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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 MAY 22, 2013 – MAY 23, 2013 IN LANDOVER, MARYLAND

The following Trustees were present:

UNION TRUSTEES	EMPLOYER TRUSTEES
M. Federici - Secretary	J. Paradis – Chairman
M. Boyle	J. Champion
E. Masten	F. Stegman

Also present were:

H. Burton – Morgan, Lewis & Bockius, LLP
D. Gillis – Stop and Shop
N. Hakes – The Segal Co.
J. Harrison – UFCW Local 27
M. Herwig – PNC Bank
T. Hipkins – UFCW Local 27
A. Hutchinson – CIGNA
W. Jensen – Associated Administrators, LLC
T. Kot – SHPS/Carewise Health
S. Krasnoff – Carefirst Blue Cross/Blue Shield
C. Murphy – Associated Administrators, LLC
G. Murphy, Jr. – UFCW Local 27
J. Pedone – Carefirst Blue Cross/Blue Shield
D. Petrella – SHPS/Carewise Health
B. Slevin – Slevin & Hart, P.C.
M. Sullivan – NEPC (Via Teleconference)
M. Valianatos – Express Scripts
L. Walsh – Associated Administrators, LLC
J. Webb - CIGNA

I. CALL TO ORDER

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

A. Trustee Appointments

Mr. Jensen reported that he had received correspondence dated January 28, 2013 from Mr. Frank Stegman appointing Mr. Jeffrey Champion as a Trustee to fill the vacancy. The Trustees welcomed Mr. Champion to the Board of Trustees.

II MINUTES

The Trustees reviewed the minutes of the last regular meeting held on December 20, 2012, the Appeals Committee meeting held on October 5, 2012, the Appeals Committee meeting held on December 13, 2012 and the Appeals Committee meeting held on March 18, 2013, which was 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 December 20, 2012, the Appeals Committee meeting held on October 5, 2012, the Appeals Committee meeting held on December 13, 2012 and the Appeals Committee meeting held on March 18, 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 March 31, 2013. Such report indicated a beginning market value of $38,832,559, earnings of $1,020,802, receipts of $38,170,586, and disbursements of $35,725,477, producing an ending market value of $42,298,470 as of March 31, 2013.

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

B. NEPC

The Trustees welcomed Mr. Michael Sullivan of NEPC to the meeting via teleconference. He presented the performance summary report as of April 30, 2013. Such report indicated a market value of $41,401,595 as of April 30, 2013. Year-to-date performance was 3.7%.

Mr. Sullivan reviewed the performance of the individual managers. Mr. Paradis asked if NWQ should be replaced. Mr. Sullivan recommended that the Trustees allow NWQ additional time to improve performance through their market cycle. Mr. Sullivan said that Attalus was still performing well as a hedge fund manager despite the impending closure of the multi-strategy account. He anticipated distribution of assets within the next six to nine months from the Attalus account.

Mr. Burton asked about Mellon. Mr. Sullivan recommended maintenance of Mellon in the portfolio since it is a more conservative mixture of investments.

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

IV. ATTORNEY'S REPORT

A. Situs and Statute of Limitations

Mr. Slevin discussed the situs for participant lawsuits against the Fund.

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

> **RESOLVED to amend the Plan so that benefit lawsuits are to be brought by participants in Maryland Federal Court and are subject to a three-year statute of limitations.**

B. PNC Contract

Mr. Slevin recommended that the Trustees approve an amendment to the PNC contract to allow a recommendation by the investment consultant for selection of a short-term investment fund to be utilized by PNC.

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

> **RESOLVED to adopt the recommendation of Fund Counsel with respect to designation of a short-term investment fund in the PNC contract.**

C. Trust Agreement

Mr. Slevin discussed the restated Trust Agreement and amendments to the Subrogation and Qualified Medical Child Support Order policies.

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

RESOLVED to adopt the restated Trust Agreement and amendments to the Subrogation and QMCSO policies.

D. Trustee Reimbursement Policy

Mr. Slevin discussed the Trustee Reimbursement Policy.

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

RESOLVED to amend the Trustee reimbursement policy to allow meals to be covered expenses.

E. Windhaven Contract

Mr. Slevin discussed the Windhaven contract.

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

RESOLVED to approve the recommendation to adopt the Windhaven contract amendment.

F. SuperFresh Litigation

Mr. Slevin discussed the Superfresh delinquent contributions.

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

RESOLVED to approve the sending of a demand and the filing of a lawsuit if the is not paid, and engagement of a bankruptcy firm in connection with the Superfresh litigation, if necessary.

G. Patient Centered Outcomes Research Institute Fee ("PCORI") and Reinsurance Fee

Mr. Slevin discussed the PCORI fee and Reinsurance Fee under the ACA. The Trustees agreed that Associated will calculate the fees and submit them to the Auditor for filing.

H. Newborn Coverage

Mr. Slevin discussed the newborn coverage provisions. After discussion, it was the consensus of the Trustees to maintain the current policy while considering any appeals to such policy as they arise.

