FELRA & UFCW Health & Welfare Plan

A Plan of the Food Employers Labor Relations Association
and United Food and Commercial Workers
VEBA Fund

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MINUTES OF THE MEETING OF THE BOARD OF TRUSTEES OF THE FELRA AND UFCW VEBA FUND MARCH 2, 2018 HANOVER, MARYLAND

The following Trustees were present:

Union Trustees	Employer Trustees
M. Federici - Secretary	J. Paradis - Chairman
J. Chorpenning	D. Dosenbach
A. Hanson	M. Goble

Also present were:

Y. Anwar - UFCW Local 400
H. Burton - Morgan, Lewis & Bockius, LLP
L. DuVall - Associated Administrators, LLC
J. Hack - UFCW Local 27
J. Herishen - Salter and Company
T. Hipkins - UFCW Local 27
N. Hill - UFCW Local 27
C. Hoffmann - UFCW Local 400
W. Jensen - Associated Administrators, LLC
S. Sanchez – Slevin & Hart, P.C.
B. Slevin – Slevin & Hart, P.C.
J. Timm - The Segal Company (via teleconference)

I. CALL TO ORDER

A. Trustee Appointment

The Chairman called the meeting to order. Mr. Jensen noted that he had received correspondence from the Food Employers Labor Relations Association appointing Michael Goble as a Trustee replacing Mr. Meisen who had retired.

B. Proxy

Mr. Jensen reported that Trustee Masten was unable to attend the meeting and had provided his proxy to Trustee Chorpenning to act in all matters coming before the Board.

II. MINUTES

The Trustees reviewed the minutes of the last regular meeting held on January 10, 2018, the Appeals Committee meeting held on January 3, 2018 and the Appeals Committee meeting held on February 1, 2018, which were pre-circulated.

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

> **RESOLVED that the minutes of the regular meeting held on January 10, 2018, the Appeals Committee meeting held on January 3, 2018, and the Appeals Committee meeting held on February 1, 2018 are approved as presented.**

III. FINANCIAL REPORT

A. PNC Bank

Mr. Jensen presented the Summary of Activity report for the period January 1, 2018 through January 31, 2018. Such report indicated a beginning market value of $23,323,631, earnings of $293,915.85, receipts of $19,132,884.62, and disbursements of $13,305,718.28, producing an ending market value of $29,444,713 as of January 31, 2018.

Mr. Jensen then presented the Summary of Activity report for the Non-ERISA checking account for the period January 1, 2018 through January 31, 2018. Such report indicated a beginning market value of $10,508,579, no earnings, receipts of $10,599,513.11 and disbursements of $19,840,939.27, producing an ending market value of $1,267,153 as of January 31, 2018.

B. Investment Performance Services

The Trustees welcomed Mr. Richard Sichel of Investment Performance Services to the meeting. Mr. Sichel presented the Master Consulting Report for the quarter ending

December 31, 2017. Such report indicated a beginning market value for the Fourth Quarter 2017 of $24,731,616, net withdrawals of $1,860,475, and investment earnings of $447,337, producing an ending market value of $23,318,479 for the quarter. The performance was 1.7% for the quarter.

Mr. Sichel next presented the Preliminary Performance update as of January 31, 2018. He noted that the beginning market value was $23,318,479, net withdrawals were $5,848,045, and investment earnings were $293,132, producing an ending market value as of January 31, 2018 of $29,439,656. The year-to-date performance was 1.2%. Mr. Sichel reviewed the performance of the individual managers for all the Funds.

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

IV. CONSULTANT'S REPORT

A. The Segal Company

The Trustees welcomed Mr. Josh Timm of the Segal Company to the meeting, via teleconference.

1. Voya Financial – Contract Renewal

Mr. Timm discussed the proposed Voya Financial contract renewal for Life and AD&D benefits. He noted that Voya has proposed a total life and AD&D monthly rate of $0.233 per $1,000, reflecting an increase of 27.8% or an additional $36,600 per year. He stated that Voya was unwilling to negotiate a reduction in this renewal premium proposal. He noted that Voya previously calculated the Fund's rate based on its pooled book of business, but is now moving to a manual rating not using the historical claims experience of the Fund. He explained that Voya is now using actuarial tables based on the demographics of the Fund. He noted that the Trustees have the option to solicit bids for life and AD&D services. He said that due to the competitive nature of the business, the Fund could likely reduce the premium expense if put out to bid.

Mr. Timm noted that performing this Request for Proposal service would be outside the scope of Segal's retainer agreement and that the cost to the Fund would be between $10,000 - $15,000 dollars.

