# 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 JANUARY 10, 2018 LANDOVER, MARYLAND

The following Trustees were present:

**Union Trustees**
M. Federici - Secretary
J. Chorpenning
A. Hanson

**Employer Trustees**
J. Paradis - Chairman
D. Dosenbach

Also present were:

Y. Anwar - UFCW Local 400
H. Burton - Morgan, Lewis & Bockius, LLP
L. DuVall - Associated Administrators, LLC
J. Hack – UFCW Local 27
C. Heppner – The Segal Company
J. Herishen – Salter and Company
N. Hill - UFCW Local 27
C. Hoffmann - UFCW Local 400
N. Jacobs - UFCW Local 400
W. Jensen - Associated Administrators, LLC
C. Murphy – Associated Administrators, LLC
G. Murphy - UFCW Local 27
S. Ridore - Safeway, Inc.
S. Sanchez – Slevin & Hart, P.C.
B. Slevin – Slevin & Hart, P.C.
J. Timm - The Segal Company
L. Walsh – Associated Administrators, LLC

## I. CALL TO ORDER

The Chairman called the meeting to order. Mr. Jensen noted that Trustee Meisen had retired, resulting in two employer vacancies on the Board. Mr. Paradis said the Food Employers Labor Relations Association would appoint Mr. Michael Goble to the Board of Trustees, replacing Mr. Meisen.

## II. MINUTES

The Trustees reviewed the minutes of the last regular meeting held on July 12, 2017, the special meeting of July 13, 2017, and the Appeals Committee meeting held on July 18, 2017, 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 July 12, 2017, the special meeting held on July 13, 2017, and the Appeals Committee meeting held on July 18, 2017 are approved as presented.**

## III. FINANCIAL REPORT

### A. PNC Bank

Mr. Jensen presented the Summary of Activity report for the period January 1, 2017 through November 30, 2017. Such report indicated a beginning market value of $64,366,170, earnings of $2,424,294, receipts of $84,201,790, and disbursements of $127,240,740, producing an ending market value of $23,751,514 as of November 30, 2017.

### 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 September 30, 2017. Such report indicated a beginning market value for the Third Quarter 2017 of $28,041,118, net withdrawals of $3,812,052, and investment earnings of $502,550, producing an ending market value of $24,731,616 for the quarter. The year-to-date performance was 5.2%.

Mr. Sichel next presented the Preliminary Performance update as of November 30, 2017. He noted that the beginning market value was $24,731,616, net withdrawals were $1,352,784, and investment earnings were $366,643, producing an ending market value as of November 30, 2017 of $23,745,475. The year-to-date performance was 6.5%. Mr. Sichel reviewed the performance of the individual managers for all the Fund.

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

**B. <u>Auditor's Report</u>**

**1. 2016 Financial Statements**

The Trustees welcomed Mr. Joseph Herishen of Salter and Company to the meeting. He presented the audit report for the Plan year ending December 31, 2016. He reported that it was an unmodified opinion and the Financial Statements were in conformity with generally accepted accounting principles.

Mr. Herishen reported that contribution income was $127,648,960, investment income was $3,152,664, and other income was $30,025, producing total additions of $130,831,649. Total deductions were $135,537,633, producing a net decrease in assets of $4,705,984. Net assets available for benefits at the end of the year totaled $76,304,275. Mr. Herishen reviewed the Statements of Benefit Obligations, Notes to the Financial Statements, Schedule of Reportable Transactions, Schedule of Employer Contributions and the Schedule of Benefits.

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

> **RESOLVED to accept the Auditor's 2016 Financial Statements as presented.**

**2. 2017 Engagement Proposals**

Mr. Herishen presented a draft engagement letter for the Trustees' review. He proposed a maximum fee of $79,200, a $2,300 increase over the prior fee maximum for the 2017 audit. Non-Retainer rates would range from $75.00 to $245.00 per hour.

In addition, Mr. Herishen presented an engagement letter for Payroll Compliance Services for the 2018 and 2019 Plan years. He noted that Salter's fees for services would range from $70.00 to $245.00 per hour, which would be capped for each company size as follows: Less than 100 employees - $1,200 - $1,600; 100 -499 employees - $1,700 - $2,550; 500 – 999 employees - $2,600 - $3,550; more than 1,000 employees - $3,600 - $8,500. Mr. Herishen further noted that should the payroll headquarters be located greater than 50 miles outside the D.C. metro area, it may be necessary to bill additional out-of-pocket costs using the standard IRS mileage rate or coach airfare.