I. U.S. Airways vs. McKutcheon Case

Mr. Slevin discussed the U.S. Airways vs. McKutcheon case. The Trustees agreed no changes be made to the subrogation language already contained in the Plan Documents.

J. Carefirst Fee Amendment

Mr. Slevin discussed the Carefirst fee amendment.

K. HRGI Contract Negotiations

Mr. Slevin discussed the HRGI contract negotiations.

L. Mental Health Parity

Mr. Slevin discussed the Mental Health Parity compliance.

M. Meridian Class Action Litigation

Mr. Slevin provided a status update on the Meridian class action litigation.

N. Express Scripts Litigation

Mr. Slevin discussed the Express Scripts litigation.

O. Voluntary Health and Human Services ("HHS") Court Proposed Plan Survey

Mr. Slevin discussed the survey sent by HHS regarding the ERRP.

P. Early Retiree Reinsurance Program ("ERRP)

Mr. Slevin discussed the use of ERRP payments.

Q. ACA Annual Limit Waiver

Mr. Slevin discussed the annual limit waiver for 2013.

R. **DOL Investigation**

Mr. Slevin discussed the January 14, 2013 letter sent to the Department of Labor.

S. **Fiduciary Insurance**

Mr. Slevin discussed the renewal of the fiduciary insurance policy.

T. **Coover vs. Butler Case**

Mr. Slevin discussed the Coover vs. Butler litigation. The Board of Trustees authorized counsel to settle the Fund's claim if some amount in excess of the Fund's subrogation claim is offered, to cover some of the expense of the litigation.

U. **Model Notice to Employees of Coverage Option**

Mr. Slevin discussed the mandated notice under the ACA.

V. ADMINISTRATIVE MANAGER'S REPORT

A. **4Q12 - Combined Fund Recap**

Mr. Jensen presented the administrative manager's report for the fourth quarter 2012. Such report indicated employer contributions of $27,562,362, retiree contributions of $6,458,479, employee contributions of $2,176,829, interest and dividends for the active plan of $121,547, interest and dividends for the retiree plan of $31,017, and miscellaneous income of $4,147, producing total income of $36,354,381. Expenses totaled $38,823,757, producing a net deficit of $2,469,376 as of the fourth quarter 2013. Contributions were made on behalf of 18,743 active participants.

B. **Maintenance of Benefit Projections**

Mr. Jensen distributed the maintenance of benefit projections as of July 1, 2013 for review. He noted such projections were in draft form awaiting the retiree component calculated by Cheiron for Plan I contributions. He said that he would send the final report to the Board of Trustees once Cheiron had produced the retiree expense projections.

VI. INVOICES

The Trustees reviewed the list of invoices dated May 22, 2013. It was noted 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 invoices on the list dated May 22, 2013, including the PPACA invoice submitted by Associated, were approved for payment.**

VII. CONSULTANT'S REPORT

A. The Segal Company

The Trustees welcomed Ms. Nancy Hakes of the Segal Company to the meeting. She reviewed a report regarding a sample coverage wording for non-physician practitioners, including Certified Registered Nurse Anesthetists ("CRNA"), Nurse Practitioners ("NP"), Physician Assistants ("PA") and Certified Surgical Assistants (CSA). Trustee Paradis requested clarification regarding the Segal recommendation for coverage of a CRNA. Each practitioner would receive 50% of accrued charges. Ms. Hakes said that Segal provided guidelines based on what Medicare rules would allow. Trustee Paradis asked if practitioners are balance billing participants based on such reimbursement levels. Ms. Hakes said that they were not balance billing to her knowledge, but recommended that such language be presented to Carefirst to verify that a change in the practice would be within their reimbursement norms.

The Trustees thanked Ms. Hakes for her report and she was excused from the meeting.

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

> **RESOLVED to accept the Segal recommendations, except for the language concerning CRNA. It was further RESOLVED to refer finalization of those recommendations to Chairman and Secretary for implementation.**

The Trustees agreed that claims appeals that had been pended as of April 1, 2012, would be processed in accordance with the language adopted.

B. Medical Insurance Consulting Group

The Trustees discussed the Medical Insurance Consulting Group report concerning utilization of InforMed for utilization review and disease management services. The Trustees tabled further discussion of InforMed's services.

VIII. OTHER FUND BUSINESS

A. Cheiron Engagement Letter

Mr. Jensen reviewed the Cheiron engagement letter for the health and welfare fund. Such engagement would include an annual fee of $61,500, reflecting a decreased cost of the roll-forward FASB ASC 965 valuation, otherwise known as the SOP-91-6 report. He further reported that Cheiron proposed a monthly retainer for calendar year 2013 of $37,740 for the severance plan. After discussion,

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

> **RESOLVED to approve the retainer fees proposed by Cheiron for the 2013 calendar year.**

B. ValueOptions

Mr. Jensen reported that ValueOptions proposed maintaining their existing rates for the mental health and EAP services provided by that firm for the balance of 2013. The Trustees accepted the proposal.

C. Bakers Local 118 Memorandum of Agreement

Mr. Jensen reviewed the Memorandum of Agreement submitted by Bakers Local 118 calling for coverage of their employees by the FELRA Fund. The Trustees discussed the proposal and agreed to review such proposal at the next meeting of the Board of Trustees.

