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Health & Welfare Fund

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MINUTES OF THE MEETING OF THE BOARD OF TRUSTEES OF THE FELRA & UFCW HEALTH AND WELFARE FUND HELD AUGUST 27, 2013 IN LANDOVER, MARYLAND

The following Trustees were present:

UNION TRUSTEES
M. Federici - Secretary
M. Boyle
J. Chorpenning

EMPLOYER TRUSTEES
J. Paradis – Chairman
J. Champion
F. Stegman
S. Stoner

Also present were:

S. Aherne – Health Dialog
H. Burton – Morgan, Lewis & Bockius, LLP
M. Herwig – PNC Bank
T. Hipkins – UFCW Local 27
W. Jensen – Associated Administrators, LLC
B. Johnson- Advantica
C. Murphy – Associated Administrators, LLC
G. Murphy, Jr. – UFCW Local 27
B. Slevin – Slevin & Hart, P.C.
L. Walsh – Associated Administrators, LLC

I. CALL TO ORDER

Noting the presence of a quorum, the Chairman called the meeting to order.

A. Trustee Resignation/Appointment

Mr. Jensen reported that he had received correspondence dated July 10, 2013 from Mr. Ira Kress resigning his position as a Trustee effective immediately. He further reported he had received correspondence from Mr. Jason Paradis appointing Mr. Steve Stoner to fill the vacancy left by Mr. Kress. The Trustees welcomed Mr. Stoner to the Board of Trustees.

II MINUTES

The Trustees reviewed the minutes of the last regular meeting held on May 22, 2013 – May 23, 2013, and the Appeals Committee meeting held on June 11, 2013, which were pre-circulated.

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 May 22 2013 – May 23, 2013 and the Appeals Committee meeting held on June 11, 2013, were approved as presented.**

III. FINANCIAL REPORT

A. PNC Bank

The Trustees welcomed Mr. Michael Herwig of PNC Bank to the meeting. He presented the summary of activity report for the period January 1, 2013 through July 31, 2013. Such report indicated a beginning market value of $38,832,559, earnings of $1,445,893, receipts of $88,378,076, and disbursements of $85,185,715, producing an ending market value of $43,470,813 as of July 31, 2013.

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

B. Investment Performance Services ("IPS") Proposal for Investment Consulting Services

Mr. Jensen reviewed the proposal submitted by IPS to provide investment consulting services to the Fund. He noted that the proposed fee for such services by Fund was $40,000 for the Health and Welfare Fund, $15,000 for the Severance Fund, $1,000 for the Scholarship Fund and $1,000 for the Legal Fund. He noted that these rates would be guaranteed for two years.

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

> **RESOLVED to hire Investment Performance Services as the sole investment consultant for the FELRA and UFCW Health and Welfare Fund at a fee of $40,000 for the Health and Welfare Fund, $15,000 for the Severance Fund, $1,000 for the Legal Fund and $1,000 for the Scholarship Fund. It was further RESOLVED that the fees would be guaranteed for two years.**

C. Appointment of Investment Committee

At the last meeting, the Trustees agreed that appointment of an investment committee would be desirable. After discussion, the Trustees appointed Trustee Chorpenning, Trustee Champion, Trustee Boyle and Trustee Paradis to serve on the investment committee.

IV. ATTORNEY'S REPORT

A. Affordable Care Act ("ACA")

Mr. Slevin reported on actions that need to be taken regarding the ACA. The Trustees tabled taking action.

B. Contracts

Mr. Slevin presented the contracts for Cheiron and Segal and an amendment to the ESI/Medco agreement for execution by the Trustees. The contracts were executed.

C. Fiduciary Insurance Broker

Mr. Jensen reported that the Fund's insurance broker, A & R Associates, had transferred their fiduciary insurance business to Segal Select.

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

RESOLVED to designate Segal Select as the broker of record.

D. Cost Sharing Agreement

Mr. Slevin presented a revised restated cost sharing agreement. Consideration was tabled.

E. HIPAA Privacy And Security

Mr. Slevin discussed the final regulations regarding HIPAA Privacy and Security under the HITECH Act.

F. A & P/Superfresh

Mr. Slevin reviewed the status of the A & P/Superfresh contribution delinquency litigation.

G. Express Scripts Litigation

Mr. Slevin reviewed the status of the Express Scripts litigation.

H. Meridian Class Action Litigation

Mr. Slevin discussed the status of the Meridian class action litigation.

I. Third Party Lawsuit

Mr. Slevin discussed a third party lawsuit filed in State court, by participant Larry Carey.

J. Interpleader Action

Mr. Slevin discussed the Coover vs. Butler lawsuit.

K. PNC Agreement - Short Term Investment Fund (STIF) Investment Policy

Mr. Slevin discussed the STIF investment policy and the PNC Agreement.

L. SBCs

Mr. Slevin discussed the SBCs.

M. Subrogation Report

Mr. Jensen presented the subrogation report for the first quarter of 2013. He noted that $74,206.82 was collected with $18,551.46 payable to Slevin & Hart. He next presented the subrogation report for the second quarter of 2013. He noted that $41,922.11 was collected with $10,480.53 payable to Slevin and Hart.

N. Salter Agreement

Mr. Slevin discussed the Salter engagement letter.

O. Affordable Care Act ("ACA") Letter to Bargaining Parties

Mr. Slevin reported that Associated Administrators had notified the bargaining parties on August 21, 2013 regarding the provisions of the Affordable Care Act that may need to be addressed in future collective bargaining agreements.

