payroll week starting January 4, 2014, and directed Segal to draft the appropriate participant notices for Trustee and Counsel review, prior to November 1, 2013.

B. <u>Vision Service Provider (VSP)</u>

Ms. Sims distributed a copy of a letter entitled "January 1, 2014 VSP RENEWAL." She noted that the Fund's administrative services only contract with VSP is set to expire December 31, 2013 and that VSP had submitted a proposal for Trustee consideration that offers a three-year renewal, for the period January 1, 2011 through December 31, 2013, with a zero percent increase in the rate. The Administrative fee would remain at $0.60 per member per month. The Trustees requested that a representative from VSP attend the next scheduled Board of Trustees meeting to present their renewal proposal along with alternative options for Trustee consideration.

IX. <u>OTHER FUND BUSINESS</u>

A. <u>Women's Health and Cancer Rights Notice</u>

Ms. Sims reported that the Women's Health and Cancer Rights Act Notice had been mailed to participants

B. <u>Notice of Creditable Coverage</u>

Ms. Sims reported that the Notice of Creditable coverage had been mailed to all participants prior to the October 15, 2013 deadline.

C. <u>Catamaran Rebate</u>

Ms. Sims reported that the Fund had received a check in the amount of $7,682.07 from Catamaran for the 4th Quarter 2012 rebate.

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

The Trustees directed that a Special Board meeting be held on Friday, December 13, 2013 at 9.30 a.m. in Landover, Maryland.

XI. <u>ADJOURNMENT</u>

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

Respectfully submitted,

David Gillis, Chairman