Food Employers Labor Relations Association
and United Food & Commercial Workers
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 ON DECEMBER 20, 2012 IN LANDOVER, MARYLAND

The following Trustees were present:

UNION TRUSTEES	EMPLOYER TRUSTEES
M. Federici - Secretary	J. Paradis – Chairman
M. Boyle	I. Kress
	F. Stegman

Also present were:

H. Burton – Morgan, Lewis & Bockius, LLP
J. Freeman – UFCW Local 27
J. Harrison – UFCW Local 27
G. Gatewood – UFCW Local 27
D. Gillis – Stop and Shop
T. Goins – UFCW Local 27
S. Goodman – Slevin & Hart, P.C.
L. Harris – UFCW Local 400
J. Herishen – Salter & Company
M. Herwig – PNC Bank
T. Hipkins – UFCW Local 27
W. Jensen – Associated Administrators, LLC
G. Kalwarski - Cheiron
W. Kraemer – Ahold USA
R. Logue – The Segal Company
L. Madert – Safeway, Inc.
G. Murphy, Jr. – UFCW Local 27
B. Slevin – Slevin & Hart, P.C.
S. Thompson – The Segal Company
R. Tierney – Associated Administrators, LLC
J. Timm – The Segal Company
L. Walsh – Associated Administrators, LLC

D. White – Ahold, USA
K. Woodrich – Cheiron
C. Wiszynski – UFCW Local 400

I. CALL TO ORDER

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

A. Proxies

Mr. Jensen reported that Trustee Chorpenning and Trustee Masten had provided their proxies to Trustee Federici to act in all matters coming before the Board.

B. Trustee Appointments

Mr. Jensen reported that he had received correspondence dated December 7, 2012 from Mr. Mark Federici, Acting President of UFCW Local 400, appointing himself as a Trustee effective November 28, 2012 to replace Mr. Thomas McNutt, who resigned.

Mr. Jensen noted that Mr. McNutt served as Secretary of the Fund. That role was now vacant. After discussion,

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

RESOLVED to appoint Mr. Federici as Secretary of the FELRA and UFCW Health and Welfare Fund.

II MINUTES

The Trustees reviewed the minutes of the last regular meeting held on July 18, 2012 and the appeals committee meeting held on July 20, 2012, 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 July 18, 2012 and the appeals Committee meeting of July 20, 2012 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, 2012 through October 31, 2012. Such report indicated a beginning market value of $78,623,526, earnings of $1,983,322, receipts of $85,030,730, and disbursements of $130,865,563, producing an ending market value of $34,772,015 as of October 31, 2012.

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

B. Auditor's Report

The Trustees welcomed Mr. Joseph Herishen of Salter & Company to the meeting. He presented the audit report for the period ending December 31, 2011. He noted that the report had an unqualified opinion.

Mr. Herishen reported that contribution income totaled $163,680,294. Adjusted income totaled $2,186,079. Other income totaled $1,666,441, producing total additions to the Fund of $167,532,814. Total deductions amounted to $175,193,189, producing a net decrease in the assets of $7,660,375, resulting in net assets at the end of the year of $113,724,914. Mr. Herishen reviewed the Notes to the Financial Statements, the Schedule of Assets held for Investment Purposes, the Schedule of Reportable Transactions, and the Schedule of Employer Contributions.

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

IV. ATTORNEY'S REPORT

A. Mental Health Parity/Summary of Benefits

Mr. Slevin discussed the Mental Health Parity and Summary of Benefits and Coverage requirements.

B. Department of Labor Closing Letter

Mr. Slevin discussed the Department of Labor closing letter.

C. PPACA Annual Limit Waiver Update

Mr. Slevin discussed the PPACA Annual Limit Waiver update and related participant notice.

D. Form 990

Mr. Slevin discussed the revised Form 990.

E. Heritage Rx

Mr. Slevin reported on the Heritage Rx contract negotiations.