V. ADMINISTRATIVE MANAGER'S REPORT

A. 1Q13 - Combined Fund Recap

Mr. Jensen presented the administrative manager's report for the first quarter 2013. Such report indicated employer contributions of $28,731,580, retiree contributions of $6,567,642, employee contributions of $2,223,931, interest and dividends for the active plan of $80,942, interest and dividends for the retiree plan of $20,548, and miscellaneous income of $16,958, producing total income of $37,641,601. Expenses totaled $36,363,633, producing a net surplus of $1,277,968 as of the first quarter 2013. Mr. Jensen noted that contributions were made on behalf of 18,786 active plan participants.

VI. INVOICES

The Trustees reviewed the list of invoices for the active and retiree plans dated August 27, 2013, as well as the PPACA invoice for the second quarter 2013. It was noted there were no additions, deletions or changes to the lists.

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

> **RESOLVED that the invoices on the lists dated August 27, 2013 for the active plan and the retiree plan, including the PPACA invoice submitted by Associated, were approved for payment.**

VII. OTHER FUND BUSINESS

A. Miscellaneous Correspondence

1. ValueOptions

Mr. Jensen reported that ValueOptions proposed maintaining their existing fees for the mental health and EAP services for 2014.

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

> **RESOLVED to accept the 2014 fees proposed by ValueOptions.**

2. Model COBRA Notice

Mr. Jensen presented a Model COBRA notice revised by the Internal Revenue Service, which includes the option for application to the exchanges as of January 1, 2014. He noted that his office will be working with Fund Counsel to adapt the forms currently being used by the Fund.

3. Affordable Care Act ("ACA") Update

Mr. Jensen provided an update regarding the Affordable Care Act ("ACA").

4. Summary of Benefits and Coverage ("SBC")

Mr. Jensen noted that the Summary of Benefits and Coverage had been sent to all Plan Participants and Eligible Dependents on August 30, 2013.

5. Maintenance of Benefit ("MOB")

Mr. Jensen reported that the MOB letters had been sent to the Participating Employers on July 29, 2013.

6. Form 843

Mr. Jensen reported that he had filed Form 843 – Claim for Refund and Abatement, to the IRS on July 25, 2013 via Certified Mail.

7. PCORI Fee

Mr. Jensen reported that the PCORI fee of $30,298 was paid on July 25, 2013

8. Class Action Settlements

Mr. Jensen reported that the Fund had received $32.20 as settlement of a Bextra/Celebrex class action case filed by CIGNA. He further reported that the Fund had received $664.77 as settlement of a fraud detection case filed by CIGNA.

9. <u>Certified Registered Nurse Anesthetist (CRNA) Language Review</u>

Mr. Jensen reviewed responses by CareFirst and Segal concerning coverage of CRNA expenses.

10. <u>Pending Severance Benefit Applications</u>

The Trustees discussed whether to pay the Severance benefit for applications received from A&P/Superfresh and Acme participants. Both firms had not remitted the recent contribution demands made by the Plan. Mr. Murphy made a motion to pay the severance benefits.

On Motion made and seconded, the Union Trustees voted in favor of the Motion. The Employer Trustees voted against the Motion. The issue was deadlocked.

VIII. ANNUAL REPORTS

A. Optical Provider Report (Advantica)

The Trustees welcomed Mr. Blake Johnson of Advantica to the meeting. Mr. Johnson presented the 2012 report for Advantica Vision program. Such report indicated 4,643 exams were performed for Fund participants with 4,169 frames provided, as well as the related single vision, bifocal, trifocal lenses covered by the Plan. The member savings less premiums was $194,205. Total member premiums paid to Advantica were $1,172,281.

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

B. Disease Management Provider (Health Dialog)

The Trustees welcomed Mr. Sean Aherne of Health Dialog to the meeting. He presented the annual savings report for 2012. Mr. Aherne reported that estimated savings were $745,728, representing a return on investment of 1.2 to 1, which was above the contract guarantee of 1 to 1. He noted that of the 26,128 participants utilizing the program, 5.5% had substantive program interactions in 2012. He noted that the average medical costs were $622.00 per participant per month. The estimated savings per interaction month were 12% or $75.00. The total fees paid to Health Dialog were $639,923 in 2012.

Mr. Aherne next reported on the Interactive Voice Response (IVR) program. Mr. Aherne noted that through their outreach efforts they reached 17.8% of the chronic population, accounting for 33% of the medical costs. Of those reached, 75% of the participants are engaged. 44.6% of the high risk population were reached. Of those reached, 78% are engaged. He further noted that four types of AutoDialog campaigns were run in 2012. As a result of these programs, the inbound call rate increased 55%, from 2.0 to 3.1 per 1000. He further noted that there was a 75% increase in participants providing information to a health coach. He noted that of the 156 members who talked to a health coach during the Flu Campaign, 29 stated that they had already received a flu shot, while another 30 members indicated that they planned to get a flu shot.

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

IX. ADOPTION OF COMMITTEE RECOMMENDATIONS

After review of the minutes of the recommendations made by the Legal, Severance and Scholarship Committees during their meetings,

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

> **RESOLVED that the recommendations made by the Committees are adopted by the Trustees of the Health and Welfare Fund.**

X. NEXT MEETING DATE

After discussion, the Trustees selected December 19, 2013 as the next meeting date in Landover, Maryland.

XI. ADJOURNMENT

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

Respectfully submitted,

Mark Federici, Secretary