D. Elimination of Recourse Premium

Mr. Jensen said that the invoices for the elimination of recourse premiums were mailed to the Trustees on May 3, 2013.

E. Warfarin Sodium Anti-Trust Settlement

Mr. Jensen reported that the Fund received the Fund's portion of a settlement of the Warfarin Sodium Anti-Trust litigation in the amount of $334.13.

IX. ANNUAL REPORTS

A. PPO Provider (Carefirst)

The Trustees welcomed Mr. Steve Krasnoff and Mr. Joe Pedone of Carefirst to the meeting. They presented the Preferred Provider Organization report for the calendar year 2012. Such report indicated 236,059 claims submitted to Carefirst, a 2.88% decrease from calendar year 2012. The total billed in 2012, was $176,377,012, less than a 1% decrease from 2011. Mr. Krasnoff reported total savings of $80,968,440 in 2012, less than a 1% increase from 2011. Carefirst administrative charges were $1,237,285 in 2012, a 2.09% decrease from those charged in 2011.

The Trustees thanked the representatives from Carefirst for their report and they were excused from the meeting.

B. <u>Retiree Self-Insured HMO (CIGNA)</u>

The Trustees welcomed Mr. Amos Hutchinson and Mr. Jason Webb of CIGNA to the meeting. They presented the 2012 utilization report for the CIGNA self-insured plan covering pre-Medicare retirees. Mr. Hutchinson reported that provider discounts represented over $12 million dollars of savings in 2012 and care management efforts resulted in savings of over $826,000 or 5.7% of the 2012 overall expense. The trend was a -2.8%. Mr. Hutchinson further reported that 63.8% of those having chronic conditions incurred 87.8% of overall plan expense.

Mr. Hutchinson presented a fee renewal request amounting to 2.6% increase in the retiree fees effective June 1, 2013.

The Trustees thanked the representatives of CIGNA for their report and they were excused from the meeting.

<u>Discussion</u>

The Trustees asked Mr. Jensen to contact CIGNA to advise that they would be willing to accept a 2% increase in their fees and further authorized Chairman and Secretary to review and act on a revised proposal.

C. <u>Pharmacy Benefit Manager (Express Scripts)</u>

The Trustees welcomed Ms. Michele Valianatos and Ms. Helen Demir of Express Scripts to the meeting. Ms. Valianatos reviewed the 2012 utilization report. Such report indicated that $64,823,590 of average wholesale prices had been processed. The 2012 total plan cost, after network discounts and member co-payments, was $33,576,320. The cost per participant and dependents per month was $94.32, a 1.7% increase over the participant and dependents per month cost in 2011. Ms. Valianatos proposed utilization of a program from Express Scripts called "Fraud Waste and Abuse." The Trustees requested that Express Scripts supply such information to the Fund office for review.

The Trustees thanked the representatives from Express Scripts for their report and they were excused from the meeting.

The Trustees discussed the potential of hiring a consultant for further review of fraud prevention programs.

D. Utilization Review Provider (SHPS/Carewise Health)

The Trustees welcomed Ms. Tracy Kot and Ms. Delia Petrella of SHPS/Carewise Health to the meeting. They presented their 2012 utilization report. Such report indicated they had performed an outreach effort to all participants who had incurred 11 or more inpatient hospital stays and enrolled 14% of those participants in case management programs. The return on investment ratio was $3.72 dollars saved for every dollar of fees paid to SHPS/Carewise Health. The total savings for 2012 for the utilization management and case management services was $1,132,000.

The Trustees thanked the representatives from SHPS/Carewise Health for their report and they were excused from the meeting.

X. 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.**

XI. RECONVENE

The Board of Trustees reconvened May 23, 2013. It was noted that Trustee Boyle was not in attendance.

A. Investment Committee

The Trustees agreed that appointment of an investment committee would be desirable.

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

RESOLVED the Board of Trustees shall continue to be the Named Fiduciary with the power and authority to adopt the investment policy statement. The Investment Committee will be the Named Fiduciary with the power and authority to take any and all action relating to investments consistent with the investment policy statement, including terminating and hiring investment-related providers.

B. Investment Consultant

The Trustees discussed the investment consulting services provided by NEPC. The Pension Fund had selected IPS to be sole consultant. The Trustees who serve on the Pension Fund discussed the services of NEPC and IPS. The Trustees agreed it would be desirable to have IPS serve the Welfare Fund.

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

RESOLVED to terminate the investment consultant services provided by NEPC and hire Investment Performance Services, subject to the execution of an acceptable contract. It was further RESOLVED to authorize Chairman and Secretary to be able to execute an acceptable agreement with IPS.

XII. NEXT MEETING DATE

After discussion, the Trustees selected August 28, 2013 as the next meeting date in Landover, Maryland.

XIII. ADJOURNMENT

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

Respectfully submitted,

Mark Federici, Secretary

FW05/22/13(orig : 07/22/13)(Rev: 08/23/13bs)