F. Kaiser Permanente Co-Insurance

Mr. Slevin discussed the grandfathered status of the Kaiser Permanente program.

G. Express Scripts Class Action Settlement

Mr. Slevin provided a status report on the Express Scripts class action settlement.

H. Subrogation Report

Mr. Jensen provided a third quarter 2012 subrogation report, which indicated that Slevin & Hart collected $28,324.38.

I. Meridian Litigation

Mr. Slevin reported on the status of the Meridian class action.

V. ADMINISTRATIVE MANAGER'S REPORT

A. 2Q12

Mr. Jensen presented the administrative manager's report for the second quarter 2012 for the active plan. Such report indicated employer contributions of $12,057,037, employee contributions of $1,606,904, interest and dividend income of $315,563, and miscellaneous income of $2,272, producing total income of $13,981,775. Total expenses were $33,641,631, producing a net deficit of $19,659,855 for the quarter. Mr. Jensen noted that contributions were made on behalf of 19,459 active plan participants.

B. 3Q12

Mr. Jensen presented the administrative manager's report for the third quarter 2012 for the active plan. Such report indicated employer contributions of $20,660,297, employee contributions of $236,435, interest and dividend income of $305,686, and miscellaneous income of $5,235, producing total income of $21,207,835. Total Expenses were $33,233,949, producing a net deficit of $12,026,114 for the quarter. Mr. Jensen noted that contributions were made on behalf of 18,952 active plan participants.

Mr. Jensen presented a draft of the new retiree plan administrative manager's report. The Trustees requested that such report be modified to reflect the income and expenses and assets of the retiree plan. Mr. Jensen advised that he would supply a revised draft report before the next meeting.

VI. INVOICES

The Trustees reviewed the list of invoices dated December 20, 2012. 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 December 20, 2012, including the PPACA invoice submitted by Associated, were approved for payment.**

VII. CONSULTANT'S REPORT

The Trustees welcomed Mr. Josh Timm, Mr. Robert Logue, and Ms. Susan Thompson of The Segal Company to the meeting. They presented their analysis of the changes needed to the Plan of Benefits to comply with the Mental Health Parity and Addiction Equity Act of 2008 ("MHPAEA"). After discussion,

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

> **RESOLVED to approve the changes recommended by the Segal Company to comply with MHPAEA, effective January 1, 2013.**

Mr. Stegman advised that the management trustees believed that the cost increases for compliance with the Mental Health Parity Act are outside of the contractual obligations of the employers under the maintenance of benefit ("MOB") clause.

Mr. Timm reviewed recommendations for coverage of physician assistants, surgical assistants, certified registered nurse anesthetists and nurse practitioners. Mr. Burton said if the definitions were added to the Plan Document, there is a concern that there would be a potential expansion for costs if a doctor was able to witness a procedure with the physician assistant. Mr. Slevin asked the representatives of Segal how the changes in coverage could be implemented to allow reasonable substitutions. Ms. Thompson responded by suggesting that the medical necessity language could be utilized to allow such reasonable substitution. Mr. Timm noted that they had such language available. After discussion,

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

> **RESOLVED to authorize Chairman and Secretary to approve Plan language related to physician assistants, surgical assistants, certified registered nurse anesthetists and nurse practitioners coverage based on recommendations produced by the Segal Company and reviewed by Fund Counsel.**

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

VIII. OTHER FUND BUSINESS

A. Medco Contract Renewal

Mr. Jensen noted that Mercer had concluded its review and recommended adoption of the renewal of the Medco/Express Scripts contract, with the Walgreens pharmacy network excluded as of January 1, 2013.

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

> **RESOLVED to adopt the renewal of the Medco/Express Scripts contract effective January 1, 2013, including the exclusion of Walgreen's pharmacies from the network.**

B. InforMed Proposal

Mr. Jensen advised that the representatives from InforMed had contacted his office indicating their continued interest in serving the Fund. Trustee Paradis said that the proposed InforMed costs are more expensive than the current providers to the Fund. In addition, there was a concern on the guarantee of the savings claimed by the provider.