After discussion and,

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

> **RESOLVED to continue the Fund's contract with Voya at the proposed renewal rate while authorizing Segal to perform a request for Proposal ("RFP") for a new Life and AD&D benefits provider; and**
>
> **FURTHER RESOLVED to delegate to the Chairman and Secretary the authority to select a life insurance carrier once the RFP process is complete.**

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

V. ATTORNEY'S REPORT

A. Summary of Material Modifications ("SMM") – Enrollment Rules

Mr. Slevin reported on a SMM regarding the rules adopted by the Trustees relating to the annual open enrollment process. After discussion,

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

> **RESOLVED to delegate to the Chairman and Secretary the authority to approve any other changes to the Fund's enrollment rules as are necessary.**

B. Benchmark Class Actions

Mr. Slevin reported on several benchmark-related class actions, noting that PNC stated it would file any applicable claims on the Fund's behalf.

C. Local 400 and Local 27 Participation Agreements ("PA)

Mr. Slevin presented updated Participation Agreements between the Fund and Locals 400 and 27, respectively, for review and execution.

D. Department of Labor ("DOL") Final Regulations Regarding Claims and Appeals Procedures for Disability Benefits

Mr. Slevin reported on the final DOL regulations regarding disability claims and appeals procedures, effective April 1, 2018. After discussion,

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

> **RESOLVED to authorize Chairman and Secretary to approve any Plan changes necessary for the Fund to comply with the final DOL disability regulations, effective April 1, 2018.**

E. Subrogation

Mr. Jensen stated that Slevin & Hart reported subrogation recoveries of $133,216.88 for the third quarter 2017. He further noted that Slevin & Hart reported subrogation recoveries of $141,570.07 for the fourth quarter 2017.

VI. ADMINISTRATIVE MANAGER'S REPORT

A. Fourth Quarter 2017 – Combined Fund Recap

Mr. Jensen presented the Administrative Manager's Report for the Fourth Quarter 2017. For the combined VEBA Fund, Active and Retiree Plans, total income was $31,214,501. Expenses totaled $33,664,352, producing a net deficit of $2,449,851 for the fourth quarter 2017. Mr. Jensen noted that contributions were made on behalf of 16,087 active Plan participants.

B. Administrative Services Contract Renewal

Mr. Jensen stated that Associated Administrators' contract will expire March 31, 2018. He presented a request for a three-year extension of the contract and reviewed justification for a fee increase, including new legislation that has significantly affected benefits processing, implementation of the new eligibility rule changes and regulatory changes, and ongoing information technology investment for mandated security and compliance. The Trustees discussed the contract renewal and,

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

> **RESOLVED to approve the three-year extension of the administrative services contract at a fee increase of 3% per year effective April 1, 2018, in addition to the proposed hourly rates for implementation of new regulatory changes and new vendor implementations.**

VII. INVOICES

The Trustees reviewed the lists of invoices for the Active Plan and Retiree Plan dated March 2, 2018. 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 March 2, 2018 for the Active Plan and Retiree Plan are approved for payment.**

VIII. OTHER FUND BUSINESS

A. Safeway Overpayment

Mr. Jensen said that Safeway has not yet submitted a credit request .

B. Maintenance of Benefit Projections ("MOB")

The Trustees reviewed the updated MOB calculations prepared by Associated. The Trustees instructed the administrative manager to revise the report to update the MOB calculations based on 4th Quarter 2017 data and to calculate the estimated contribution increase necessary over an 11-month period to restore the reserves to a three-month target.

Mr. Jensen said the reserves as reported by PNC are $4.4 million below a three month coverage expense.

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

> **RESOLVED to authorize Chairman and Secretary to review and adopt updated MOB rates and the additional temporary monthly increase necessary to restore the reserve to the three-month level over a period of 11 months.**

The Trustees asked that the administrative manager track the reserves and keep the Board informed.

C. <u>Miscellaneous Correspondence</u>

1. Express Scripts

a. Shingrix

Mr. Jensen reviewed correspondence received from Express Scripts regarding a new vaccine to treat Shingles. He noted that Express Scripts is adding Shingrix as an additional vaccine for adults age 50 and older, whereas the current Shingles vaccine, Zostavax, is available for adults age 60 and over. Express Scripts' correspondence indicated that Shingrix prevented more disease at lower overall costs compared to Zostavax. The Trustees asked Mr. Jensen to obtain the estimated costs for adding Shingrix to the Fund's prescription drug formulary. After discussion,

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

> **RESOLVED to authorize Chairman and Secretary to review the estimated cost and make a determination on whether to approve Shingrix as an additional vaccine to treat Shingles under the Plan.**

2. Maintenance of Benefit ("MOB")

Mr. Jensen reported that the MOB letters were sent to the Participating Employers on January 12, 2018.

IX. ADOPTION OF COMMITTEE RECOMMENDATIONS

After review of the recommendations made by the Severance, Legal 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 Severance, Legal and Scholarship Committees are adopted.**

X. NEXT MEETING DATE AND LOCATION

It was noted that the next meeting of the Board of Trustees is scheduled for June 28, 2018 in the offices of UFCW Local 400 located in Landover, Maryland.

XI. ADJOURNMENT

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

Respectfully submitted,

Mark Federici, Secretary

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