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

The Trustees reviewed the engagement proposals submitted by Salter & Company. They asked Mr. Jensen to discuss the request with Mr. Herishen and provide a response.

After discussion,

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

> **RESOLVED to authorize Chairman and Secretary to review and take action on the engagement proposals submitted by Salter & Company.**

## IV. CONSULTANT'S REPORT

### A. The Segal Company

The Trustees welcomed Mr. Josh Timm and Mr. Chris Heppner of the Segal Company to the meeting.

**1. Preventive Services List**

Mr. Timm presented the updated Preventive Services list for the Trustees' review. After discussion,

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

> **RESOLVED to approve the list of Preventive Services Benefits as prepared by Segal for use effective January 1, 2018.**

**2. Part Time Plan XX and Plan XXX Dependent Costs**

Mr. Timm presented the 2018 updated part time Plan XX and Plan XXX Costs per Enrolled Dependent Child for the Trustees' review. He noted that the Plan XX part time individual child rate increased to $117.05 per month and the Plan XX part time rate for three or more children increased to $351.15 per month. The Plan XXX part time rate for an individual child increased to $115.34 per month and the three or more children rate for Plan XXX increased to $346.02 per month. Enrollment is voluntary, and the participant pays the full cost through payroll deduction. After discussion,

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

> **RESOLVED to approve the Part Time Plan XX and Plan XXX Dependent rates effective March 1, 2018.**

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

## V. ATTORNEY'S REPORT

**A. DOL Final Regulations Regarding Claims and Appeals Procedures for Disability Benefits**

Mr. Slevin reported regarding Department of Labor Regulations Regarding Claims and Appeals Procedures for Disability Benefits. After discussion, On Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED to authorize Chairman and Secretary to take any action necessary to comply with the regulations effective April 1, 2018.**

**B. <u>Open Enrollment</u>**

The Trustees discussed the open enrollment rules under the Plan.

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

> **RESOLVED to eliminate the July open enrollment period for Plan X Part Time dependent coverage. It was further RESOLVED to eliminate the provision allowing Part Time Plan I participants the option to enroll or disenroll their dependents at any time other than the annual open enrollment period.**

**C. <u>State Benchmark</u>**

Mr. Slevin reported on the state benchmark requirement under the ACA. After discussion and,

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

> **RESOLVED to adopt Utah as the Fund's state benchmark for ACA compliance purposes.**

**D. <u>Active and Retiree Plans</u>**

Mr. Slevin discussed the reporting requirements relating to the Active and Retiree Plans.

**E. <u>Life Insurance Conversion Procedures</u>**

Ms. Sanchez reported on the Fund's life insurance conversion procedures.

**F. Madoff Victim Fund**

Mr. Jensen reported that the Fund had received payment in the amount of $69,437.13 as a result of the Fund's claim filed with the Madoff Victim Fund.

**G. Meridian Class Action**

Mr. Jensen reported that the Fund had received payment in the amount of $68,192.44 as a result of the Meridian Class Action settlement.

**H. Subrogation**

Mr. Jensen stated that Slevin & Hart has reported subrogation recoveries of $14,375.12 in the second quarter 2017.

## V. ADMINISTRATIVE MANAGER'S REPORT

**A. Second Quarter 2017 – Combined Fund Recap**

Mr. Jensen presented the Administrative Manager's Report for the Second Quarter 2017. For the combined VEBA Fund, Active and Retiree Plans, total income was $32,390,808. Expenses totaled $36,311,399, producing a net deficit of $3,920,591 for the Second Quarter 2017. Mr. Jensen noted that contributions were made on behalf of 16,462 active Plan participants.

**B. Third Quarter 2017 – Combined Fund Recap**

Mr. Jensen presented the Administrative Manager's Report for the Third Quarter 2017. For the combined VEBA Fund, Active and Retiree Plans, total income was $31,584,399. Expenses totaled $34,422,564, producing a net deficit of $2,838,165 for the Third Quarter 2017. Mr. Jensen noted that contributions were made on behalf of 16,186 active Plan participants.