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

> **RESOLVED to authorize Chairman and Secretary to review the InforMed proposal and report back to the Trustees.**

C. Gardisil

Mr. Jensen reviewed the draft Summary of Material Modifications ("SMM") regarding the coverage of Gardisil as recommended by the bargaining parties.

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

> **RESOLVED to approve coverage of Gardisil for females at Giant and Safeway pharmacies in Virginia and at a physician's office, effective April 1, 2012.**

D. Carefirst Tertiary Network

Mr. Jensen reported on the recent termination of the tertiary network used by the Carefirst PPO. He received two proposals; one from CIGNA at 22% of savings, and another from a Carefirst recommended provider, HRGI, at 30% of savings. After discussion,

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

> **RESOLVED to authorize Chairman and Secretary to approve an engagement with a tertiary discounter, as long as such fees did not exceed 22% of savings.**

E. Health Care Reform/PPACA Fees

Mr. Tierney reviewed the PPACA related fees that would be incurred in 2013 and 2014. Such fees included the $1.00 per year per covered life fee to fund the comparative effectiveness research program, also known as the Patient Centered Outcome Research Institute. The fee would be increased in 2014 to $2.00 per covered life. Further, Mr. Tierney outlined the transitional re-insurance program fees of $63.00 per year per enrolled life to be assessed and paid in the fall of 2014. Mr. Tierney noted that IRS Form 720 would be used to file such fees. It was the consensus of the Trustees to request that the Fund auditor prepare such filing.

F. Carefirst Rate Renewal

Mr. Jensen presented correspondence from Carefirst again requesting a two year extension of their contract for shared processing PPO services at an increase of 2% each year retroactively to November 1, 2011.
After discussion,

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

RESOLVED to approve the fee request presented by Carefirst for a 2% increase each year effective November 1, 2011.

G. Medicare Deductible and Co-Insurance Rates for 2013

Mr. Jensen presented the Medicare Part B deductible, Part A hospital deductible, Part A co-insurance for hospital stays for the year 2013. He noted that previously the Fund had reimbursed such costs under the retiree plan of benefits.

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

RESOLVED to approve payment of the hospital deductibles and co-insurance rates for 2013 as presented by the Fund Administrative Manager on a non-precedent setting basis.

H. Kaiser Medicare HMO Renewal

Mr. Jensen presented the Kaiser Medicare Plus HMO Renewal at a rate of $208.55 per month per eligible plan participant effective January 1, 2013 and the part time and spouse coverage at a rate of $103.00 per participant, also effective January 1, 2013.

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

RESOLVED to approve the 2013 Kaiser Medicare Plus HMO Renewal rates as presented.

I. Bakers FELRA Fund Request

Mr. Jensen presented correspondence from Mr. Al Haight, Trustee of the Bakers and FELRA Health and Welfare Fund requesting consideration of possible participation in the FELRA and UFCW Health and Welfare Fund. After discussion, it was the consensus of the Trustees to request that Counsel draft a response to the letter submitted by Mr. Haight, to be approved by the Chairman and Secretary.

J. Trustee Web Portal

Mr. Jensen and Mr. Tierney reviewed the access available to Trustees and selected advisors for meeting related information to be maintained at the Associated Administrators, LLC web site for the Trustees use and convenience. It was noted that such portal would provide the Trustees with the ability to access information at any time prior to, or subsequent to, a Trustee meeting.

IX. PROPOSAL

Mr. Jensen reported that Navitus Health Solutions had forwarded a proposal to provide PBM services for the Fund. The Trustees expressed no interest in this service at this time.

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. ADJOURNMENT

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

Respectfully submitted,

Mark Federici, Secretary

FW12/20/12(orig : 01//04/13)(Rev: 05/01/13bs)