ASSOCIATED ADMINISTRATORS LLC

April 16, 2020

Board of Trustees of the
FELRA and UFCW VEBA Fund

Trustees and Fund Counsel:

Attached please find a Scope of Work for Associated to perform the Dependent Audit beginning on or about June 1, 2020 for the FELRA and UFCW VEBA.

As you may or may not know, Associated performed the same services as outlined below for the Non-Food Welfare Fund, and the Trustees indicated that they were pleased with our work.

Please contact us with any questions. Thanks.

Sincerely,

Laura

Laura Walsh, CEO
Associated Administrators, LLC

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ASSOCIATED ADMINISTRATORS, LLC
DEPENDENT AUDIT: SCOPE OF WORK

PURPOSE
Associated Administrators, LLC, as the administrative manager of the Fund, already ensures that the basic supporting documents for participant and dependent eligibility are provided at time of enrollment. In fact, these documents are required in order for enrollment to occur, with the exception that newborn babies may be enrolled with the proper forms until the birth certificate is available. The birth certificate, once available, must be provided to the Fund Office in order for the newborn to remain enrolled.

Basic supporting documents include birth certificates, marriage certificates, and adoption papers. As such, the dependent audit discussed in this proposal does not need to focus on the basic birth and marriage certificates. Instead, we propose that the Fund will—for the one-time purposes of this audit only—require that certain new documents (from a selection of possibilities) are necessary in order to confirm that a participant and spouse are married and/or still living together within the period of three years as required in the SPD for benefits to be active. We propose the target population will be actively working participants and their dependents. The controlling SPD language is summarized as follows:

Dependent Spouses

- An eligible spouse is the participant's legally married spouse, including a physically separated spouse who is eligible for benefits until the earlier of 3 years from the date of physical separation or the date of divorce or legal separation.

There are currently approximately 3,400 active participants with covered spouses. This will be the target population for the mailing and verification audit.

PROCESS
Associated will send an Initial Letter concerning Dependent Eligibility Verification on or about June 1, 2020 asking for additional information to confirm the dependent status of married participants. The Initial Letter will request at least one of several possible forms of verification of continuing marriage or of cohabitation. Also included in the Initial Letter will be a statement for signature by both parties attesting to the fact that they are married, living together, and meet the requirements of the SPD. This must be returned, executed, along with the form(s) of verification.

If the participant or dependent does not provide the newly required information by July 31, 2020, Associated will send the participant or dependent a follow-up letter. We expect it will be necessary to contact participants and dependents who have provided insufficient information to confirm marital status, to discuss what the problem may be and request other verification. Those who return the requested documentation will receive a letter indicating they have complied.

On September 30, 2020, participants/dependents who have not responded with the attestation and at least one form of required verification will receive a third and final letter indicating that benefits will be terminated on January 1, 2021 if they do not reply to the Fund Office. Prior to the cut-off of dependent eligibility, Associated will inform the Fund's Board of Trustees via email of the names of the participants/dependents who have not responded, in case the Employer or Local Union would like to make an attempt to contact the participants/dependents. At this point, the Trustees may wish to determine how Associated should reinstate those participants/dependents who supply the information beyond the deadline. During this time, Associated will continue to attempt to contact participants/dependents who have not responded.

If all information is properly on file for the participant, but the Fund Office has received no information to support that the covered dependent is still married to or residing with the participant, the Trustees may wish to terminate the benefits of the dependent only. After the final warning period, Associated will place an end date for benefits to terminate on December 31, 2020 in the eligibility file for all health and welfare benefits. The eligibility files we routinely send to the Fund's vendors will reflect the termination dates. At the time of termination, a fourth "drop" letter will be sent to the participant's address informing the participant/dependent that benefits for the dependent have been terminated and providing appeal rights. No COBRA notices will be issued, as failure to respond to an information requirement is not a qualifying event.

We will contact the employers' payroll departments to communicate the necessity to change withholding amounts for any spouses who are terminated from coverage.

The Trustees may wish to allow the Fund Office to grant "appeals" without presentation to the Appeals Subcommittee if the participant or dependent provides the required information within 30 days, i.e. by January 31, 2021.

Note: in a re-enrollment process for another Associated client, 98% of participants/dependents responded once the outbound call campaign was completed; we believe the 2% who did not respond did not desire the benefits. In the process of handling the enrollment, we expect address and other demographic information in the database to be improved.

TIMING

Once the Trustees and Fund Counsel approve or amend the proposed letters and process, Associated will create personalized letters to participants/dependents and prepare our Eligibility and Participant Services Departments for the project, including anticipation of possible questions and their answers in a standard format. We hope to make this process as user-friendly as possible.

FEE

Associated proposes to charge $115,500 for the project, billable upon completion of termination of non-responding participants/dependents in our eligibility module. Mailing costs for the letters and notices will be paid by the Fund as mass mailing expenses.

We expect that this audit, including the outbound calls, may need to occur primarily on evening and Saturday overtime. We believe we will accomplish the goal of the Trustees efficiently—to ensure that all covered spouses are abiding by the Dependent Eligibility rules in the SPD.

Please advise if you have any questions. Thank you for the opportunity to handle this project for you.

Laura

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