## VII. INVOICES

The Trustees reviewed the lists of invoices for the Active Plan and Retiree Plan dated January 10, 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 January 10, 2018 for the Active Plan and Retiree Plan are approved for payment.**

## VIII. <u>OTHER FUND BUSINESS</u>

### A. <u>Maintenance of Benefit Projections ("MOB")</u>

The Trustees discussed the MOB report previously presented in July 2017 with retiree Plan costs included in both the Plan I and Plan X projected contribution rates for Giant and Safeway. They discussed adoption of the July 2017 MOB rates effective February 1, 2018, on a non-precedent setting basis. They noted that a recalculation of the MOB rates would be needed for 2018.

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

> **RESOLVED to adopt the July 2017 MOB rates for a February 1, 2018 effective date, on a non-precedent setting basis. It was further RESOLVED that a re-calculation of the MOB rates be performed for 2018.**

### B. <u>Three Month Reserve Restoration</u>

Mr. Jensen reported that the Fund's reserve is currently below three months. The Trustees discussed the need to raise additional funds in order to meet the Fund's three month reserve target. The most recent estimate to restore the three month target reserve would be to raise an additional $10.1 million dollars. After discussion,

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

> **RESOLVED to appoint a Committee of Federici, Chorpenning, Paradis and Dosenbach to approve a schedule of additional contributions to restore**

**the Fund reserve to three months and to resolve any questions related to the MOB rates.**

**C. Safeway Courtesy Clerks**

Mr. Jensen reported that Safeway had recently confirmed the Courtesy Clerks who worked in excess of 30 hours per week retroactive to April 2017. Mr. Jensen reported that Safeway confirmed payment would be made with the December 2017 contribution paid at the end of January 2018.

**D. Associated Collective Bargaining Agreement (“CBA”)**

Mr. Jensen reported that the CBA between Associated and UFCW Locals 27 and 400 had been ratified. Mr. Jensen noted that effective November 1, 2017, all employees currently eligible for Plan XXX and Plan XL benefits shall receive Plan XX benefits with a provision to “snap back” to Plan X after five years of continuous service under Plan XX. The participants currently covered under Plan XX who have at least five years of service under Plan XX will become covered under Plan X effective November 1, 2017 and those with less than five years of service under Plan XX will become covered under Plan X after five years of continuous service under Plan XX. New hires will be covered under Plan XX after the applicable waiting period. Associated will continue to make monthly contributions in amounts determined by the Board of Trustees to maintain current health and welfare benefits and a three month financial reserve.

**E. Kaiser Medicare HMO Benefits**

Mr. Jensen presented the 2018 Kaiser Permanente proposed Medicare Plan renewal of premium rates. After discussion,

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

**RESOLVED to approve the Kaiser Permanente Medicare Plan renewal premium rates as presented, effective January 1, 2018.**

**F. <u>2018 Medicare Deductible and Co-insurance Rates</u>**

Mr. Jensen presented for the Trustees' review the 2018 Centers for Medicare and Medicaid Services published changes to the Medicare Part A and B premiums, deductibles and co-insurance. Such rates and deductibles are utilized in the Retiree Medicare Supplemental benefit. After discussion, and

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

> **RESOLVED to approve the Medicare deductible and co-insurance rates for the Retiree Medicare Supplemental Benefit for 2018 as presented.**

**G. <u>Miscellaneous Correspondence</u>**

**1. Health Care Cost Containment Corporation ("HCCCCs")**

Mr. Jensen presented the 2018 membership invoice for the HCCCC in the amount of $3,570.00. He asked the Board if they wanted to continue their participation with the HCCCC.

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

> **RESOLVED to continue the Fund's participation with the HCCCC and authorized payment of the invoice.**

**2. Voya Life Insurance Renewal**

Mr. Jensen reported that Voya's 2018 rates for the basic life insurance had increased from $0.175 to $0.215 per participant per month, which represented a 24% increase. However, the basic Accidental Death and Dismemberment insurance rate had remained the same at $0.018 per participant per month. The Trustees discussed the renewal and referred the issue to Segal for review.

**3. Form 1095-B Health Coverage**

Mr. Jensen reported that the Form 1095-B for 2017 would be mailed to all eligible Plan participants at the end of January 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

The Trustees selected the following dates for future meetings: March 2, 2018 at a location near BWI airport, June 28, 2018 in Landover, Maryland, September 25, 2018 at a location near BWI airport, and December 12, 2018 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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